

MEMORANDUM

To: Board of Directors
From: James MacDonald, First Deputy Treasurer, Chief Executive Officer
John K. McCarthy, Executive Director, Deputy Chief Executive Officer
Date: December 8, 2020
Re: Change to Trust Indenture – Arbitrage Rebate Fund

Overview:

The MSBA's Trust Indenture established an "Arbitrage Rebate Fund" with the purpose of setting aside a restricted reserve for amounts estimated to be required to be paid to the Internal Revenue Service on earnings above allowable amounts pursuant to the treasury regulations governing arbitrage rebate and yield restriction on tax-exempt bond issues. The purpose of this fund was to establish a mechanism for the Authority, as a newly created entity in 2004, to calculate and transfer certain amounts into a restricted fund as a reserve for later payments estimated to be owed on its outstanding tax-exempt bonds.

This fund is not required pursuant to the related tax laws and regulations, and it has been the Authority's ongoing business practice to include any amounts estimated to be paid to the IRS (based on calculations by its Rebate Consultant) in its annual operating budget, and to make any payments from funds so budgeted. Staff is proposing to amend the relevant provisions in the Authority's Trust Indenture (where they occur) to eliminate the requirement for this fund. Any monies in the existing fund shall be transferred to cover costs of the rebate payment due this year on the MSBA's Series 2015D Bonds.

This action requires a vote of MSBA's Board of Directors; staff is respectfully requesting a vote of the Board to approve this action at its December 16, 2020 meeting. For reference, attached are draft copies of the Thirtieth Supplemental Trust Agreement providing for the amendment to the supplemental trust agreements that contain the rebate provision, a letter of instruction regarding the tax regulatory agreements and a redlined version that shows the effects of the amendments.