



CONTRA COSTA COUNTY

1025 ESCOBAR STREET
MARTINEZ, CA 94553

Staff Report

File #: RES 2026-178
C.18.

Agenda Date: 5/12/2026

Agenda #:

To: Board of Supervisors

From: Monica Nino, County Administrator

Report Title: Reimbursement Resolution for Arbitrage Rebate/Yield Reduction Payment - 2021 Lease Revenue Bonds

Recommendation of the County Administrator Recommendation of Board Committee

RECOMMENDATIONS:

Acting as the Governing Board of the County of Contra Costa Public Financing Authority (the "Authority"):

1. ADOPT Resolution No. 2026-178 stating intent of the Authority to reimburse the Rebate Payment made on or before May 17, 2026, from Project Fund investment earnings related to the Authority's 2021 Lease Revenue Bonds, in accordance with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended, and as permitted by Sections 3.02 and 6.03 of the Trust Agreement dated as of March 1, 2021, by and between the County of Contra Costa Public Financing Authority and Computershare Trust Company, N.A., as successor trustee, relating to the Bonds.
2. AUTHORIZE the appropriate County and Authority officials to take all actions necessary to implement the Resolution, including the allocation of Bond sale proceeds or earnings thereon to the costs of the Rebate Payment, and to ensure compliance with all applicable federal tax law requirements.

FISCAL IMPACT:

The Authority currently owes a yield reduction payment of \$839,190.36 to the Department of the Treasury related to the Authority's 2021 Lease Revenue Bonds. Generally, issuers of tax-exempt municipal bonds are restricted on the amount of investment earnings that can be generated on the proceeds of bonds sales. The Authority has successfully maximized the amount of interest that can be earned on the proceeds of this bond issuance and the balance must allocated to the federal government. It is important to note that this is not a punitive measure or a forfeiture of funding.

BACKGROUND:

The County of Contra Costa Public Financing Authority previously issued its Lease Revenue Bonds, 2021 Series A (Capital Projects) and 2021 Series B (Refunding), to finance capital improvements and refund prior obligations. In accordance with federal tax law, specifically Section 148(f) of the Internal Revenue Code of

1986, as amended, issuers of tax-exempt bonds are required to make periodic rebate payments to the United States Department of the Treasury to ensure that investment earnings on bond proceeds do not exceed permitted limits. The rebate requirement is designed to prevent arbitrage, whereby issuers might otherwise profit from investing bond proceeds at higher yields than the interest paid on the bonds themselves.

To comply with these federal requirements, the Authority intends to make a rebate payment on or before May 17, 2026, relating to the 2021 Series A and B Bonds. The Trust Agreement dated as of March 1, 2021, between the County of Contra Costa Public Financing Authority and Computershare Trust Company, N.A., as successor trustee, establishes the Project Fund from which investment earnings may be used for eligible purposes, including the payment of rebate obligations, once the financed projects have been completed. Sections 3.02 and 6.03 of the Trust Agreement specifically authorize the allocation of bond proceeds and investment earnings to cover the costs of required rebate payments.

The proposed Reimbursement Resolution documents the Authority's intent to reimburse for the rebate payment from available Project Fund investment earnings, rather than from the County's General Fund or other unrestricted resources. This approach is consistent with both the governing Trust Agreement and applicable federal tax law, and it preserves the County's general revenues for other public purposes. The Resolution also provides the necessary administrative authorization for County and Authority officials to implement the reimbursement and ensure ongoing compliance with all relevant legal and regulatory requirements.

CONSEQUENCE OF NEGATIVE ACTION:

If the Board does not approve the Reimbursement Resolution, the County will be unable to formally document its intent to reimburse the rebate payment from Project Fund investment earnings. As a result, the County may forfeit the opportunity to recover eligible expenditures from available bond-related funds, potentially requiring the use of other County resources for reimbursement or resulting in unreimbursed costs. Additionally, failure to establish the necessary administrative record could complicate compliance with federal tax law requirements regarding the allocation and reimbursement of bond proceeds.

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

**RESOLUTION OF THE COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY
REGARDING ITS INTENTION TO MAKE A REBATE PAYMENT FROM PROJECT FUND
INVESTMENT EARNINGS**

WHEREAS, the County of Contra Costa Public Financing Authority (the "Authority") previously issued its Lease Revenue Bonds (Capital Projects and Refunding), 2021 Series A (Capital Projects) and 2021 Series B (Refunding) (collectively, the "Bonds");

WHEREAS, the Authority intends to make a payment on or before May 17, 2026 to the United States Department of the Treasury (the "Rebate Payment") in order to comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended with respect to the Bonds;

WHEREAS, the Authority intends to ultimately allocate sale proceeds of the Bonds (or earnings thereon) to the costs of the Rebate Payment which are held in the Project Fund established under that certain Trust Agreement (the "Trust Agreement"), dated as of March 1, 2021, by and between the Authority and Computershare Trust Company, N.A., as successor trustee, relating to the Bonds;

WHEREAS, the Authority desires to initially pay the Rebate Payment from available monies of the County of Contra Costa (the "County") which expenditure is intended to be reimbursed by the Authority from Project Fund investment earnings; and

WHEREAS, Sections 3.02 and 6.03 of the Trust Agreement permit the County and the Authority, once the projects have been completed, to allocate Bond proceeds and investment earnings to the Rebate Payment;

NOW, THEREFORE, THE COUNTY AND THE AUTHORITY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. The County and the Authority hereby state their intention and reasonably expect to reimburse the Rebate Payment paid on or before May 17th with Project Fund investment earnings.

SECTION 2. All the recitals in this Resolution are true and correct and this so finds, determines and represents.

SECTION 3. All terms not defined herein have the meanings ascribed in the Trust Agreement.

Dated: May 12, 2026

COUNTY OF CONTRA COSTA


By: _____



Authorized Representative

COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY

By:



Authorized Representative