



Arbitrage & Savings

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May 29, 2008



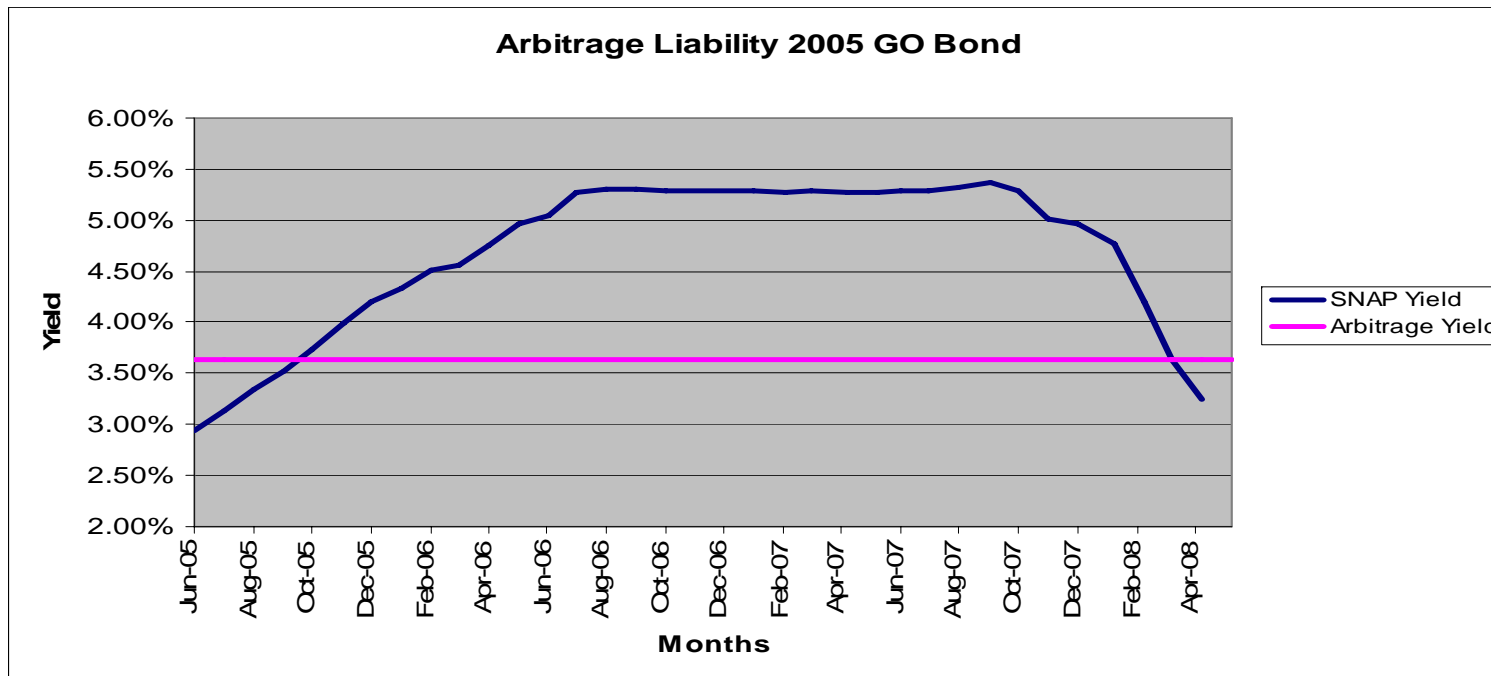
In The Beginning...

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Awareness

- Higher Interest Rates – Potential for Positive Arbitrage Environment
- Indications Arbitrage Liability may amount to substantial numbers!
- What causes Arbitrage Liability accumulation?
 - Interest Rate Level
 - Draw Process
 - Spending Frequency } Needs to be Efficient and Accurate





What To Do?

- A Need for Tracking to be Prepared.
- Reduce the Liability!
 - Draw Process
 - Spending Frequency
- Meeting Arbitrage Exception Benchmarks (6-, 18- and 24-mo).
 - Keeping the interest earned



Tracking

Bond Draws 2005 GO Issue		March-08	
Total Issuance	\$94,525,000.00	Arbitrage Yield	3.6337%
Total Spent	\$73,462,684.86 77.72%	Mo	2.54
Total Remaining	\$21,062,315.14 22.28%	Saving Mo	1.44
Average Spent per month	\$2,160,667.20	Arb. Savings	\$0.00
Months to spend all	43.75 3.6457 Years	Invest Savings	\$679.21
* Construction Bonds Only (100% spent after 24-Mo)		2yr Average Lag	2.54
		Current Lag	1.10
		GF Invest Rate:	3.60%

Expense Date	Est. Expense Date	Draw Date	Draw Lag (Mo)	Dollars Spent	% of issue	Cumulative Spending \$	Cumulative Spending %	6-Mo Rule	18-Mo Rule	24-Mo Rule*	Remaining \$ of Issuance	SNAP Yield	SNAP Income	Arb. Liability Growth per Month	Cumulative Arb. Liability
Issue Size				\$94,525,000.00				\$94,525,000.00							
June 2005 SNAP	6/15/2005	8/8/2005	1.80	\$2,044,641.88	2.16%	2,044,641.88	2.16%				\$92,480,358.12	2.94%	\$226,576.88	-\$53,461.35	-\$53,461.35
July 2005 SNAP	7/15/2005	9/26/2005	2.43	\$560.46	0.00%	2,045,202.34	2.16%				\$92,479,797.66	3.13%	\$241,218.14	-\$38,818.40	-\$92,279.75
August 2005 SNAP	8/15/2005	11/16/2005	3.10	\$83,155.15	0.09%	2,128,357.49	2.25%				\$92,396,642.51	3.35%	\$257,940.63	-\$21,844.11	-\$114,123.85
September 2005 SNAP	9/15/2005	11/18/2005	2.13	\$2,734,112.86	2.89%	4,862,470.35	5.14%				\$89,662,529.65	3.53%	\$263,757.27	-\$7,748.34	-\$121,872.19
October 2005 SNAP	10/15/2005	1/24/2006	3.37	\$2,152,354.36	2.28%	7,014,824.71	7.42%				\$87,510,175.29	3.74%	\$272,740.05	\$7,751.94	-\$114,120.25
November 2005 SNAP	11/15/2005	1/25/2006	2.37	\$2,351,866.99	2.49%	9,366,691.70	9.91%	95%	15%	10%	\$85,158,308.30	3.99%	\$283,151.38	\$25,284.92	-\$88,835.33
December 2005 SNAP	12/15/2005	2/2/2006	1.63	\$1,877,674.49	1.99%	11,244,366.19	11.90%				\$83,280,633.81	4.21%	\$292,176.22	\$39,995.52	-\$48,839.80
January 2006 SNAP	1/15/2006	3/7/2006	1.70	\$4,669,638.37	4.94%	15,914,004.56	16.84%				\$78,610,995.44	4.33%	\$283,654.68	\$45,614.03	-\$3,225.77
February 2006 SNAP	2/15/2006	3/20/2006	1.10	\$2,087,291.23	2.21%	18,001,295.79	19.04%				\$76,523,704.21	4.51%	\$287,601.59	\$55,881.43	\$52,655.66
March 2006 SNAP	3/15/2006	5/17/2006	2.10	\$1,798,871.21	1.90%	19,800,167.00	20.95%				\$74,724,833.00	4.56%	\$283,954.37	\$57,681.34	\$110,337.01
April 2006 SNAP	4/15/2006	6/28/2006	2.47	\$2,146,932.68	2.27%	21,947,099.68	23.22%				\$72,577,900.32	4.76%	\$287,892.34	\$68,120.41	\$178,457.41
May 2006 SNAP	5/15/2006	6/30/2006	1.53	\$2,072,878.08	2.19%	24,019,977.76	25.41%	100%	60%	45%	\$70,505,022.24	4.96%	\$291,420.76	\$77,925.68	\$256,383.09
June 2006 SNAP	6/15/2006	8/21/2006	2.23	\$2,525,137.71	2.67%	26,545,115.47	28.08%				\$67,979,884.53	5.05%	\$286,082.01	\$80,233.26	\$336,616.35
July 2006 SNAP	7/15/2006	12/21/2006	5.30	\$750,494.25	0.79%	27,295,609.72	28.88%				\$67,229,390.28	5.27%	\$295,249.07	\$91,672.88	\$428,289.22
August 2006 SNAP	8/15/2006	1/19/2007	5.23	\$203,385.24	0.22%	27,498,994.96	29.09%				\$67,026,005.04	5.30%	\$296,031.52	\$93,071.19	\$521,360.42
September 2006 SNAP	9/15/2006	2/8/2007	4.87	\$2,593,911.22	2.74%	30,092,906.18	31.84%				\$64,432,093.82	5.30%	\$284,575.08	\$89,469.33	\$610,829.75
October 2006 SNAP	10/15/2006	2/20/2007	4.27	\$944,956.51	1.00%	31,037,862.69	32.84%				\$63,487,137.31	5.28%	\$279,343.40	\$87,099.06	\$697,928.81
November 2006 SNAP	11/15/2006	2/28/2007	3.50	\$3,038,132.29	3.21%	34,075,994.98	36.05%	100%	75%		\$60,449,005.02	5.28%	\$265,975.62	\$82,931.00	\$780,859.81
December 2006 SNAP	12/15/2006	3/1/2007	2.53	\$524,658.65	0.56%	34,600,653.63	36.60%				\$59,924,346.37	5.28%	\$263,667.12	\$82,211.21	\$863,071.02
January 2007 SNAP	1/15/2007	3/5/2007	1.63	\$1,142,480.31	1.21%	35,743,133.94	37.81%				\$58,781,866.06	5.28%	\$258,640.21	\$80,643.82	\$943,714.84
February 2007 SNAP	2/15/2007	3/26/2007	1.30	\$351,014.33	0.37%	36,094,148.27	38.18%				\$58,430,851.73	5.27%	\$256,608.82	\$79,675.34	\$1,023,390.18
March 2007 SNAP	3/15/2007	4/23/2007	1.30	\$392,494.59	0.42%	36,486,642.86	38.60%				\$58,038,357.14	5.28%	\$255,369.77	\$79,623.79	\$1,103,013.96
April-07	4/15/2007	6/21/2007	2.23	\$19,425,985.08	20.55%	55,912,627.94	59.15%				\$38,612,372.06	5.27%	\$169,572.67	\$52,651.19	\$1,155,665.15
May-07	5/15/2007	6/29/2007	1.50	\$7,399,765.17	7.83%	63,312,393.11	66.98%	100%			\$31,212,606.89	5.27%	\$137,075.37	\$42,560.99	\$1,198,226.14
June-07	6/15/2007	8/7/2007	1.77	\$1,643,326.65	1.74%	64,955,719.76	68.72%				\$29,569,280.24	5.28%	\$130,104.83	\$40,566.59	\$1,238,792.73
July-07	7/15/2007	9/13/2007	2.00	\$3,732,976.06	3.95%	68,688,695.82	72.67%				\$25,836,304.18	5.29%	\$113,895.04	\$35,660.56	\$1,274,453.29
August-07	8/15/2007	9/20/2007	1.20	\$1,073,796.76	1.14%	69,762,492.58	73.80%				\$24,762,507.42	5.32%	\$109,780.45	\$34,797.51	\$1,309,250.80
September-07	9/14/2007	10/15/2007	1.03	\$755,056.30	0.80%	70,517,548.88	74.60%				\$24,007,451.12	5.37%	\$107,433.34	\$34,736.78	\$1,343,987.58
October-07	10/15/2007	11/15/2007	1.03	\$1,449,649.30	1.53%	71,967,198.18	76.14%				\$22,557,801.82	5.29%	\$99,442.31	\$31,135.41	\$1,375,122.99
November-07	11/15/2007	12/19/2007	1.13	\$433,580.06	0.46%	72,400,778.24	76.59%				\$22,124,221.76	5.02%	\$92,552.99	\$25,559.01	\$1,400,682.00
December-07	12/15/2007	1/15/2008	1.03	\$196,411.16	0.21%	72,597,189.40	76.80%				\$21,927,810.60	4.97%	\$90,817.68	\$24,418.44	\$1,425,100.44
January-08	1/15/2008	2/13/2008	0.97	\$141,054.57	0.15%	72,738,243.97	76.95%				\$21,786,756.03	4.77%	\$86,602.36	\$20,630.24	\$1,445,730.68
February-08	2/15/2008	3/19/2008	1.10	\$567,204.97	0.60%	73,305,448.94	77.55%				\$21,219,551.06	4.21%	\$74,445.26	\$10,190.69	\$1,455,921.37
March-08	3/15/2008	4/17/2008	1.10	\$157,235.92	0.17%	73,462,684.86	77.72%				\$21,062,315.14	3.63%	\$63,713.50	-\$64.94	\$1,455,856.43



Action I

- Rebate Accounts
 - Setting Aside Funds for Arbitrage Payments to the IRS
 - Helps Recognize Liability Even if Funds Are Not Formally Set Aside

Issue Name	Account Number	Balance	Arbitrage Transfer
		SNAP Yield 3.60%	Arbitrage Yield 3.63%
2005 GO (Principal)	SNAP00001-050	\$21,062,315.14	
2005 GO (Interest)	SNAP00001-051	\$63,713.50	
2005 GO (Rebate)	SNAP00001-909	\$1,455,856.43	-\$64.94



Action II

- Improved Draw Process
 - Reduce Time Lag Between Expense Date and Draw Date
 - Monthly Draws
 - Quick Draws
 - Timely School Draws
- Increased Spending Frequency
 - Limit the time Bond Proceeds earn Arbitrage
 - Create dynamic interaction with Departments on more efficient spending
 - Policy Changes?



Accomplishments

- Ability to Track Arbitrage Liability
- Rebate Accounts created and being filled up to estimated levels of Arbitrage Liability
- Time Lag for Monthly Draws reduced from 2.54 Months (previous 2yr avg.) to about 1 Month
- Creation of Large Expense Draws or “Quick Draws”
- Ability to draw School Expenses on a continuous basis



Savings

- Savings calculation based on time savings and reinvestment.
- Improved time efficiency in Monthly Draws and Large Expense Draws has saved approximately \$500,000.00 from May-07 – March -08



Going Forward...

In a positive Arbitrage environment the main goal must be to meet the Spend-Down Benchmarks.

- Enhance spending frequency
- Issue only what is needed when it is needed
- Pre-Spending, Spend Before Issuance, Then Reimburse
- Multiple Issuances spread out over the year
- Separate Issuance from Departments with fast enough spending frequencies