

To: President and Members of the Munster Town Council

From: Patricia Abbott
Controller

Date: December 1, 2025

Re: Letter of Engagement: Arbitrage

The Town has a number of outstanding bond issues which are subject to the IRS arbitrage rules and regulations. Arbitrage occurs when the bond proceeds are invested at an interest rate higher than the rate being charged to borrow the money. Under the regulations, there is a certain period of time when this is permitted without having to give a portion of that interest to the IRS.

These calculations are required by the IRS on tax-exempt bond issuances and they are part of the trust indentures for the TIF-backed bond issuances. These are complex regulations and the Town wants to ensure it is in compliance to both protect the tax-exempt status of the bonds and to maintain its strong standing in the bond market. Because these regulations apply to only tax-exempt debt, this is not a well-known part of the IRS Code. Baker Tilly has the technical expertise needed for this work.

With the 2025 Waterworks Revenue Bond, Baker Tilly has asked to update the agreements that have been in place. This will bring all the currently applicable bond issued under one engagement letter. The listing of these bonds can be seen on Exhibit A of the engagement letter. This exhibit also shows how often each bond issue needs to have the calculation made. The cost for this service is based on the hourly rates as listed in the engagement letter.

Recommendation:

By motion and roll call vote, approve the letter of engagement with Baker Tilly for arbitrage services.