



July 28, 2021

Governing Board Communication

Agenda Item A-3

TO: MERA Governing Board

FROM: Mary Morris-Mayorga, Interim Executive Officer

SUBJECT: ARBITRAGE REBATE CALCULATION FOR 2016 SPECIAL PARCEL TAX REVENUE BONDS AS OF JUNE 2021 – WILLDAN FINANCIAL SERVICES

Recommended Action

Receive and file the Arbitrage Rebate Calculation Report for 2016 Special Parcel Tax Revenue Bonds as of June 2021 as prepared by Willdan Financial Services, Federal Compliance Group.

Background

In 2017, MERA engaged the Willdan Financial Services, Federal Compliance Group to prepare the annual Arbitrage Rebate Calculation Reports for the 2016 Bonds which were issued in the principal amount of \$33,000,000.

As detailed in the report, there is no rebate liability for the three-year temporary period following issuance; however, any bond proceeds remaining in the Project Fund as of that date, May 19, 2019, are yield restricted. This means investment earnings on those funds cannot exceed the arbitrage rate of 2.32572% by more than .125% in accordance with Internal Revenue Service (IRS) regulations. The amount above that limit is considered yield restriction liability which must be paid the IRS in order to maintain tax exempt status.

The yield restriction liability is \$253,588.35 as of May 19, 2021; anticipation of this liability was reported in the prior year's report to the Governing Board. This liability is due to MERA's investment in December 2018 of approximately \$30M of the Project Fund in a Guaranteed Investment Contract with Bayerische Landesbank with a yield of 3.04% (approximately 0.72% more than the arbitrage rate).

As part of the bond covenants, MERA prepares and maintains in files an Annual Post-Issuance Certificate on project expenditure levels including detailed reasons for the remaining bond proceeds in the Project Fund.

Fiscal Impact

The yield restriction liability of \$253,588.35 will be funded by the investment earnings.

Attachment Arbitrage Rebate Calculation for 2016 Special Parcel Tax Revenue Bonds as of June 2021 (Willdan Financial Services – Federal Compliance Group)