



CITY COUNCIL STAFF REPORT

DATE: February 18, 2009 Consent Calendar

SUBJECT: AMEND CONTRACT WITH WILLDAN FINANCIAL SERVICES FOR
ARBITRAGE REBATE SERVICES

FROM: David H. Ready, City Manager

BY: Department of Finance and Treasury

SUMMARY

Willdan Financial Services has been providing the City of Palm Springs with arbitrage rebate services for several years. Agreement A5507 was approved by the City Manager under his authority for a three-year period from 6/04/07 through 6/04/10, for an amount not to exceed \$24,000.00. It has been brought to our attention by Willdan that the IRS requires additional audits not covered by the original agreement at an additional cost of \$6,000.

RECOMMENDATION:


1. Amend the contract with Willdan Financial Services by increasing the not-to-exceed amount to \$30,000.
2. Authorize the City Manager to execute all necessary documents

STAFF ANALYSIS:


Willdan Financial Services performs arbitrage rebate consulting and report preparation services to determine the cumulative liability pursuant to section 148(f) of the Internal Revenue Code on various City bond issues. Willdan recently identified that certain installment and final computations will be required on four bond issues that were not included on "Exhibit B: Fees for Services" of the original contract. These computation reports fall within the Scope of Services as identified in Exhibit A. The IRS requires that these reports be prepared.

FISCAL IMPACT:


All of the costs of this increase to the contract will be borne by the Assessment Districts or the Redevelopment Agency. There is no General Fund Impact.



Geoffrey S. Kiehl
Director of Finance and Treasurer



Thomas Wilson
Assistant City Manager



David H. Ready
City Manager

Attachments:

REC'D IN FINANCE

DEC 29 2008

December 24, 2008

Mr. David Ready
City Manager
City of Palm Springs
P.O. Box 2743
Palm Springs, CA 92263-2743


RE: Addendum to Provide Arbitrage Rebate Calculation Services to the City of Palm Springs

Dear Mr. Ready:

Enclosed please find two copies of an addendum to our existing Agreement dated June 4, 2007. Please sign both copies, returning one in the envelope provided for your convenience. We look forward to continuing our relationship with the City of Palm Springs and working with you and your staff.

If you have any questions, please do not hesitate to contact me directly at (800) 755-6864.

Very truly yours,
Willdan Financial Services (formerly MuniFinancial)



Anne Pelej, Vice President & Group Manager
Federal Compliance Group

Enclosure

January 23, 2009

REC'D IN FINANCE
JAN 26 2009

Mr. Geoffrey Kiehl
 Director of Finance
 City of Palm Springs
 P.O. Box 2743
 Palm Springs, California 92263-2743

RE: Arbitrage Rebate Services Contract Amendment

Dear Mr. Kiehl:

An amendment to the Contract dated June 4, 2007, for additional Services, is necessary to comply with IRS arbitrage rebate requirements. The IRS requires an arbitrage computation every 5th bond year (installment computation) and on the final computation date of the issue. We will need to prepare installment computations for 3 issues and a final computation for 1 issue (see table below).

Original Principal	Issue Name	Next Report	Next Installment	Next Fee
\$9,075,000.00	Merged Project #2, TARB, 2004 Ser B	5/1/2009	5/1/2009	\$1,500.00
\$14,240,000.00	Merged Project #1, TARB, 2004 Ser A	5/1/2009	5/1/2009	\$1,500.00
\$3,725,000.00	98 Ltd Ob. Rev, Ser A (AD 155 Refi) *	9/2/2009	9/2/2009	\$1,500.00
\$1,300,000.00	AD #162	12/1/2009	12/1/2009	\$1,500.00

* Final Computation

Upon review of the original amendment, we recognized the additional reports that fell within the contract term of June 4, 2007 thru June 4, 2010 were not included. A Contract Addendum dated December 24, 2008 was prepared to account for the additional Services.

Please let me know if you have questions or concerns.

Thanks again for your attention to this matter and have a nice day.

Regards,
 Willdan Financial Services



James Ward, Analyst II
 Federal Compliance Group

ADDENDUM TO AGREEMENT

The agreement between Willdan Financial Services and City of Palm Springs, dated June 4, 2007 (hereinafter the "Agreement") is amended as follows:

The Agreement is amended to include the following additional issue/reports and fees:

ISSUE NAME	PRINCIPAL AMOUNT	ISSUE DATE	NEXT REPORT	FEE
Tax Allocation Refunding Bonds, Merged Project #2, 2004 Series B	\$9,075,000	6/16/2004	5/1/2009	\$1,500
Tax Allocation Refunding Bonds, Merged Project #1, 2004 Series A	\$14,240,000	6/16/2004	5/1/2009	\$1,500
1988 Limited Obligation Revenue Bonds, Series A (AD #155 Bond Refinancing)	\$3,725,000	9/2/1988	9/2/2009	\$1,500
Assessment District #162 (The Villas In Old Palm Springs and 48 (C) Bahia)	\$1,500,000	12/1/2004	12/1/2009	\$1,500

All other terms and conditions contained in the Agreement shall remain in full force and effect.

Executed this December 24, 2008.

Willdan Financial Services
(formerly MuniFinancial)

City of Palm Springs

By: 
Anne Pelej
Vice President & Group Manager

By: _____
David Ready
City Manager

Date: 12/24/08

Date: _____

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The agreement between Willdan Financial Services and City of Palm Springs, dated June 4, 2007 (hereinafter the "Agreement") is amended as follows:

The Agreement is amended to include the following additional issue/reports and fees:

ISSUE NAME	PRINCIPAL AMOUNT	ISSUE DATE	NEXT REPORT	FEE
Tax Allocation Refunding Bonds, Merged Project #2, 2004 Series B	\$1,075,000	6/16/2004	5/1/2009	\$1,500
Tax Allocation Refunding Bonds, Merged Project #1, 2004 Series A	\$1,240,000	6/16/2004	5/1/2009	\$1,500
1998 Limited Obligation Revenue Bonds, Series A (AD 4155 Bond Refinancing)	\$1,725,000	3/2/1998	9/2/2009	\$1,500
Assessment District #152 (The Villas in Old Palm Springs and 46 @ Banco)	\$1,300,000	12/1/2004	12/1/2009	\$1,500

All other terms and conditions contained in the Agreement shall remain in full force and effect.

Executed this December 24, 2008.

Willdan Financial Services
(formerly MuniFinancial)

City of Palm Springs

By: 
Anne Pelej
Vice President & Group Manager

By: _____
David Ready
City Manager

Date: 12/24/08

Date: _____

EXHIBIT A: SCOPE OF SERVICES

Phase One — Setup

- ◆ An analyst will be assigned by MuniFinancial to manage the arbitrage rebate consulting activities.
- ◆ The analyst will review those tax-exempt financings subject to the federal compliance regulations and discuss the work plan.
- ◆ The analyst will review pertinent documents relating to the debt to confirm that the financing is subject to the arbitrage rebate requirements and identify relevant exceptions, elections, and yield restrictions.
- ◆ The subject bond issues will be loaded into MuniFinancial's proprietary tracking system with their respective target calculation dates.
- ◆ Bond documents and cash flow information required for the reports will be collected.

Phase Two — Report Preparation

The analyst shall perform the following activities to determine the cumulative arbitrage liability pursuant to Section 148(f) of the Internal Revenue Code:

- ◆ Calculate the bond yield and identify all gross proceeds and transferred proceeds (advance refunding issues) allocated to the issue.
- ◆ Compare allowable arbitrage earnings to actual earnings to determine cumulative arbitrage liability.
- ◆ Review and consider application of alternative regulatory provisions that may improve the arbitrage liability.
- ◆ Verify that two senior analysts review the calculation and summary findings.
- ◆ Upon request, MuniFinancial will engage the services of tax counsel and an independent legal opinion shall be rendered.
- ◆ A comprehensive rebate report will be produced and include the following:
 - ✓ Computation Summary,
 - ✓ Summary Analysis of all relevant dates and assumptions,
 - ✓ Sources and uses of funds,
 - ✓ Arbitrage yield and yield restriction requirements,
 - ✓ Rebate liability by fund and aggregate liability for the issue,
 - ✓ Arbitrage/Investment Yield Comparison Graph,
 - ✓ Rebate Calculations by fund,
 - ✓ Outstanding Investments Summary, and
 - ✓ Preparation of IRS Form 8038-T and filing instructions.

Phase Three — Ongoing Additional Support

MuniFinancial's support does not end with report production. MuniFinancial analysts shall be available throughout the agreement period for the following activities:

- ◆ Review current policies and procedures for tracking expenditure and investment earnings allocations. If these systems do not provide sufficient detail to adequately calculate and monitor rebate liability, MuniFinancial will make recommendations to assist in complying with all applicable Federal Regulations.
- ◆ MuniFinancial will keep abreast of enforcement actions and Code/Regulation changes that may affect arbitrage compliance requirements. Retroactive changes requiring recalculation of a previously submitted arbitrage report shall be performed at our hourly rates.
- ◆ Assist staff in the event of a rebate calculation audit.
- ◆ Upon request, MuniFinancial will consult with respect to structuring of new bond issues and other matters that will affect any eventual arbitrage liability.

Client Responsibilities

The analyst will need the following documents and financial information:

- ◆ Official Statement,
- ◆ Tax Certificate (Arbitrage Certificate, Non-Arbitrage Certificate),
- ◆ IRS Form 8038-G (governmental) or Form 8038 (private activity),
- ◆ Escrow Verification (refunding issues only),
- ◆ Cash/Asset and Investment Activity Statements (or internal records of expenditure and earnings activity), and
- ◆ Current balances on funds held by the City.

EXHIBIT B: FEES FOR SERVICES

2006 Airport Passenger Facility Charge Refunding Revenue (PS Regional Airport)	\$12,000,000.00	5/2/2006	5/2/2009	\$2,500
Lease Revenue Refunding Bonds, 2004 Series B	\$12,000,000.00	10/22/1997	10/22/2007	\$2,000
AD 161 (Mountain Gate)	\$4,752,500.00	2/24/2004	9/2/2008	\$1,250
Merged Project #2, TARB, 2004 Series B	\$9,075,000.00	6/16/2004	5/1/2007	\$2,000
Merged Project #1, TARB, 2004 Series A	\$14,240,000.00	6/16/2004	5/1/2007	\$2,000
Lease Revenue, 2004 Series A (Convention Center Expansion)	\$62,395,000.00	6/3/2004	6/3/2007	\$2,000
2006 Airport Passenger Facility Charge Refunding Revenue (PS Regional Airport)	\$12,000,000.00	5/2/2006	5/2/2009	\$2,500
Assessment District #157	\$1,122,889.97	5/14/1992	5/14/2007	\$2,000
Assessment District #162	\$1,300,000.00	12/1/2004	12/1/2007	\$2,500
Additional Fees - Set Up/Commingled Funds/Transferred Proceeds Analysis				\$1,750
Total				\$24,000

If additional services are required during the contract period, the City will be contacted prior to the work being performed.