



THE DEVELOPMENT AUTHORITY OF PEARLAND

CITY OF PEARLAND
REGULAR DAP MEETING
MONDAY, SEPTEMBER 14, 2015, 4:00 P.M.
IN THE FIRST FLOOR | CONFERENCE ROOM | PEARLAND CITY HALL
3519 LIBERTY DRIVE
281.652.1600

I. CALL TO ORDER AND ROLL CALL

II. PUBLIC COMMENTS

III. NEW BUSINESS:

1. **Consideration and Possible Action** – Approval of the Development Authority of Pearland Board of Directors Meeting Minutes for November 10, 2014, Regular Meeting held at 4:00 P.M. *DAP Board of Directors.*
2. **Consideration and Possible Action – Resolution No. RDAP- 2015-02** – A Resolution of the Development Authority of Pearland (DAP), accepting the 2014 Annual Financial Report for the Fiscal Year ending September 30, 2014.
3. **Consideration and Possible Action – Resolution No. RDAP- 2015-03** – A Resolution of the Development Authority of Pearland (DAP), accepting the Financial Report for the period ending August 31, 2015.
4. **Consideration and Possible Action – Resolution No. RDAP- 2015-04** – A Resolution of the Development Authority of Pearland (DAP), ratifying checks 1126 through 1141 totaling \$23,496.93.
5. **Consideration and Possible Action – Resolution No. RDAP- 2015-05** – A Resolution of the Development Authority of Pearland (DAP), accepting the Investment Report for the Quarters ending September 2014, December 2014, March 2015, and June 2015.

6. **Consideration and Possible Action – Resolution No. RDAP- 2015-06** – A Resolution of The Development Authority of Pearland (DAP), Adopting An Amended Investment Policy, Investment Strategy and Approved Brokers in accordance with Chapter 2256 of the Government Code (“Public Funds Investment Act”).
7. **Consideration and Possible Action – Resolution No. RDAP- 2015-07**– A Resolution of the Development Authority of Pearland (DAP), Texas approving a contract with Arbitrage Compliance Specialists, INC. for Arbitrage Compliance Services.
8. **Consideration and Possible Action – Resolution No. RDAP- 2015-08** – A Resolution of the Development Authority of Pearland (DAP), Texas Authorizing a Developer Reimbursement to Shadow Creek Ranch Development Company LTD to reimburse for TIRZ Infrastructure Improvements in the amount of \$6,840,000.
9. **Consideration and Possible Action** – Discussion and Approval to Proceed with Private Placement of Bond Sale – Series 2015 in the estimated amount of \$17,905,000.

IV. ADJOURNMENT

This site is accessible to disabled individuals. For special assistance, please call Young Lorfing at 281-652-1840 prior to the meeting so that appropriate arrangements can be made.

All agenda supporting documents are available at pearlandtx.gov

MINUTES OF A REGULAR MEETING OF THE DEVELOPMENT AUTHORITY OF PEARLAND, CITY OF PEARLAND TEXAS, HELD ON MONDAY, NOVEMBER 10, 2014, 4:00 P.M., IN THE FIRST FLOOR CONFERENCE ROOM AT PEARLAND CITY HALL, 3519 LIBERTY DRIVE, PEARLAND, TEXAS.

Mayor Reid called the meeting to order at 4:03 p.m. with the following present:

Chairman	Tom Reid
Secretary	Ed Baker
Boardmember	Bill Sloan
Boardmember	Tom Pool
Boardmember	Anthony Carbone

Others in attendance: Claire Bogard City of Pearland Director of Finance; Rick Overgaard, Assistant Finance Director, Maria E. Rodriguez City of Pearland Deputy City Secretary; John Robuck BOSC Inc.; Rick Witte, Andrews Kurth LLP, Drew Pelter Shadow Creek Ranch Development Company.

NEW BUSINESS:

Board Action – Approval of the Development Authority of Pearland Board of Directors Meeting Minutes for September 29, 2014, Special Meeting held at 4:00 P.M. *DAP Board of Directors.*

Boardmember Sloan made the motion, seconded by Boardmember Pool, to approve the Minutes of the September 29, 2014, Development Authority of Pearland Meeting.

Voting “Aye” Boardmembers Reid, Baker, Sloan, Pool, and Carbone.

Voting “No” None.

Motion Passed 5 to 0.

Board Action – Resolution No. RDAP- 2014-09 – A Resolution of the Development Authority of Pearland (DAP), accepting the Investment Report for the quarter ending September 2014.

Boardmember Baker made the motion, seconded by Boardmember Carbone, to approve the Resolution No. RDAP-2014-09.

Rick Overgaard Assistant Finance Director, provided the Board with an overview of the Quarterly Investment Report ending September 2014.

Boardmember Sloan asked how the \$922,340 jump to \$1,932,931 from June 2014 to September 2014.

Claire Bogard Finance Director stated pursuant to the Tri-Party Agreement between the TIRZ No. 2, and the Development Authority of Pearland, each August any funds available in the TIRZ No. 2 account get transferred to the Development Authority of Pearland. That money then gets shipped out to Regions Bank. Regions Bank keeps the amount needed to make the annual debt service payments and returns the remainder to the Development Authority of Pearland. Regions Bank has \$932,000 of the \$1 million for the debt service that is due in March. The \$1 million is being kept as a safety net to allow the flexibility to go towards the public market instead of private placement should the Board want to do so in the future.

Voting "Aye" Boardmembers Reid, Baker, Sloan, Pool, and Carbone.

Voting "No" None.

Motion Passed 5 to 0.

Board Action – Resolution No. RDAP- 2014-10 – A Resolution of the Development Authority Of Pearland (DAP), Texas authorizing a Developer Reimbursement to Shadow Creek Ranch Development Company Ltd to reimburse for TIRZ infrastructure improvements in the amount of \$7,920,000.

Boardmember Baker made the motion, seconded by Boardmember Sloan, to approve the Resolution No. RDAP-2014-10.

Claire Bogard Finance Director stated this item is to authorize a Developer Reimbursement to Shadow Creek Development for TIRZ No. 2 infrastructure improvements. The amount of the reimbursement is now being amended to \$7,890,000 as a result of the bond sale. To date there is approximately \$183 million of audited and actual improvements approved for reimbursement by the TIRZ No. 2 Board of which \$98 million is left to be reimbursed excluding accrued interest. Payment of \$7,890,000 will be made to the developer upon closing of the Series 2014 bonds anticipated around December 9, 2014.

Voting "Aye" Boardmembers Reid, Baker, Sloan, Pool, and Carbone.

Voting "No" None.

Motion Passed 5 to 0.

Board Action – Resolution No. RDAP-2014-11 – A Resolution Authorizing the issuance of \$8,60,000 Development Authority Of Pearland Tax Increment Contract Revenue Bonds, Series 2014; approving documents relating to the Series 2014 Bonds; and containing other provisions related thereto.

Boardmember Pool made the motion, seconded by Boardmember Carbone, to approve the Resolution No. RDAP-2014-11.

John Robuck BOSCO, Inc., stated the term sheet has been sent out to 17 banks throughout the country. To date we have received (3) three bids with the lowest being from Bank of Texas for 2.72 percent. The overview is a fixed rate of 2.72 percent the bonds maturing on or after September 1, 2025, with a 10 year callable at any time at par starting with September 1, 2014. Bank of Texas has also waived the reserve fund requirement. This savings allows for a larger reimbursement shown on page 2 of the Board's packet. He stated there were \$80, 60,000 bonds sold based on the revenue history, less the expense of \$170,000, equal the total proceeds for developer reimbursement of \$7,890,000. The all cost True Interest Rate was at 3.033 percent with the average life of 7.9 years. The approximate date for closing on this bond issue is December 9th at that point the funds will be deposited into the Development Authority of Pearland's account. Mr. Robuck continued to provide the Board with an overview of the debt service requirements, the bond issue parameters, and, coverage requirements. He stated they are pleased with the results of the bid and it is his recommendation to approve Resolution No. RDAP-2014-11.

Rick Witte Andrews Kurth LLP stated if this resolution is approved today it will be sent to the Attorney General's office for review and approval. He anticipates closing on December 9th.

Discussion ensued between the Board, and Claire Bogard Finance Director regarding the Fort Bend County contractual rate for 2019-2028 of the Agreement.

Boardmember Sloan asked if there are any covenants or requirements that are different from the ones in the past.

Rick Witte Andrews Kurth LLP, stated that there are no covenants or requirements and that it is basically the same agreement as in the past (2) two years.

Voting "Aye" Boardmembers Reid, Baker, Sloan, Pool, and Carbone.

Voting "No" None.

Motion Passed 5 to 0.

ADJOURNMENT

Meeting was adjourned at 4:30 p.m.

Minutes approved as submitted and/or corrected this the _____ day of _____,
A.D., 2015.

Tom Reid
Chair

ATTEST:

Ed Baker
Secretary

**AGENDA REQUEST
DEVELOPMENT AUTHORITY OF PEARLAND
PEARLAND, TEXAS**

AGENDA OF: 9/14/2015	ITEM NO.: Resolution No. RDAP-2015-02
DATE SUBMITTED: 8/24/2015	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard	PRESENTOR: Claire Bogard
SUBJECT: Resolution RDAP 2015-02-A Resolution of the Development Authority of Pearland Accepting the 2014 Annual Financial Report for the Fiscal Year Ending September 30, 2014.	
EXHIBITS: Resolution No. RDAP-2015-02 Independent Auditors Report, Balance Sheet, Revenue and Expenditure Report, Statement of Net Position, and Note 5 - Debt	
EXPENDITURE REQUIRED: None PROJECT: N/A	

EXECUTIVE SUMMARY

Pursuant to State law, a municipality shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The Development Authority, which is considered a blended component unit of the primary government, was included in the audit for the fiscal year ended September 30, 2014. Since a blended component unit, the Authority's liability for debt issued is included in the city-wide financials, versus shown in the fund statement. As such, we have prepared a balance sheet at 9/30/2014 showing the true Net Position of the Pearland Development Authority.

Attached is the auditor's opinion, which is unqualified or clean, as well as the statements pertaining to the Development Authority. Staff will be prepared to review the results with the board.

RECOMMENDED ACTION

Consideration and approval of Resolution RDAP 2015-02, accepting the 2014 Annual Finance Report of the Fiscal Year Ending September 30, 2014.

RESOLUTION NO. RDAP- 2015- 02

A RESOLUTION OF THE DEVELOPMENT AUTHORITY OF PEARLAND (DAP), ACCEPTING THE 2014 ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2014.

BE IT RESOLVED BY DAP BOARD OF DIRECTORS:

Section 1. That the Development Authority of Pearland, TX hereby accepts the Fiscal Year 2014 Annual Financial Report as prepared by the accounting firm of Whitley Penn, L.L.P..

PASSED, APPROVED, AND ADOPTED this _____ day of _____ . A.D 2015.

DAP CHAIRMAN

ATTEST:

DAP SECRETARY

REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members of
the City Council
City of Pearland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pearland, Texas (the “City”) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of
the City Council

Emphasis of Matter

As discussed in Note 16 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of September 30, 2014. Our opinion is not modified with respect to this matter. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 17, budgetary comparison information on pages 70 through 71, and pension system supplementary information and other post-employment benefit supplementary information on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, other supplementary information, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of
the City Council

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, slightly slanted style.

Houston, Texas
February 23, 2015

CITY OF PEARLAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General Fund	Debt Service	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2
Assets				
Cash and cash equivalents	\$ 10,403,021	\$ 1,638,827	\$ 5,527,157	\$ 4,346,425
Investments	8,730,187	2,993,905	11,465,298	
Receivables, net of allowance for uncollectibles	5,668,522	9,008,351	4,187,704	
Due from other governments	516,600			
Due from other funds	275,323			
Inventories	137,364			
Prepaid items	64,675	166,894	38,171	
Restricted cash			665,254	
Total Assets	\$ 25,795,692	\$ 13,807,977	\$ 21,883,584	\$ 4,346,425
Liabilities				
Accounts payable	\$ 2,659,825	\$ 247,442	83,411	\$
Accrued expenditures	1,394,615	103,332	16,352	
Deposits	46,475		38,333	
Due to other funds				
Unearned revenue	1,773,256	1,789,020		
Total Liabilities	5,874,171	2,139,794	138,096	
Deferred Inflows of Resources				
Unavailable revenue	467,020	7,132,246	2,590,001	
Total Deferred Inflows of Resources	467,020	7,132,246	2,590,001	
Fund Balances				
Non-spendable				
Inventories	137,364			
Prepaid items	64,675	166,894	38,171	
Restricted				
Debt service		4,369,043	665,254	
Capital improvements				
Community development programs				
Public safety				
Economic development			18,452,062	4,346,425
Assigned	1,393,883			
Unassigned				
General fund	17,858,579			
Total Fund Balances	19,454,501	4,535,937	19,155,487	4,346,425
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,795,692	\$ 13,807,977	\$ 21,883,584	\$ 4,346,425

See Notes to Financial Statements.

Development Authority of Pearland	Non-major Governmental Funds	Total Governmental Funds
\$ 1,016,477	\$ 17,595,463	\$ 40,527,370
	5,712,643	28,902,033
	3,253,480	22,118,057
	4,089,623	4,606,223
		275,323
		137,364
	4,220	273,960
916,454		1,581,708
<u>\$ 1,932,931</u>	<u>\$ 30,655,429</u>	<u>\$ 98,422,038</u>
\$ 735	\$ 2,011,974	\$ 5,003,387
	136,761	1,651,060
		84,808
	275,323	275,323
		3,562,276
<u>735</u>	<u>2,424,058</u>	<u>10,576,854</u>
	6,238,130	16,427,397
	6,238,130	16,427,397
		137,364
	4,220	273,960
916,454		5,950,751
	17,518,567	17,518,567
	4,080,571	4,080,571
	389,883	389,883
1,015,742		23,814,229
		1,393,883
		17,858,579
<u>1,932,196</u>	<u>21,993,241</u>	<u>71,417,787</u>
<u>\$ 1,932,931</u>	<u>\$ 30,655,429</u>	<u>\$ 98,422,038</u>

CITY OF PEARLAND, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Development Authority of Pearland	
	<hr/>	
Assets		
Cash and cash equivalents	\$	1,016,477
Investments		
Receivables, net of allowance for uncollectibles		
Prepaid items		
Restricted cash		916,454
Deferred charges		
Capital Assets:		
Capital assets not subject to depreciation		
Capital assets, net of accumulated depreciation		
Total Capital Assets		-
Total Assets	\$	1,932,931
		<hr/> <hr/>
Liabilities		
Accounts payable and accrued liabilities	\$	735
Accrued Interest		146,145
Deposits		
Unavailable/unearned revenues		
Long-term liabilities		
Due within one year		3,250,000
Due in more than one year		54,185,000
Total Liabilities	\$	57,581,880
		<hr/> <hr/>
Net Position		
Invested in capital assets, net of related debt	\$	(57,435,000)
Restricted for:		
Debt service		770,309
Economic Development		1,015,742
Total Net Position	\$	(55,648,949)
		<hr/> <hr/>

CITY OF PEARLAND, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Debt Service</u>	<u>Pearland Economic Development Corporation</u>	<u>Tax Increment Reinvestment Zone #2</u>
Revenues				
Property taxes	\$ 12,095,419	\$ 27,131,534	\$	\$ 18,150,930
Sales and use taxes	17,326,556		8,563,736	
Franchise fees	6,214,046			
Licenses and permits	4,148,763			
Fines and forfeitures	2,970,397			
Charges for services	12,663,599		414,000	
Investment earnings	88,232	37,272	76,217	13,366
Intergovernmental		663,540	79,060	
Other	2,172,857	111,856	20,108	
Total Revenues	<u>57,679,869</u>	<u>27,944,202</u>	<u>9,153,121</u>	<u>18,164,296</u>
Expenditures				
Current:				
General government	7,234,797			
Public safety	29,039,403			
Public works	7,946,912			
Community services	3,747,462			
Parks and recreation	7,357,692			
Economic development			3,334,329	6,653,380
Debt Service:				
Principal	89,950	11,575,162	920,000	
Interest and other charges	24,536	13,102,430	1,109,810	
Capital outlay	4,233,164			
Intergovernmental		4,307,496		
Total Expenditures	<u>59,673,916</u>	<u>28,985,088</u>	<u>5,364,139</u>	<u>6,653,380</u>
Excess (deficiency) of revenues over expenditures	<u>(1,994,047)</u>	<u>(1,040,886)</u>	<u>3,788,982</u>	<u>11,510,916</u>
Other Financing Sources (Uses)				
Issuance of debt				
Refunding bonds issued		29,720,000		
Payments to refunded bond escrow agent		(33,182,437)		
Bond premium		3,778,000		
Capital leases	1,852,939			
Transfers in	3,756,917	618,439		
Transfers out	(2,784,425)			(11,494,978)
Total Other Financing Sources (Uses)	<u>2,825,431</u>	<u>934,002</u>		<u>(11,494,978)</u>
Net change in fund balances	831,384	(106,884)	3,788,982	15,938
Fund balances - beginning	<u>18,623,117</u>	<u>4,642,821</u>	<u>15,366,505</u>	<u>4,330,487</u>
Fund balances - ending	<u>\$ 19,454,501</u>	<u>\$ 4,535,937</u>	<u>\$ 19,155,487</u>	<u>\$ 4,346,425</u>

See Notes to Financial Statements.

Development Authority of Pearland	Non-major Governmental Funds	Total Governmental Funds
\$	\$	\$ 57,377,883
	1,404,306	27,294,598
	269,915	6,483,961
		4,148,763
	150,125	3,120,522
		13,077,599
2,394	36,083	253,564
	1,798,276	2,540,876
	1,852,425	4,157,246
<u>2,394</u>	<u>5,511,130</u>	<u>118,455,012</u>
9,218	783,336	8,027,351
	131,711	29,171,114
	174,508	8,121,420
	212,144	3,959,606
	458,104	7,815,796
15,260,000		25,247,709
3,230,000		15,815,112
2,024,178	111,564	16,372,518
	11,302,540	15,535,704
		4,307,496
<u>20,523,396</u>	<u>13,173,907</u>	<u>134,373,826</u>
<u>(20,521,002)</u>	<u>(7,662,777)</u>	<u>(15,918,814)</u>
9,150,000	10,690,000	19,840,000
		29,720,000
		(33,182,437)
	1,005,606	4,783,606
		1,852,939
11,494,978	636,591	16,506,925
	(2,687,112)	(16,966,515)
<u>20,644,978</u>	<u>9,645,085</u>	<u>22,554,518</u>
123,976	1,982,308	6,635,704
1,808,220	20,010,933	64,782,083
<u>\$ 1,932,196</u>	<u>\$ 21,993,241</u>	<u>\$ 71,417,787</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. General Obligation Bonds and Certificates of Obligation (continued)

The City issued \$40,410,000 of Permanent Improvement and Refunding Bonds, Series 2014 dated September 1, 2014. Proceeds of \$31,430,000 from the sale of the bonds were used to refund certain obligations of the City and to pay the costs associated with the sale and issuance of the bonds. As a result, the refunded portions of the bonds are considered defeased and the liability has been removed from the general long-term debt of the City. The reacquisition price exceeded the net carrying amount of the old debt resulting in a loss on the refunding of \$1.8 million. This amount is being netted against the new debt and amortized using the straight-line method over the remaining life of the refunded debt. This refunding resulted in an economic gain/present value of \$2.9 million. The premium of \$4.8 million is being amortized over the life of the bonds using the straight-line method.

The City issued \$9,150,000 of Tax Increment Contract Revenue Bonds, Series 2013 dated November 26, 2013. Proceeds from the sale of the bonds were used to reimburse developers and to pay the costs associated with the sale and issuance of the bonds.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2014. In general, the City uses the General and Debt Service funds as well as the Economic Development Corporation and Development Authority to liquidate governmental long-term liabilities.

	Restated Balance September 30, 2013*	Additions	(Reductions)	Balance September 30, 2014	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 230,040,000	\$ 40,410,000	\$ (33,720,000)	\$ 236,730,000	\$ 8,300,000
Certificates of obligation	64,690,000		(8,185,000)	56,505,000	2,745,000
Sales tax revenue bonds	23,610,000		(920,000)	22,690,000	965,000
Tax increment revenue bonds	51,515,000	9,150,000	(3,230,000)	57,435,000	3,250,000
Unamortized premium/(discount)	6,158,967	4,783,606	(820,217)	10,122,356	
Total bonds payable	<u>376,013,967</u>	<u>54,343,606</u>	<u>(46,875,217)</u>	<u>383,482,356</u>	<u>15,260,000</u>
Other liabilities:					
Obligations under capital leases	3,681,366	1,852,939	(1,190,090)	4,344,215	1,208,438
Compensated absences	5,006,729	3,244,188	(2,568,860)	5,682,057	801,370
Other post-employment benefits	1,955,154		(233,904)	1,721,250	
Total Governmental Activities	<u>\$ 386,657,216</u>	<u>\$ 59,440,733</u>	<u>\$ (50,868,071)</u>	<u>\$ 395,229,878</u>	<u>\$ 17,269,808</u>

* As Restated

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The full amount estimated to be required for debt service on general obligation debt is provided by (1) the debt service portion of the tax levy; (2) interest earned in the Debt Service Fund; and (3) transfers from the Water and Sewer Enterprise Fund. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. General Obligation Bonds and Certificates of Obligation (continued)

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2014, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Permanent Improvement and Refunding Bonds, Series 2005	37,015,000	2029	3.25-5.00	\$ 13,545,000
Permanent Improvement and Refunding Bonds, Series 2006	32,165,000	2029	4.00-5.00	9,955,000
Permanent Improvement and Refunding Bonds, Series 2007	69,640,000	2032	4.00-5.00	64,115,000
Permanent Improvement, Series 2008	22,835,000	2032	4.50-5.50	21,360,000
Permanent Improvement and Refunding Bonds, Series 2009	16,735,000	2034	2.00-5.00	14,985,000
Permanent Improvement, Series 2010A	12,415,000	2035	3.00-4.00	10,995,000
Permanent Improvement Refunding, Series 2010B	1,630,000	2018	2.00-4.00	780,000
Permanent Improvement, Series 2011	5,400,000	2036	2.125-4.125	5,055,000
Permanent Improvement and Refunding Bonds, Series 2012	43,575,000	2029	3.00-5.00	43,575,000
Permanent Improvement Bonds, Series 2013	43,575,000	2029	3.00-5.00	9,040,000
Permanent Improvement and Refunding Bonds, Series 2014	40,410,000	2034	2.00-5.00	40,410,000
Annexed Municipal Utility District Bonds				
BC MUD 1 Series 2007	1,940,000	2030	3.75-4.35	535,000
BC MUD 4 Series 2011	2,640,000	2032	2.50-5.00	2,380,000
Total General Obligation Bonds				<u>\$ 236,730,000</u>
Certificates of Obligation				
Certificates of Obligation, Series 2004	21,000,000	2028	4.00-5.25	\$ 710,000
Certificates of Obligation, Series 2006	9,700,000	2029	3.65-4.68	3,995,000
Certificates of Obligation, Series 2007	23,250,000	2032	3.25-5.25	22,150,000
Certificates of Obligation, Series 2008	9,000,000	2032	3.75-5.00	8,325,000
Certificates of Obligation, Series 2009	8,520,000	2034	2.25-5.00	7,605,000
Certificates of Obligation, Series 2009A	12,145,000	2029	2.00-4.50	9,585,000
Certificates of Obligation, Series 2011	2,095,000	2021	2.09	1,465,000
Certificates of Obligation, Series 2013	2,745,000	2038	3.00-4.625	2,670,000
Total Certificates of Obligation				<u>\$ 56,505,000</u>

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Pearland Economic Development Corporation and Development Authority of Pearland as of September 30, 2014, is as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Pearland Economic Development Corporation				
Sales Tax Revenue Bonds, Series 2005	\$ 10,590,000	2026	2.30-4.42	\$ 7,095,000
Sales Tax Revenue Bonds, Series 2006	10,235,000	2030	3.66-4.75	8,860,000
Sales Tax Revenue Bonds, Series 2010	7,685,000	2030	variable-resets every 6 months	6,735,000
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2012	56,915,000	2029	3.07*	48,715,000
Tax Increment Revenue Bonds, Series 2013	9,150,000	2029	3.77	8,720,000
Total Component Unit Long-Term Debt				<u>\$ 80,125,000</u>

*Fixed for 10 years, then rate changes to be 65% of LIBOR, not to exceed 6.0%

**AGENDA REQUEST
DEVELOPMENT AUTHORITY OF PEARLAND
PEARLAND, TEXAS**

AGENDA OF: 9/14/2015	ITEM NO.: Resolution No. RDAP -2015- 03
DATE SUBMITTED: 9/14/2015	REPRESENTING: City of Pearland
PREPARED BY: Carrie Ditta	PRESENTOR: Claire Bogard
SUBJECT: Resolution RDAP 2015-03 – A Resolution of the Development Authority of Pearland, accepting the Financial Report for the Period Ending August 31, 2015.	
EXHIBITS: Resolution, RDAP -2015-03 1 - Balance Sheet 2- Income Statement	
EXPENDITURE REQUIRED: None PROJECT: N/A	

EXECUTIVE SUMMARY

Attached are the financial statements (Balance Sheet and Statement of Revenues and Expenditures) for the Development Authority of Pearland for the eleven month period ending August 31, 2015.

- Cash and Investments total \$8,673,472 with 100% in interest bearing accounts. Funds totaling \$968,394 are held with the bond trustee, Regions Bank and are set aside for the 3/3/2016 annual debt payment, leaving \$7.7 million available for developer reimbursement and a debt service reserve.
- Revenues total \$20,597,509, which include contributions of \$12,536,022 from the TIRZ for annual debt service and reimbursement to the developer, \$8,060,000 in bond proceeds from Series 2014, and interest earned of \$1,487 on the interest bearing accounts.
- Fiscal year to date expenditures total \$13,856,234, which include a reimbursement to developer of \$7,890,000, operating costs of \$9,637, the March 1st bond payment of \$961,993, bond issuance costs of \$166,790 from Series 2014 bonds and \$6,050 in fiscal agent fees for debt service. On August 31st, the September 1st bond payment of \$4,821,763 for bond Series 2012, Series 2013 and Series 2014 was initiated to Regions Bank as trustee.
- Fund balance as of August 31, 2015 is \$8,673,472.

RECOMMENDED ACTION

Consideration and approval of Resolution RDAP 2015-03, accepting the Financial Report for the Period Ending August 31, 2015.

RESOLUTION NO. RDAP 2015- 03

A RESOLUTION OF THE DEVELOPMENT AUTHORITY OF PEARLAND (DAP), ACCEPTING THE FINANCIAL REPORT FOR THE PERIOD ENDING AUGUST 31, 2015.

BE IT RESOLVED BY DAP BOARD OF DIRECTORS:

Section 1. That the Development Authority of Pearland, TX hereby accepts the Financial Report for the period ending August 31, 2015.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ . A.D 2015.

DAP CHAIRMAN

ATTEST:

DAP SECRETARY

**DEVELOPMENT AUTHORITY OF PEARLAND
BALANCE SHEET
FOR MONTH ENDED AUGUST 31, 2015**

ASSETS:

Cash and Cash Equivalents	7,705,079
Money Market	968,394
Interest Receivable	
Total Assets	8,673,472

LIABILITIES:

Accounts Payable	
Total Liabilities	-

EQUITY:

Equity	8,673,472
Total Equity	8,673,472

Total Liabilities and Equity	8,673,472
-------------------------------------	------------------

**DEVELOPMENT AUTHORITY OF PEARLAND
SCHEDULE OF REVENUES AND EXPENDITURES
FOR MONTH ENDED AUGUST 31, 2015**

	FY2015 ACTUAL TO - DATE
REVENUES	
Contributions from TIRZ	\$ 12,536,022
Bond Proceeds	8,060,000
Interest	1,487
TOTAL	20,597,509
EXPENDITURES	
Professional Services	9,637
Reimbursement to Developer	7,890,000
Bond Payments	
Interest	4,120,981
Principal	1,662,775
Bond Issuance Cost	166,790
Fiscal Fees	6,050
TOTAL	13,856,234
Net Change in Fund Balance	6,741,275
BEGINNING FUND BALANCE	1,932,196
ENDING FUND BALANCE	\$ 8,673,472

**AGENDA REQUEST
DEVELOPMENT AUTHORITY OF PEARLAND
PEARLAND, TEXAS**

AGENDA OF: 09/14/15	ITEM NO.: Resolution No. RDAP 2015-04
DATE SUBMITTED: 08/24/15	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard	PRESENTOR: Claire Bogard
SUBJECT: Resolution RDAP 2015-04- A Resolution of the Development Authority of Pearland ratifying Checks 1126-1141 totaling \$23,496.93.	
EXHIBITS: Resolution RDAP 2015-04 Exhibit A	
EXPENDITURE REQUIRED: \$23,496.93 PROJECT: N/A	

EXECUTIVE SUMMARY

In July 2007, the Board approved the creation of an invoice review committee to review and approve invoices for payment. At that time the Board directed that invoices and checks signed by the committee be ratified by the Board.

The Board last approved checks on September 29, 2014, through check number 1125. Since September 2014 the invoice committee reviewed and approved 15 checks for payments totaling \$23,496.93.

Payments mainly deal with the annual financial services provided by the City of Pearland for \$6000.00 annually, Wells Fargo Bank for paying agent fees on the Development Authority Bonds totaling \$3,750.00; payments to Arbitrage Compliance Specialists for arbitrage calculations on the bonds of \$7,350.00; Assessments of the Southwest for providing property valuations for participating entities in the TIRZ in order to determine bonding capacity for new bonds totaling \$2025.00 and \$2,500.00 to DAC for setting up bond Series 2014 for annual reporting pursuant bond disclosure requirements. All invoices were reviewed for services rendered, and subsequent checks approved for payment.

Attached is a list of all checks signed by the invoice committee from October 2014 through August 31, 2015.

RECOMMENDED ACTION

Consideration and approval of Resolution RDAP 2015-04 ratifying checks 1126 through 1141 totaling \$23,496.93.

RESOLUTION NO. RDAP-2015-04

A RESOLUTION OF THE DEVELOPMENT AUTHORITY OF PEARLAND (DAP), RATIFYING CHECKS 1126 THROUGH 1141 TOTALING \$23,496.93.

BE IT RESOLVED BY DAP BOARD OF DIRECTORS:

Section 1. That the Development Authority of Pearland, TX hereby ratifies checks 1126 through 1141 as shown in Exhibit A for payment of services rendered to the Development Authority of Pearland..

PASSED, APPROVED, AND ADOPTED this _____ day of _____.
A.D 2015.

DAP Chairman

ATTEST:

DAP Secretary

**CITY OF PEARLAND, TX
DEVELOPMENT AUTHORITY OF PEARLAND
FISCAL YEAR 2014-2015
CHECK REGISTER THRU FISCAL YEAR 2014
AS OF August 27, 2015**

EXHIBIT A

CHECK	PAYEE	AMOUNT	CHECK DATE	DESCRIPTION OF SERVICES
1126	VOID'			
1127	City of Pearland	\$ 1,500.00	10/15/2014	Financial Services Oct - Dec. 2014
1128	ABHR LLP	\$ 258.97	10/15/2014	Bond Closing Costs
1129	Arbitrage Compliance Specialists	\$ 1,250.00	10/31/2014	Series 2014 Arbitrage Calculations
1130	Wells Fargo Bank	\$ 1,350.00	2/9/2015	Series 2005 & 2006 Paying Agent Fees - Money Returned
1131	Arbitrage Compliance Specialists	\$ 2,750.00	2/9/2015	Series 2005 & 2013 Arbitrage Calculations
1132	Errand Runner	\$ 87.68	2/9/2015	11/7 and 9/24 Delivery of Packets
1133	City of Pearland	\$ 1,500.00	2/9/2015	Finance Services Jan - March 2015
1134	ABHR LLP	\$ 1,525.28	2/9/2015	Legal Services thru November 2014
1135	Wells Fargo Bank	\$ 1,600.00	4/2/2015	Series 2005 & 2006 Paying Agent Fees - Reissued
1136	City of Pearland	\$ 1,500.00	4/2/2015	Financial Services Apr - June 2015
1137	DAC	\$ 2,500.00	4/2/2015	Set up of Series 2014 Bonds
1138	City of Pearland	\$ 1,500.00	8/27/2015	Finance Services July - Sept 2015
1139	Wells Fargo Bank	\$ 800.00	8/27/2015	Paying Agent and Call Fees Series 2009
1140	Arbitrage Compliance Specialists	\$ 3,350.00	8/27/2015	Series 2009 and 2012 Arbitrage Calculations
1141	Assessments of the Southwest	\$ 2,025.00	8/27/2015	2014 and 2015 Valuation Estimates for Bonding Capacity
Total FY2015		\$ 23,496.93		

**AGENDA REQUEST
DEVELOPMENT AUTHORITY OF PEARLAND
PEARLAND, TEXAS**

AGENDA OF: 09/14/2015	ITEM NO.: Resolution No. RDAP No. 2015-05
DATE SUBMITTED: 08/31/2015	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard PRESENTOR: Rick Overgaard	
SUBJECT: Resolution RDAP 2015-05 – A Resolution of the Development Authority of Pearland, Accepting the Investment Report for Quarters ending September 2014, December 2014, March 2015, and June 2015	
EXHIBITS: Resolution RDAP No. 2015- 05 Investment Portfolio Reports	
EXPENDITURE REQUIRED: None PROJECT: N/A	

EXECUTIVE SUMMARY

Pursuant to the Public Funds Investment Act, not less than quarterly, the Investment Officer shall prepare and submit to the entity a report of investment transactions.

Attached are the Investment Reports for the quarters ending September 30, 2014, December 31, 2014, March 31, 2015, and June 30, 2015. Highlights are:

	<u>Sept 2014</u>	<u>Dec 2014</u>	<u>Mar 2015</u>	<u>Jun 2015</u>
• Beginning Book Value	\$ 922,341	\$ 1,932,932	\$ 1,936,040	\$ 968,838
• Ending Book Value	\$1,932,932	\$ 1,936,040	\$ 968,838	\$ 959,078
• Increase/ (Decrease) in Portfolio	\$1,010,591	\$ 3,108	\$ (967,202)	\$ (9,760)
• Interest Earned for Quarter	\$ 1,095	\$ 587	\$ 849	\$ 307
• Weighted Average Maturity	1 Day	17 Days	3 Days	31 Days
• Total Rate of Return	.10%	.13%	.11%	.15%
• Agency Disc Benchmark	.01%	.05%	.02%	.08%
• One Year T-Bill Benchmark	.11%	.15%	.22%	.25%
• Portfolio Composition:				
Money Market	100%	62%	100%	48%
CD	0%	38%	0%	52%

RECOMMENDED ACTION

Consideration and Approval of Resolution RDAP 2015-05 Accepting the September 2014, December 2014, March 2015, and June 2015 Quarterly Investment Reports.

RESOLUTION NO. RDAP2015-05

A RESOLUTION OF THE DEVELOPMENT AUTHORITY OF PEARLAND (DAP), ACCEPTING THE INVESTMENT REPORT FOR THE QUARTERS ENDING SEPTEMBER 2014, DECEMBER 2014, MARCH 2015, AND JUNE 2015.

BE IT RESOLVED BY THE DAP BOARD OF DIRECTORS:

Section 1. That the Board hereby accepts the Investment Report for the Quarters ending September 2014, December 2014, March 2015, and June 2015.

PASSED, APPROVED, AND ADOPTED this _____ day of _____, A.D., 2015.

DAP CHAIRMAN

ATTEST:

DAP SECRETARY

Development Authority of Pearland
Quarterly Investment Report
June 30, 2014 - September 30, 2014
Period 12

<u>Portfolio at June 30, 2014</u>		<u>Portfolio at September 30, 2014</u>	
Ending Book Value	\$ 922,340.90	Ending Book Value	\$ 1,932,931.60
Ending Market Value	922,340.90	Ending Market Value	1,932,931.60
Accrued Interest Receivable	-	Accrued Interest Receivable	-
Unrealized Gain/(Loss)	-	Unrealized Gain/(Loss)	-
Change in Unrealized Gain/Loss	-	Change in Unrealized Gain/Loss	-
Weighted Average Maturity	1 Day	Weighted Average Maturity	1 Day
Change in Market Value	(5,688.92)	Change in Market Value	1,010,590.70
Yield to Maturity at Cost	0.14%	Yield to Maturity at Cost	0.07%
T-Bill Benchmark	0.11%	T-Bill Benchmark	0.13%
Agency Note Benchmark	0.01%	Agency Note Benchmark	0.01%
 <u>Average for Quarter</u> 			
	Total Rate of Return		0.10%
	1 Year T-Bill Benchmark Yield		0.11%
	Agency Note Benchmark Yield		0.01%

This quarterly report is in compliance with the investment policy and strategy as established by the City and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

Prepared by:

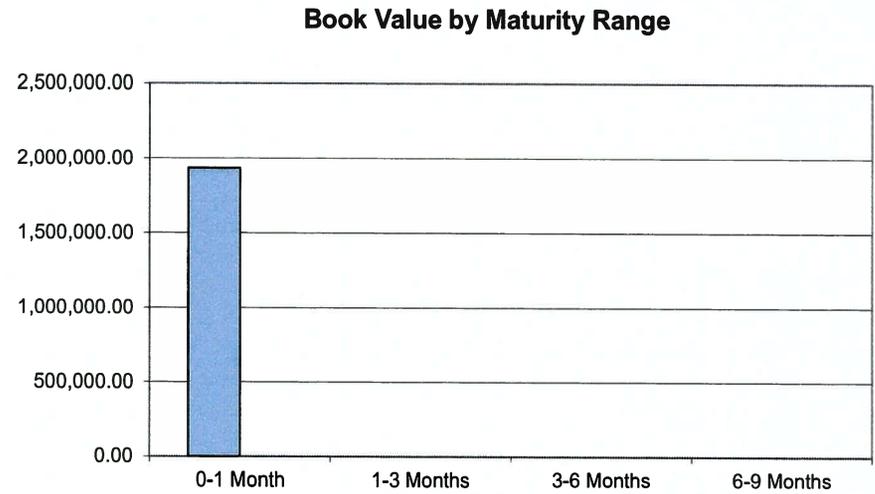
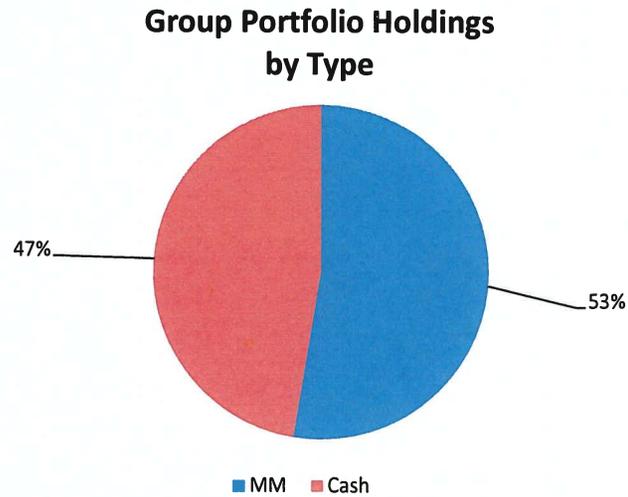

 Claire Bogard
 Director of Finance


 Rick Overgaard
 Assistant Director of Finance


 Fatima Uwakwe
 Accounting Supervisor

**Development Authority of Pearland
Summary by Type
September 30, 2014**

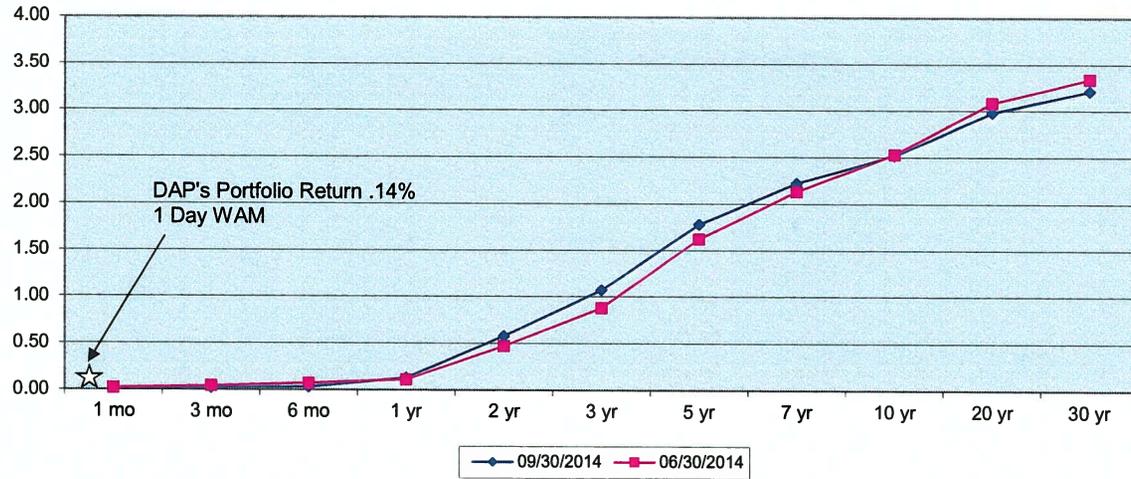
<u>Description</u>	<u>Face Amount \ Shares</u>	<u>Cost Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>YTM @ Cost</u>	<u>Days to Maturity</u>
MM	\$ 1,016,477.21	\$ 1,016,477.21	\$ 1,016,477.21	\$ 1,016,477.21	0.14%	1
Cash	916,454.39	916,454.39	916,454.39	916,454.39	0.00%	1
Total/Average	\$ 1,932,931.60	\$ 1,932,931.60	\$ 1,932,931.60	\$ 1,932,931.60	0.07%	1



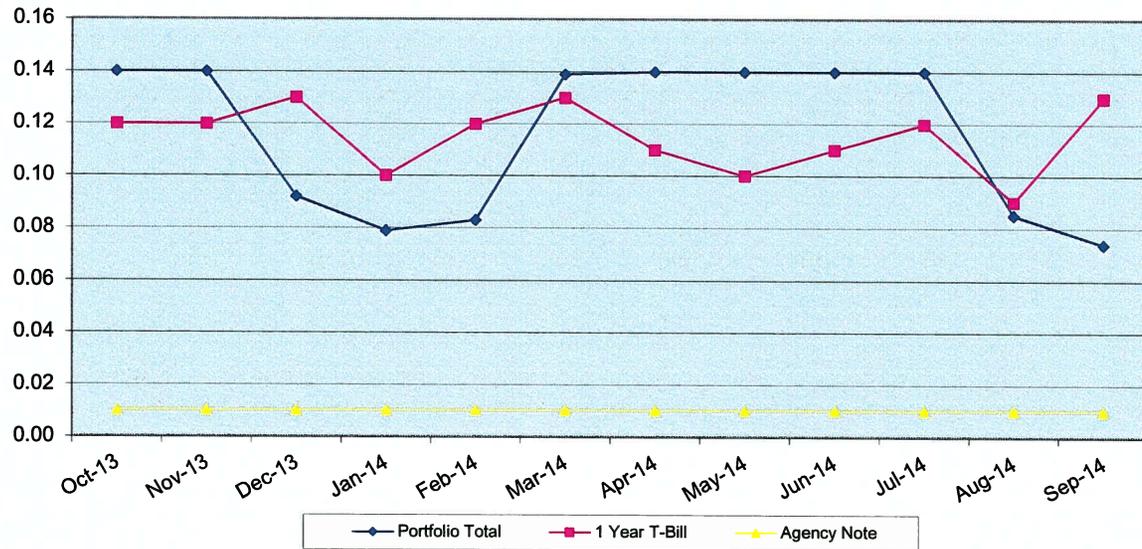
Interest Rates

Date	1 mo	3 mo	6 mo	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	20 yr	30 yr
06/30/2014	0.02	0.04	0.07	0.11	0.47	0.88	1.62	2.13	2.53	3.08	3.34
09/30/2014	0.02	0.02	0.03	0.13	0.58	1.07	1.78	2.22	2.52	2.98	3.21

Yield Curve Comparison



Portfolio vs. Benchmark



City of Pearland
Quarterly Investment Report at Quarterend
 Report Format: By Transaction
 Group By: Security Type
Portfolio/Report Group: 65: Development Authority
As of 9/30/2014

Description	CUSIP/Ticker	Portfolio Name	Settlement Date	Maturity Date	YTM @ Cost	Face Amount/Shares	Cost Value	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Cash												
Regions Bank Cash	RG3948	65: Development Authority	9/1/2012	N/A	0.000	912,154.38	912,154.38	912,154.38	912,154.38	1		47.19
Regions Bank Cash	RG3939	65: Development Authority	10/31/2012	N/A	0.000	4,300.01	4,300.01	4,300.01	4,300.01	1		0.22
Sub Total / Average					0.000	916,454.39	916,454.39	916,454.39	916,454.39	1	0.00	47.41
Money Market												
Wells Fargo Bank MM	WF4258	65: Development Authority	9/30/2006	N/A	0.140	1,016,477.21	1,016,477.21	1,016,477.21	1,016,477.21	1		52.59
Sub Total / Average					0.140	1,016,477.21	1,016,477.21	1,016,477.21	1,016,477.21	1	0.00	52.59
Total / Average					0.074	1,932,931.60	1,932,931.60	1,932,931.60	1,932,931.60	1	0.00	100

**City of Pearland
Quarterly Investment Report**

Report Format: By CUSIP

Group By: Security Type

Portfolio/Report Group: 65: Development Authority

Begin Date: 6/30/2014, End Date: 9/30/2014

Description	CUSIP/Ticker	Portfolio Name	Ending YTM @ Cost	Maturity Date	Beginning BV	Buy Principal	Sell Principal	Amortized Discount	Amortized Premium	Ending BV	Investment Income-BV
CASH											
Regions Bank Cash	RG3939	65: Development Authority	0.000	N/A	0.29	4,299.72	0.00	0.00	0.00	4,300.01	0.01
Regions Bank Cash	RG3948	65: Development Authority	0.000	N/A	327.48	4,338,210.15	3,426,383.25	0.00	0.00	912,154.38	7.13
Sub Total/Average Cash			0.000		327.77	4,342,509.87	3,426,383.25	0.00	0.00	916,454.39	7.14
MONEY MARKET											
Wells Fargo Bank MM	WF4258	65: Development Authority	0.140	N/A	922,013.13	5,814,335.58	5,719,871.50	0.00	0.00	1,016,477.21	1,088.31
Sub Total/Average Money Market			0.140		922,013.13	5,814,335.58	5,719,871.50	0.00	0.00	1,016,477.21	1,088.31
Total / Average			0.074		922,340.90	10,156,845.45	9,146,254.75	0.00	0.00	1,932,931.60	1,095.45

**Pledged Collateral Reconciliation Report
September 30, 2014**

Bank	Account Number	Account Name	Amount
Wells Fargo	201-0419505	Operating	\$ -
Wells Fargo	201-0419513	Payroll Fund	-
Wells Fargo	001-3042841	Sweep Account	55,723,655.70
Wells Fargo	179-0121790	EMS Payments	-
Wells Fargo	807-1613395	Credit Card Account	-
Wells Fargo	818-4567843	Alvin ISD	4,307,788.83
Wells Fargo	280-7409871	Health Claims	<u>380,657.54</u>
		Total of Bank Balances	\$ 60,412,102.07
		Pledged Collateral for City	79,502,430.65
		FDIC Insurance	<u>250,000.00</u>
		Total Collateral	\$ 79,752,430.65
		Over (Under) Collateralized	\$ 19,340,328.58
		Total % Collateralized	132.0%

Bank	Account Number	Account Name	Amount
Wells Fargo	100-7284258	Development Authority	<u>1,016,477.21</u>
		Total of Bank Balances	\$ 1,016,477.21
		Pledged Collateral for DAP	8,380,786.25
		FDIC Insurance	<u>250,000.00</u>
		Total Collateral	\$ 8,630,786.25
		Over (Under) Collateralized	\$ 7,614,309.04
		Total % Collateralized	849.1%

Bank	Account Number	Amount
Regions	6180003939	\$ 4,300.01
	6180003948	<u>912,154.38</u>
		Total of Bank Balances
		\$ 916,454.39
		Regions Trust Collateral
		\$ 684,783.48
		FDIC Insurance
		<u>250,000.00</u>
		Over (Under) Collateralized
		\$ 18,329.09
		Total % Collateralized
		102.0%
		Total \$ Over (Under) Collateralized
		\$ 26,954,637.62
		Total % Collateralized
		142.2%

Status Collateralized

**Development Authority of Pearland
Quarterly Investment Report
September 30, 2014 to December 31, 2014**



This report is prepared for the Development Authority of Pearland in accordance with Chapter 2256 of the Public Funds Investment Act (PFIA). Section 2256.023 (a) of the PFIA states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Investment Officer and includes the disclosures required in the PFIA.

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @ Cost	Treasury 1 Year	Interest Earned	Days To Maturity
10/31/2014	1,933,056.04	1,933,056.04	0.00	0.07	0.10	124.44	1
11/30/2014	1,930,167.53	1,930,167.53	0.00	0.15	0.13	174.14	31
12/31/2014	1,936,039.70	1,936,039.70	0.00	0.15	0.21	288.54	19
Total / Average	1,933,087.76	1,933,087.76	0.00	0.13	0.15	587.12	17

Claire Bogard
Claire Bogard, Director of Finance

4/16/15
Date

Rick Overgaard
Rick Overgaard, Assistant Director of Finance

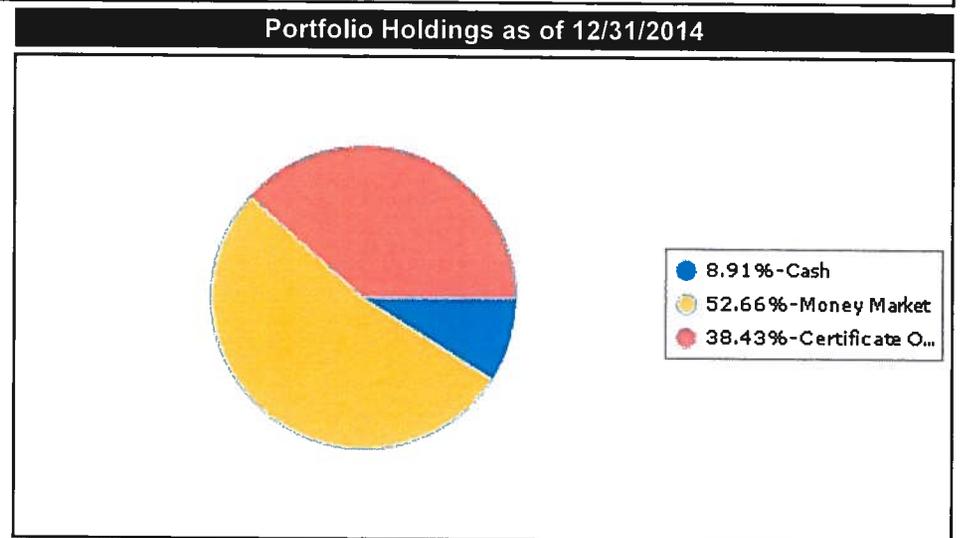
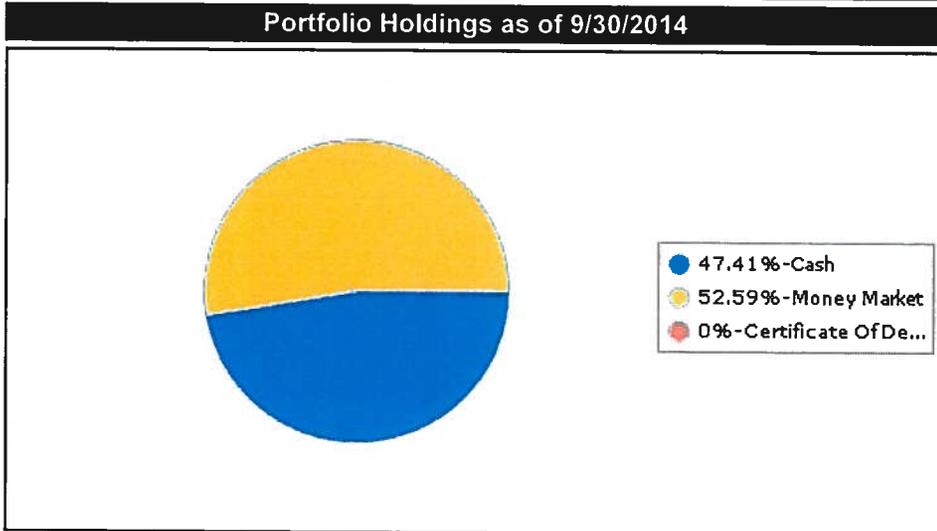
4/13/15
Date



City of Pearland Distribution by Security Type - Book Value Report Group: Development Authority

Begin Date: 9/30/2014, End Date: 12/31/2014

Security Type Allocation				
Security Type	Book Value 9/30/2014	% of Portfolio 9/30/2014	Book Value 12/31/2014	% of Portfolio 12/31/2014
Cash	916,454.39	47.41	172,515.52	8.91
Money Market	1,016,477.21	52.59	1,019,524.18	52.66
Certificate Of Deposit	0.00	0.00	744,000.00	38.43
Total / Average	1,932,931.60	100.00	1,936,039.70	100.00

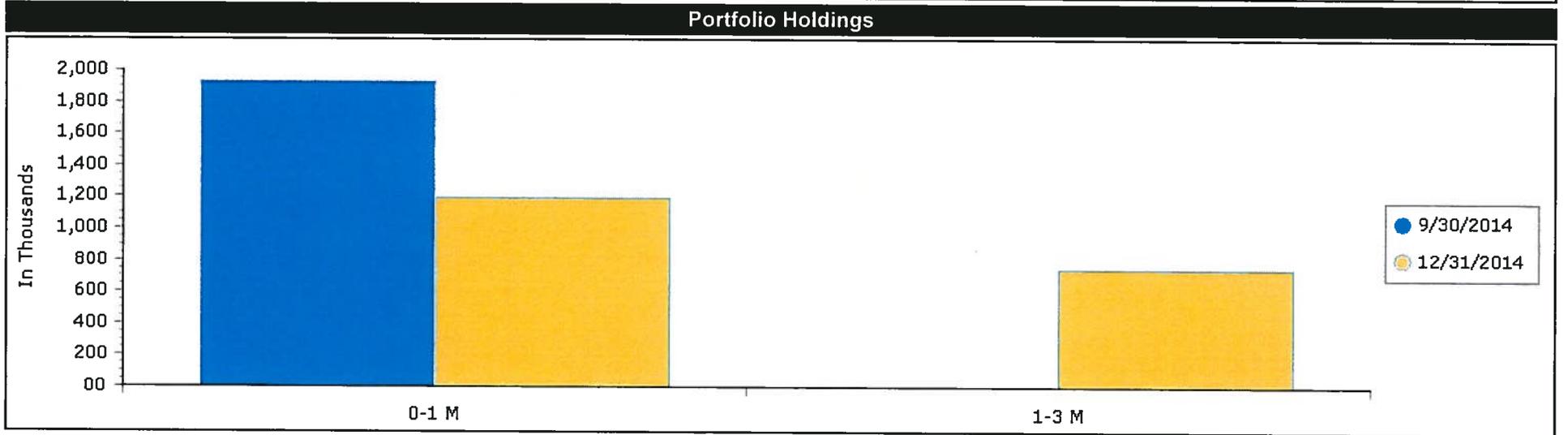




City of Pearland
Distribution by Maturity Range - Book Value
Report Group: Development Authority

Begin Date: 9/30/2014, End Date: 12/31/2014

Maturity Range Allocation				
Maturity Range	Book Value 9/30/2014	% of Portfolio 9/30/2014	Book Value 12/31/2014	% of Portfolio 12/31/2014
0-1 Month	1,932,931.60	100.00	1,192,039.70	61.57
1-3 Months	0.00	0.00	744,000.00	38.43
Total / Average	1,932,931.60	100.00	1,936,039.70	100.00

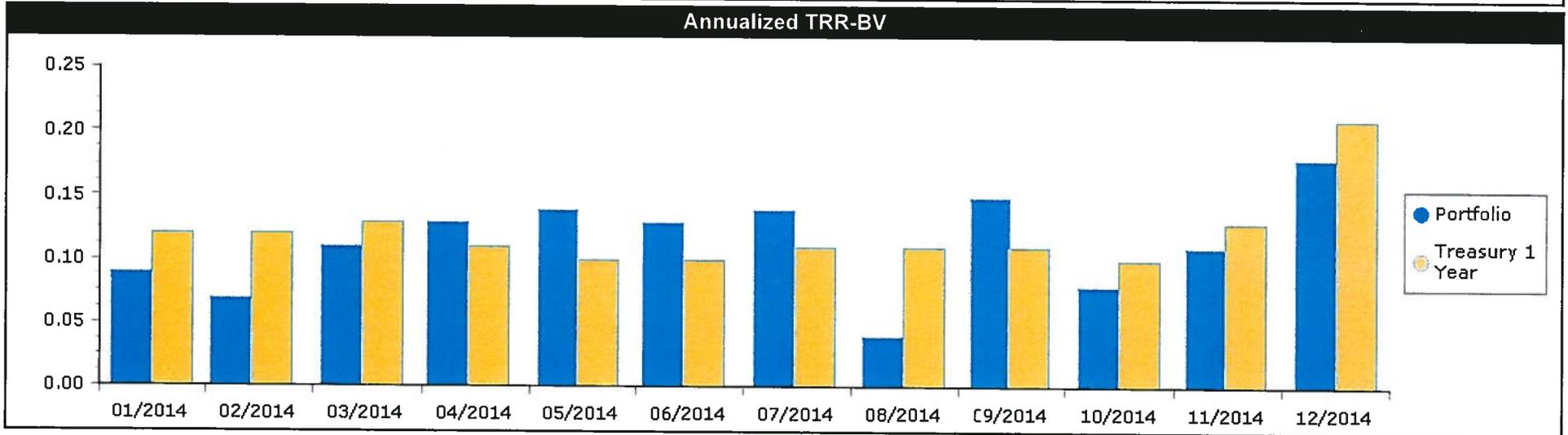




City of Pearland Total Rate of Return - Book Value by Month Report Group: Development Authority

Begin Date: 1/31/2014, End Date: 12/31/2014

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Average Capital Base-BV	TRR-BV	Annualized TRR-BV	Treasury 1 Year
1/31/2014	1,809,569.62	135.83	0.00	135.83	1,913,567.58	0.01	0.09	0.12
2/28/2014	1,809,705.45	110.04	0.00	110.04	1,809,705.45	0.01	0.07	0.12
3/31/2014	1,809,815.49	117.69	0.00	117.69	1,326,191.07	0.01	0.11	0.13
4/30/2014	928,029.82	102.95	0.00	102.95	925,736.49	0.01	0.13	0.11
5/31/2014	923,832.77	105.83	0.00	105.83	922,900.51	0.01	0.14	0.10
6/30/2014	922,238.60	102.30	0.00	102.30	922,238.60	0.01	0.13	0.10
7/31/2014	922,340.90	105.70	0.00	105.70	920,695.74	0.01	0.14	0.11
8/31/2014	919,446.60	234.06	0.00	234.06	6,488,728.86	0.00	0.04	0.11
9/30/2014	11,075,430.66	755.69	0.00	755.69	6,199,028.13	0.01	0.15	0.11
10/31/2014	1,932,931.60	124.44	0.00	124.44	1,932,931.60	0.01	0.08	0.10
11/30/2014	1,933,056.04	174.14	0.00	174.14	1,989,317.92	0.01	0.11	0.13
12/31/2014	1,930,221.21	288.54	0.00	288.54	1,933,298.82	0.01	0.18	0.21





City of Pearland
Portfolio Holdings by Security Type
Report Group: Development Authority

Date: 12/31/2014

Description	Face Amount / Shares	Settlement Date	Cost Value	Market Price	Market Value	% Portfolio	Credit Rating	Days To Call/Maturity
CUSIP		YTM @ Cost	Book Value	YTM @ Market	Accrued Interest	Unre. Gain/Loss	Credit Rating	Duration To Maturity
Cash								
Regions Bank Cash		10/31/2012	4,300.13	100.00	4,300.13	0.22%	None	1
RG3939	4,300.13	0.00	4,300.13	0.00		0.00	None	0
Regions Bank Cash		9/1/2012	168,215.39	100.00	168,215.39	8.69%	None	1
RG3948	168,215.39	0.00	168,215.39	0.00		0.00	None	0
Sub Total Cash	172,515.52	0.00	172,515.52	0.00	172,515.52	8.91%		1
						0.00		0
Certificate Of Deposit								
American Momentum Bank 0.25 2/12/2015		11/12/2014	248,000.00	100.00	248,000.00	12.81%	None	43
02756TCK2	248,000.00	0.25	248,000.00	0.25	83.23	0.00	None	0.12
First State Bank of Blakely 0.2 2/25/2015		11/25/2014	248,000.00	100.00	248,000.00	12.81%	None	56
336466DY0	248,000.00	0.20	248,000.00	0.20	8.15	0.00	None	0.15
Western Alliance Bank 0.15 2/13/2015		11/14/2014	248,000.00	100.00	248,000.00	12.81%	None	44
95763PAC5	248,000.00	0.15	248,000.00	0.15	47.90	0.00	None	0.12
Sub Total Certificate Of Deposit	744,000.00	0.20	744,000.00	0.20	744,000.00	38.43%		48
					139.28	0.00		0.13
Money Market								
Wells Fargo Bank MM		9/30/2006	1,019,524.18	100.00	1,019,524.18	52.66%	None	1
WF4258	1,019,524.18	0.14	1,019,524.18	0.14		0.00	None	0
Sub Total Money Market	1,019,524.18	0.14	1,019,524.18	0.14	1,019,524.18	52.66%		1
						0.00		0
TOTAL PORTFOLIO	1,936,039.70	0.15	1,936,039.70	0.15	1,936,039.70	100.00%		19
					139.28	0.00		0.05



City of Pearland
Portfolio Holdings by Portfolio Name
Report Group: Development Authority

Date: 12/31/2014

Description	Face Amount / Shares	Settlement Date	Cost Value	Market Price	Market Value	% Portfolio	Credit Rating	Days To Call/Maturity
CUSIP		YTM @ Cost	Book Value	YTM @ Market	Accrued Interest	Unre. Gain/Loss	Credit Rating	Duration To Maturity
65: Development Authority								
American Momentum Bank 0.25 2/12/2015		11/12/2014	248,000.00	100.00	248,000.00	12.81%	None	43
02756TCK2	248,000.00	0.25	248,000.00	0.25	83.23	0.00	None	0.12
First State Bank of Blakely 0.2 2/25/2015		11/25/2014	248,000.00	100.00	248,000.00	12.81%	None	56
336466DY0	248,000.00	0.20	248,000.00	0.20	8.15	0.00	None	0.15
Regions Bank Cash		9/1/2012	168,215.39	100.00	168,215.39	8.69%	None	1
RG3948	168,215.39	0.00	168,215.39	0.00		0.00	None	0
Regions Bank Cash		10/31/2012	4,300.13	100.00	4,300.13	0.22%	None	1
RG3939	4,300.13	0.00	4,300.13	0.00		0.00	None	0
Wells Fargo Bank MM		9/30/2006	1,019,524.18	100.00	1,019,524.18	52.66%	None	1
WF4258	1,019,524.18	0.14	1,019,524.18	0.14		0.00	None	0
Western Alliance Bank 0.15 2/13/2015		11/14/2014	248,000.00	100.00	248,000.00	12.81%	None	44
95763PAC5	248,000.00	0.15	248,000.00	0.15	47.90	0.00	None	0.12
Sub Total 65: Development Authority	1,936,039.70	0.15	1,936,039.70	0.15	139.28	0.00		0.05
			1,936,039.70		1,936,039.70	100.00%		19
TOTAL PORTFOLIO	1,936,039.70	0.15	1,936,039.70	0.15	139.28	0.00		0.05

**Development Authority of Pearland
Quarterly Investment Report
December 31, 2014 to March 31, 2015**



This report is prepared for the Development Authority of Pearland in accordance with Chapter 2256 of the Public Funds Investment Act (PFIA). Section 2256.023 (a) of the PFIA states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Investment Officer and includes the disclosures required in the PFIA.

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @ Cost	Treasury 1 Year	Interest Earned	Days To Maturity
1/31/2015	1,936,200.21	1,936,200.21	0.00	0.15	0.20	286.90	7
2/28/2015	1,929,472.63	1,929,472.63	0.00	0.07	0.22	465.31	1
3/31/2015	968,838.40	968,838.40	0.00	0.11	0.25	96.82	1
Total / Average	1,611,503.75	1,611,503.75	0.00	0.11	0.22	849.03	3

Claire Bogard
 Claire Bogard, Director of Finance
 Date 4.17.15

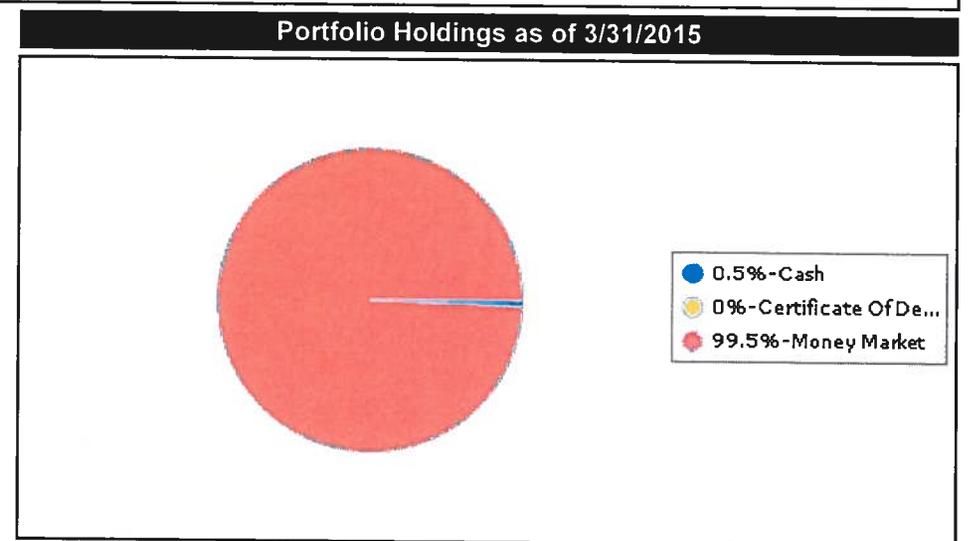
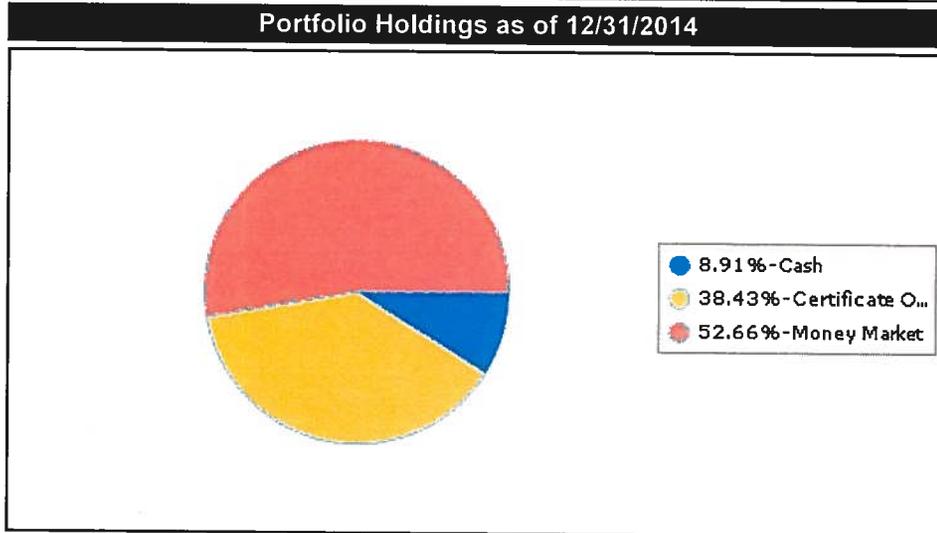
Rick Overgaard
 Rick Overgaard, Assistant Director of Finance
 Date 4/15/15



City of Pearland Distribution by Security Type - Book Value Report Group: Development Authority

Begin Date: 12/31/2014, End Date: 3/31/2015

Security Type Allocation				
Security Type	Book Value 12/31/2014	% of Portfolio 12/31/2014	Book Value 3/31/2015	% of Portfolio 3/31/2015
Cash	172,515.52	8.91	4,802.59	0.50
Certificate Of Deposit	744,000.00	38.43	0.00	0.00
Money Market	1,019,524.18	52.66	964,035.81	99.50
Total / Average	1,936,039.70	100.00	968,838.40	100.00





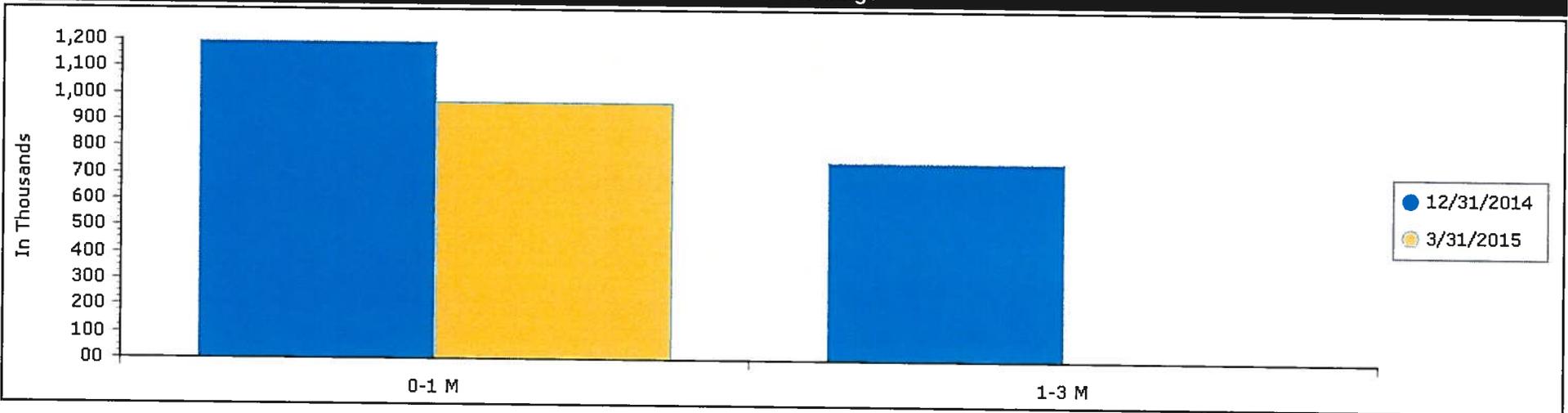
City of Pearland Distribution by Maturity Range - Book Value Report Group: Development Authority

Begin Date: 12/31/2014, End Date: 3/31/2015

Maturity Range Allocation

Maturity Range	Book Value 12/31/2014	% of Portfolio 12/31/2014	Book Value 3/31/2015	% of Portfolio 3/31/2015
0-1 Month	1,192,039.70	61.57	968,838.40	100.00
1-3 Months	744,000.00	38.43	0.00	0.00
Total / Average	1,936,039.70	100.00	968,838.40	100.00

Portfolio Holdings





City of Pearland

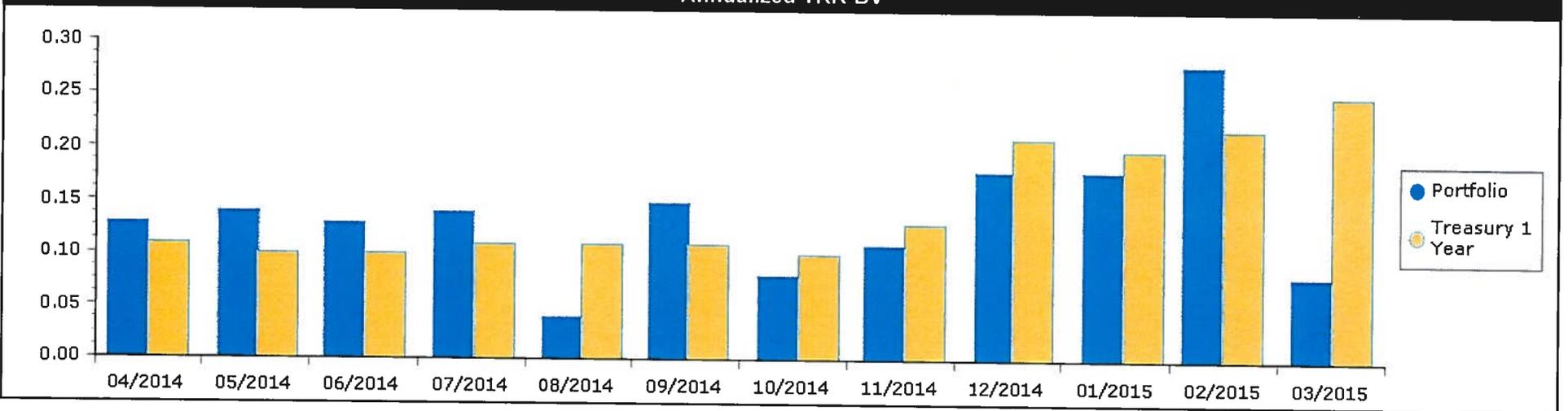
Total Rate of Return - Book Value by Month

Report Group: Development Authority

Begin Date: 4/30/2014, End Date: 3/31/2015

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Average Capital Base-BV	TRR-BV	Annualized TRR-BV	Treasury 1 Year
4/30/2014	928,029.82	102.95	0.00	102.95	925,736.49	0.01	0.13	0.11
5/31/2014	923,832.77	105.83	0.00	105.83	922,900.51	0.01	0.14	0.10
6/30/2014	922,238.60	102.30	0.00	102.30	922,238.60	0.01	0.13	0.10
7/31/2014	922,340.90	105.70	0.00	105.70	920,695.74	0.01	0.14	0.11
8/31/2014	919,446.60	234.06	0.00	234.06	6,488,728.86	0.00	0.04	0.11
9/30/2014	11,075,430.66	755.69	0.00	755.69	6,199,028.13	0.01	0.15	0.11
10/31/2014	1,932,931.60	124.44	0.00	124.44	1,932,931.60	0.01	0.08	0.10
11/30/2014	1,933,056.04	174.14	0.00	174.14	1,989,317.92	0.01	0.11	0.13
12/31/2014	1,930,221.21	288.54	0.00	288.54	1,933,298.82	0.01	0.18	0.21
1/31/2015	1,936,178.98	286.90	0.00	286.90	1,936,039.70	0.01	0.18	0.20
2/28/2015	1,936,423.75	465.31	0.00	465.31	2,003,494.71	0.02	0.28	0.22
3/31/2015	1,929,472.63	96.82	0.00	96.82	1,402,620.12	0.01	0.08	0.25

Annualized TRR-BV





City of Pearland
Portfolio Holdings by Security Type
Report Group: Development Authority

Date: 3/31/2015

Description	Face Amount / Shares	Settlement Date	Cost Value	Market Price	Market Value	% Portfolio	Credit Rating	Days To Call/Maturity
CUSIP		YTM @ Cost	Book Value	YTM @ Market	Accrued Interest	Unre. Gain/Loss	Credit Rating	Duration To Maturity
Cash								
Regions Bank Cash		10/31/2012	4,300.28	100.00	4,300.28	0.44%	None	1
RG3939	4,300.28	0.00	4,300.28	0.00		0.00	None	0
Regions Bank Cash		9/1/2012	502.31	100.00	502.31	0.05%	None	1
RG3948	502.31	0.00	502.31	0.00		0.00	None	0
Sub Total Cash	4,802.59	0.00	4,802.59	0.00	4,802.59	0.49%	0.00	1
Money Market								
Wells Fargo Bank MM		9/30/2006	964,035.81	100.00	964,035.81	99.5%	None	1
WF4258	964,035.81	0.11	964,035.81	0.11		0.00	None	0
Sub Total Money Market	964,035.81	0.11	964,035.81	0.11	964,035.81	99.5%	0.00	1
TOTAL PORTFOLIO	968,838.40	0.11	968,838.40	0.11	968,838.40	100.00%	0.00	0

**Development Authority of Pearland
Quarterly Investment Report
March 31, 2015 to June 30, 2015**



This report is prepared for the Development Authority of Pearland in accordance with Chapter 2256 of the Public Funds Investment Act (PFIA). Section 2256.023 (a) of the PFIA states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Investment Officer and includes the disclosures required in the PFIA.

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @ Cost	Treasury 1 Year	Interest Earned	Days To Maturity
4/30/2015	964,721.66	964,808.46	-86.80	0.15	0.23	71.42	47
5/31/2015	959,043.89	959,043.89	0.00	0.15	0.24	119.68	31
6/30/2015	959,110.86	959,078.13	32.73	0.15	0.28	115.77	15
Total / Average	960,958.80	960,976.83	-18.02	0.15	0.25	306.87	31

Claire Bogard 8-28-15
 Claire Bogard, Director of Finance Date

Rick Overgaard 9/24/15
 Rick Overgaard, Assistant Director of Finance Date

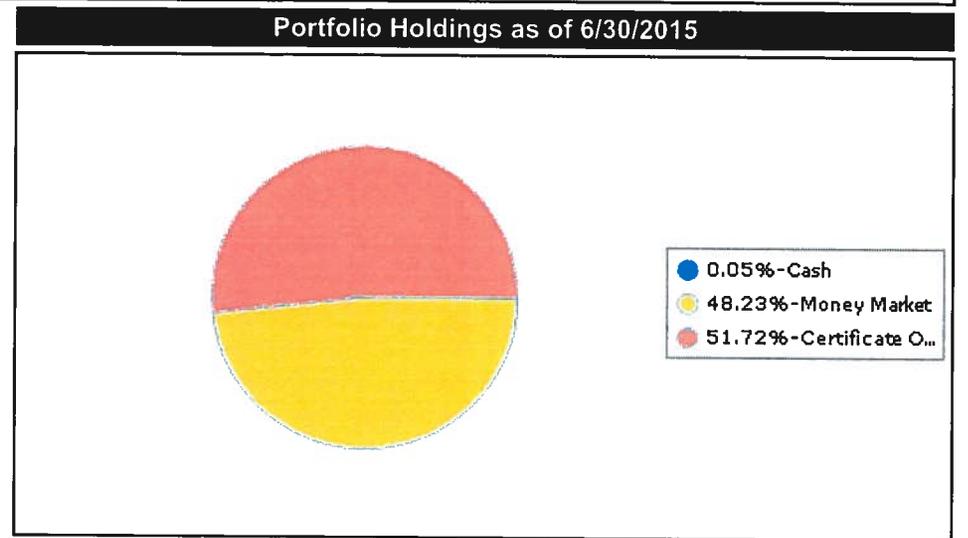
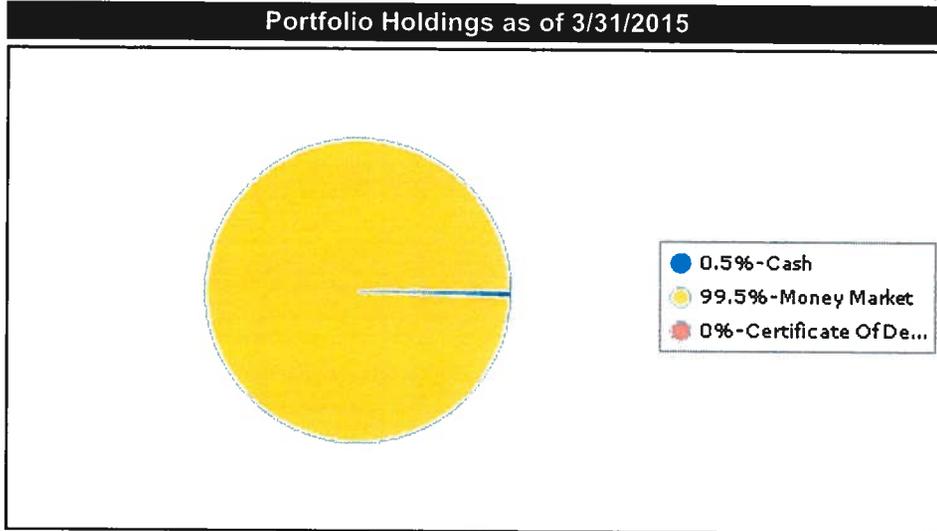
Carrie Ditta 8/24/15
 Carrie Ditta, Accounting Supervisor Date



City of Pearland Distribution by Security Type - Book Value Report Group: Development Authority

Begin Date: 3/31/2015, End Date: 6/30/2015

Security Type Allocation				
Security Type	Book Value 3/31/2015	% of Portfolio 3/31/2015	Book Value 6/30/2015	% of Portfolio 6/30/2015
Cash	4,802.59	0.50	503.30	0.05
Money Market	964,035.81	99.50	462,574.83	48.23
Certificate Of Deposit	0.00	0.00	496,000.00	51.72
Total / Average	968,838.40	100.00	959,078.13	100.00

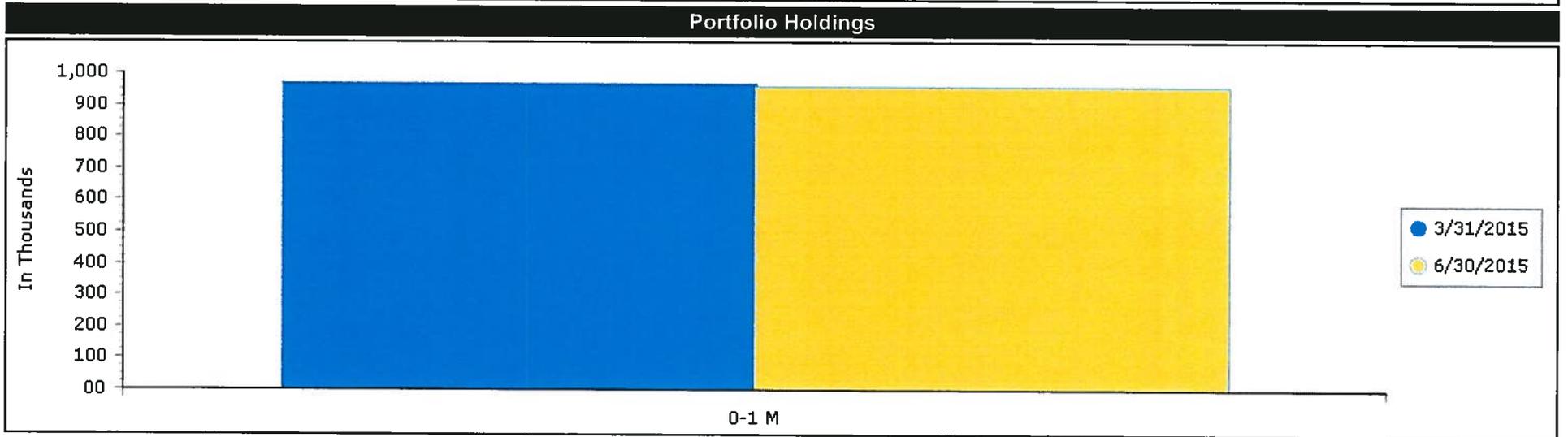




City of Pearland Distribution by Maturity Range - Book Value Report Group: Development Authority

Begin Date: 3/31/2015, End Date: 6/30/2015

Maturity Range Allocation				
Maturity Range	Book Value 3/31/2015	% of Portfolio 3/31/2015	Book Value 6/30/2015	% of Portfolio 6/30/2015
0-1 Month	968,838.40	100.00	959,078.13	100.00
Total / Average	968,838.40	100.00	959,078.13	100.00

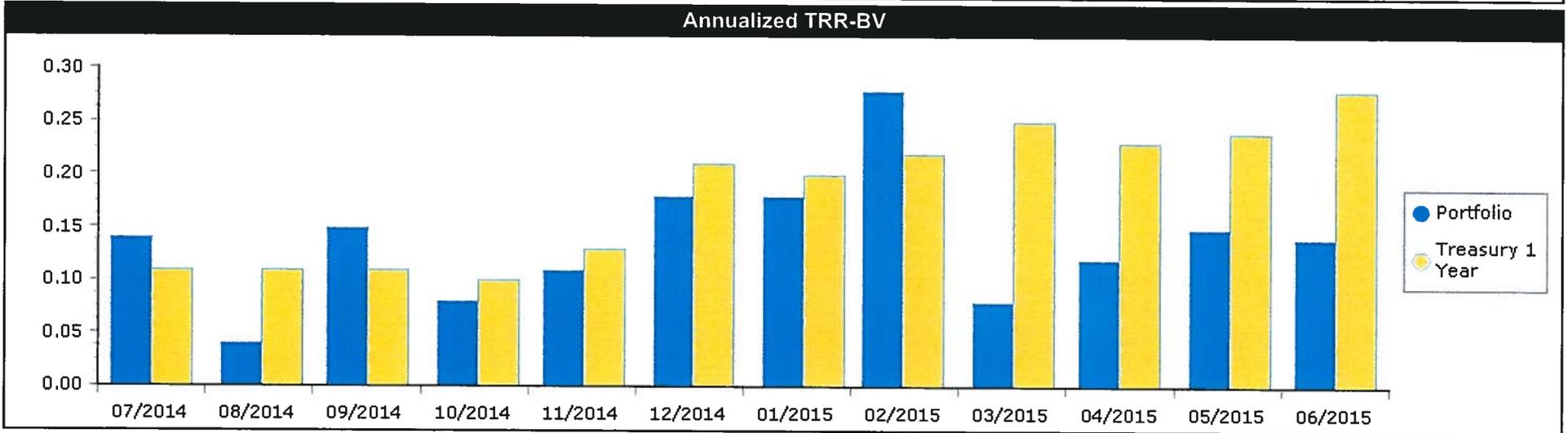




City of Pearland Total Rate of Return - Book Value by Month Report Group: Development Authority

Begin Date: 7/31/2014, End Date: 6/30/2015

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Average Capital Base-BV	TRR-BV	Annualized TRR-BV	Treasury 1 Year
7/31/2014	922,340.90	105.70	0.00	105.70	920,695.74	0.01	0.14	0.11
8/31/2014	919,446.60	234.06	0.00	234.06	6,488,728.86	0.00	0.04	0.11
9/30/2014	11,075,430.66	755.69	0.00	755.69	6,199,028.13	0.01	0.15	0.11
10/31/2014	1,932,931.60	124.44	0.00	124.44	1,932,931.60	0.01	0.08	0.10
11/30/2014	1,933,056.04	174.14	0.00	174.14	1,989,317.92	0.01	0.11	0.13
12/31/2014	1,930,221.21	288.54	0.00	288.54	1,933,298.82	0.01	0.18	0.21
1/31/2015	1,936,178.98	286.90	0.00	286.90	1,936,039.70	0.01	0.18	0.20
2/28/2015	1,936,423.75	465.31	0.00	465.31	2,003,494.71	0.02	0.28	0.22
3/31/2015	1,929,472.63	96.82	0.00	96.82	1,402,620.12	0.01	0.08	0.25
4/30/2015	968,838.40	71.42	0.00	71.42	710,385.07	0.01	0.12	0.23
5/31/2015	964,809.82	119.68	0.00	119.68	961,627.81	0.01	0.15	0.24
6/30/2015	959,129.50	115.77	0.00	115.77	959,043.89	0.01	0.14	0.28





City of Pearland
Portfolio Holdings by Security Type
Report Group: Development Authority

Date: 6/30/2015

Description	Face Amount / Shares	Settlement Date	Cost Value	Market Price	Market Value	% Portfolio	Credit Rating	Days To Call/Maturity
CUSIP		YTM @ Cost	Book Value	YTM @ Market	Accrued Interest	Unre. Gain/Loss	Credit Rating	Duration To Maturity
Cash								
Regions Bank Cash		9/1/2012	502.87	100.00	502.87	0.05%	None	1
RG3948	502.87	0.02	502.87	0.02		0.00	None	0
Regions Bank Cash		10/31/2012	0.43	100.00	0.43	0%	None	1
RG3939	0.43	0.28	0.43	0.28		0.00	None	0
Sub Total Cash	503.30	0.02	503.30	0.02	503.30	0.05%		1
						0.00		0
Certificate Of Deposit								
Banc of CA 0.2 7/29/2015		4/30/2015	248,000.00	100.01	248,015.62	25.86%	None	29
05961SDT8	248,000.00	0.20	248,000.00	0.12	82.89	15.62	None	0.08
Bar Harbor B&T 0.2 7/29/2015		4/29/2015	248,000.00	100.01	248,017.11	25.86%	None	29
066851TF3	248,000.00	0.20	248,000.00	0.11	84.25	17.11	None	0.08
Sub Total Certificate Of Deposit	496,000.00	0.20	496,000.00	0.12	496,032.73	51.72%		29
					167.14	32.73		0.08
Money Market								
Wells Fargo Bank MM		9/30/2006	462,574.83	100.00	462,574.83	48.23%	None	1
WF4258	462,574.83	0.09	462,574.83	0.09		0.00	None	0
Sub Total Money Market	462,574.83	0.09	462,574.83	0.09	462,574.83	48.23%		1
						0.00		0
TOTAL PORTFOLIO	959,078.13	0.15	959,078.13	0.10	959,110.86	100.00%		15
					167.14	32.73		0.04

Pledged Collateral Reconciliation Report June 30, 2015

Bank	Account Number	Account Name	Amount
Wells Fargo	807-1613395	Credit Card Account	-
Wells Fargo	001-3042841	Sweep Account	79,349,081.68
Wells Fargo	7169195455	False Alarm Reduction Program	141,401.66
Wells Fargo	818-4567843	Alvin ISD	9,083,140.17
Wells Fargo	179-0121790	EMS Payments	-
Wells Fargo	280-7409871	Health Claims	<u>296,369.84</u>
Total of Bank Balances			\$ 88,869,993.35
Pledged Collateral for City			103,397,356.12
FDIC Insurance			<u>250,000.00</u>
			\$ 103,647,356.12
Over (Under) Collateralized			\$ 14,777,362.77
Total % Collateralized			116.6%

Bank	Account Number	Account Name	Amount
Wells Fargo	100-7284258	Development Authority	<u>462,574.83</u>
Total of Bank Balances			\$ 462,574.83
Pledged Collateral for DAP			242,106.33
FDIC Insurance			<u>250,000.00</u>
			\$ 492,106.33
Over (Under) Collateralized			\$ 29,531.50
Total % Collateralized			106.4%
Total % Collateralized			116.6%
Status			Collateralized

**AGENDA REQUEST
DEVELOPMENT AUTHORITY
OF PEARLAND, TEXAS**

AGENDA OF:	09/14/2015	ITEM NO.:	Resolution No. RDAP 2015-06
DATE SUBMITTED:	08/24/2015	DEPT. OF ORIGIN:	Finance
PREPARED BY:	Rick Overgaard	PRESENTOR:	Claire Bogard
REVIEWED BY:		REVIEW DATE:	
SUBJECT: Resolution RDAP 2015-06- A Resolution of the Development Authority of Pearland Adopting an Amended Investment Policy, Investment Strategy and Approved Brokers In Accordance With Chapter 2256 of The Government Code (“Public Funds Investment Act”).			
EXHIBITS: RDAP 2015-06 Exhibit A - Investment Policy, Exhibit B- Strategy and Exhibit C - Broker/Dealer List			
FUNDING:	<input type="checkbox"/> Grant	<input type="checkbox"/> Developer/Other	<input type="checkbox"/> Cash Opns
	<input type="checkbox"/> Bonds To Be Sold	<input type="checkbox"/> Bonds- Sold	<input type="checkbox"/> L/P – Sold
		<input type="checkbox"/> L/P – Sold	<input type="checkbox"/> L/P – To Be Sold
EXPENDITURE REQUIRED:	N/A	AMOUNT BUDGETED:	N/A
AMOUNT AVAILABLE:		PROJECT NO.:	
ACCOUNT NO			
ADDITIONAL APPROPRIATION REQUIRED:			
ACCOUNT NO.:			
PROJECT NO.:			
To be completed by Department:			
<input checked="" type="checkbox"/> Finance	<input checked="" type="checkbox"/> Legal	<input type="checkbox"/> Ordinance	<input checked="" type="checkbox"/> Resolution

EXECUTIVE SUMMARY

BACKGROUND

The Public Funds Investment Act (PFIA) requires the governing body to review its investment policy, investment strategies, and approved broker/dealers not less than annually. The governing body must adopt a written instrument by ordinance or resolution stating that it has reviewed the investment policy, investment strategies, approved broker/dealers, and that the written instrument so adopted shall record any changes made to the policy, strategy, and broker/dealers.

POLICY/GOAL CONSIDERATION

The investment policy contains one proposed change as a result of the State Legislature approving a change to the PFIA this past session. The hours of training that an investment officer is required to attend every two years changed from 10 hours to 8 hours. The initial

training when taking office or assuming duties still remains at 10 hours. The effective date for the training change will be September 1, 2015 in accordance with the effective date of the change in State law. Another minor change being proposed as a result of an increase in the City's investment activity is increasing the number of approved brokerage firms selected from "The top six to seven firms..." to "Up to ten firms...".

The PFIA also requires a separate written investment strategy for each fund or pooled group of funds. The strategy must address suitability, safety of principal, liquidity, marketability, diversification, and yield. As such a separate written investment strategy is also included for the DAP's approval. There are no proposed changes to the investment strategy.

Pursuant to the PFIA, the DAP must approve a list of broker/dealers with which the DAP can do business. The Investment Officer can only do business with those businesses as approved. The DAP's investment policy states that "the DAP will prepare a Request of Investments Services every two years at a minimum..." In June 2015, the DAP sent out requests for proposals. The DAP received eleven completed RFP's, with five being from new broker/dealers. Staff evaluated and selected the broker/dealers based on several factors, including completeness of RFP, proper registrations, financials, references, etc. Staff chose two new broker/dealers in addition to the six current broker/dealers that submitted an RFP. An updated approved broker/dealers list is attached as Exhibit C.

The City's investment committee met on August 4, 2015 and concur on the recommendations.

FINANCIAL INFORMATION

N/A

RECOMMENDED ACTION

Consideration and Approval of Resolution RDAP 2015-06 of the Development Authority of Pearland, Texas, adopting an amended investment policy, investment strategy and approved brokers in accordance with Chapter 2256 of the Government Code ("Public Funds Investment Act") and in accordance with Exhibit A, Exhibit B, and Exhibit C.

RESOLUTION NO. R2015-06

A RESOLUTION OF THE DEVELOPMENT AUTHORITY OF PEARLAND (DAP), ADOPTING AN AMENDED INVESTMENT POLICY, INVESTMENT STRATEGY AND APPROVED BROKERS IN ACCORDANCE WITH CHAPTER 2256 OF THE GOVERNMENT CODE (“PUBLIC FUNDS INVESTMENT ACT”).

WHEREAS, the Public Funds Investment Act codified in Government Code Chapter 2256 governs local government investment; and

WHEREAS, the Public Fund Investment Act (Section 2256.005a), as amended, requires the DAP to adopt an Investment Policy and Investment Strategy by rule, order, ordinance or resolution governing the investment of funds under its control; and

WHEREAS, the Public Fund Investment Act (Section 2256.005e), requires the governing body to review and adopt that Investment Policy and Investment Strategy by rule, order, ordinance or resolution not less than annually, recording any changes made thereto; now, therefore,

BE IT RESOLVED BY THE DAP BOARD OF DIRECTORS:

Section 1. That the DAP has complied with the requirements of the Public Funds Investment Act and the Investment Policy. The modified Investment Policy, Invest Strategy and approved Brokers are attached hereto as Exhibit “A”, Exhibit “B” and Exhibit “C” and are hereby adopted effective immediately.

PASSED, APPROVED, AND ADOPTED this _____ day of _____
A.D., 2015.

DAP CHAIRMAN

ATTEST:

DAP SECRETARY

**DEVELOPMENT AUTHORITY OF
PEARLAND, TEXAS**

**INVESTMENT POLICY
AND
INVESTMENT STRATEGY**

ADOPTED FEBRUARY 12, 2007
Revised February 2008
Revised April 2009
Revised June 2011
Revised June 2012
Revised August 2013
Revised August 2014
Revised August 2015

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DEVELOPMENT AUTHORITY OF PEARLAND INVESTMENT POLICY

1.0 INVESTMENT AUTHORITY AND SCOPE OF POLICY

1.01 Purpose

To establish and provide specific policy and guidelines for the conduct of the investment program of the Development Authority of Pearland.

1.02 Policy

It is the policy of the Development Authority of Pearland (the "DAP") to invest public funds in a manner, which will provide safety of principal while earning the highest reasonable market return in meeting the daily cash flow demands of the DAP. All funds will be invested in compliance with all state and local statutes and all Governmental Accounting Standards Board Statements, and related financial accounting standards.

This policy satisfies the requirement of the Public Funds Investment Act (PFIA), Texas Government Code 2256.

1.03 Scope

This Investment Policy shall apply to all the funds and investments of the DAP as well as any other funds held in custody by the DAP, and include the following funds:

1. General Fund
2. Special Revenue Funds
3. Capital Project Funds
4. Enterprise Funds
5. Trust & Agency Funds
6. Debt Service Funds
7. Internal Service Funds
8. Component Units, excluding those that have adopted a separate investment policy.
Current component units include:
 - a. Pearland Economic Development Corporation
 - b. Tax Increment Reinvestment Zone #2
 - c. Development Authority of Pearland
9. Any other funds or component units as created by the DAP.

These funds, as well as funds that may be created from time-to-time, shall be administered in accordance with the provisions of this policy. All

funds invested under this policy shall be considered as a pooled group for investment purposes.

Deferred compensation and the retirement system assets the City sets aside or holds for its employees are not subject to this policy.

1.04 Delegation of Investment Authority

The Director of Finance, Assistant Director of Finance, and Accounting Supervisor are hereby designated as Investment Officers for the DAP. The DAP may use other employees or the services of a contractor to aid the investment officer(s) in the execution of their duties. Otherwise, unless authorized by law, no other individual(s) has the authority to deposit, withdraw, transfer or manage the investments of the DAP. The DAP may designate a registered investment advisor to invest for the DAP and act as an additional Investment Officer. Authority granted to a person(s) to deposit, withdraw, invest, transfer or manage the DAP's investments is effective until rescinded by DAP board or until termination of the person's employment or contract.

The Director of Finance is responsible for the management of the investment program. The Investment Officers are responsible for the daily operations of the investment function. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

1.05 Ethics and Conflict of Interest

Investment Officers shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Investment Officers who have a personal business relationship with a business organization seeking to sell an investment to the DAP and who have anyone related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the DAP shall file a statement disclosing that personal interest to the Director of Finance, City Manager, the DAP board and the Texas Ethics Commission.

An Investment Officer has a personal business relationship with a business organization if:

- 1) the investment officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

- 2) funds received by the investment officer from the business organization exceed 10% of the investment officer's gross income for the previous year; or
- 3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

1.06 Investment Committee

The DAP shall establish an Investment Committee for the purpose of reviewing investment policies and procedures, investment strategies, and investment performance. The members of the Committee shall consist of the City Manager, Assistant City Manager as designated by the City Manager, Director of Finance, and Assistant Director of Finance. The City Manager shall be the Chairman of the Committee.

The Investment Committee shall review quarterly investment reports and annually review the recommended changes to the Investment Policy and Investment Strategy and review the list of brokers authorized to engage in investment transactions with the DAP.

2.0 INVESTMENT OBJECTIVES AND STRATEGY

2.01 Objective

DAP investments shall be made in accordance with federal and state laws, this Investment Policy and ordinances of the DAP. The DAP's investment portfolio shall be designed with the objective of attaining a market rate of return in accordance with its designated benchmark based on the DAP's cash flow requirements throughout budgetary and economic cycles, commensurate with the DAP's investment risk constraints and the cash flow characteristics of the portfolio.

2.02 Safety of Principal

The primary objective of the DAP's investment program is to ensure the safety of all funds. To attain this objective, it is the DAP's intent to invest in the safest types of securities, pre-qualify broker/dealers,, and advisors and to hold all investments until maturity in order to ensure the return of all invested principal unless as stipulated in Section 4.09 of the policy.

2.03 Liquidity

The DAP's investment must be based on a cash flow analysis, which will provide the liquidity necessary to pay all expected and unexpected obligations. Liquidity shall be achieved by matching investment

maturities with budgetary and economic cycles. A portion of the portfolio will be maintained in liquid short-term investments that can be converted to cash if necessary to meet disbursement requirements. Investment pools and no-load money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

2.04 Diversification

The Development Authority of Pearland shall diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investment shall always be selected that provide for stability of income and reasonable liquidity.

2.05 Yield

It will be the objective of the DAP to earn a reasonable market yield throughout budgetary and economic cycles within the parameters imposed by its safety and liquidity objectives, investment strategies, and state and federal law. Return on investment is of secondary importance to safety and liquidity objectives. The yield and level of risk for the portfolio will be benchmarked against the yield of the one-year Treasury Bill during the comparable period as well as against an agency note with approximately the same maturity as the weighted average maturity of the portfolio.

2.06 Maturity

The portfolio shall be structured primarily to meet DAP obligations and secondly to achieve a reasonable return of interest. The maximum allowable stated maturity of any individual investment owned by the DAP shall be five (5) years from date of purchase. The settlement date is considered the date of purchase. However, the DAP may collateralize its demand deposit accounts, certificates of deposits, and repurchase agreements using longer-dated investments not to exceed thirty (30) years.

The maximum weighted average maturity based on the overall portfolio shall be 30 months, or 900 days.

2.07 Investment Training

Investment Officers shall take (a) 10 hours of training within 12 months after taking office or assuming duties and (b) not less than ~~8~~¹⁰ hours of training in a two year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date. Training shall include education in investment controls, security risks,

strategy risks, market risks, diversification, and compliance. Training must be provided by an independent source approved by the governing body or designated Investment Committee. For these purposes, courses or seminars offered by the Government Finance Officers Association, Government Finance Officers Association of Texas, Texas Municipal League, Southwest School of Government Finance, University of North Texas, Texas Association of Counties, Treasury Management Association, or the Government Treasurers Organization of Texas will satisfy the training requirements. An external auditor shall review documentation of training hours annually.

2.08 Quality and Capability of Investment Management

Investment Officers shall at all times be cognizant of the standard of care and the investment objectives as set forth in the Public Funds Investment Act and the DAP's Investment Policy.

The DAP shall provide investment training as required by the Act to ensure the quality and capability of investment management. Staff sets the standard of training required, which may be over the 10 hours as required by the Act.

2.09 Investment Strategy

In accordance with the Act (2256.005(d)) a separate written investment strategy shall be developed for each portfolio/fund or pooled group of funds under the DAP's control. The strategy shall be reviewed on an annual basis with formal action by the DAP board stating that the strategy has been reviewed and recording any changes made.

2.10 Cash Management

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability to the DAP for investment use. The DAP shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

3.0 AUTHORIZED INVESTMENTS

3.01 Authorized Investments

Authorized investments under this policy shall be limited to the instruments listed below as authorized and defined by the Public Funds Investment Act.

- A. Obligations of the United States or its agencies and instrumentalities.
- B. Obligations of the State of Texas or its agencies and instrumentalities
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.
- D. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- E. Collateralized certificates of deposit of banks or savings banks doing business in Texas, collateralized to 102%, and guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or secured by obligations of the United State Government, including mortgage backed securities, which pass the bank test, but excluding those mortgage backed securities defined in Section 2256.009(b) of the Act.
- F. Constant dollar local government investment pools as defined by the Act (2256.016 and 2256.019) and approved by DAP board resolution.
- G. AAA-rated, SEC registered no-load money market mutual funds and no-load mutual fund and as further defined in Section 2256.014 of the Act.
- H. Collateralized repurchase agreements as defined by the Public Funds Investment Act placed through a primary government securities dealer or a financial institution doing business in this state with a defined maturity date and as further defined in Section 2256.011 of the Act.
- I. Interest bearing checking accounts that are fully collateralized at 102% of the ledger balance.
- J. Certificates of deposit through the Certificate of Deposit Account Registry Service (CDARS) program.

3.02 Certificates of Deposit

- A. Depository certificates of deposit (CD) may be purchased from any depository institution located in the State of Texas.
It is not necessary for a Texas depository institution to be on the DAP's approved broker/dealer list as CD's are considered depository in nature. Prior to purchase, however, all agreements with the depository institution must be completed prior to the purchase of a CD from the depository institution.
- B. All CD's, whether purchased from a brokerage firm or a depository institution require three bids.

C. Amounts purchased over the FDIC limit whether from a depository institution or brokerage firm must be collateralized.

3.03 Unauthorized Investments

Specifically prohibited investments are:

1. Collateralized mortgage obligations
2. Commercial Paper, including Pools which invest in Commercial Paper
3. All swaps including but not limited to even-basis swaps, interest rate swaps
4. Forwards and futures
5. Options
6. Foreign Exchange
7. Planned amortization classes (PAC)
8. Regular floaters tied to government securities
9. Investments with various interest rate caps, floors, and collars
10. Investment pools in which the DAP would own more than 10% of the market value of the pool
11. Any other investments that are not on the authorized investment list

3.04 Investments with Required Ratings

Investments with minimum required ratings such as investment pools and no-load mutual funds do not qualify as authorized investments during the period the investment does not have the minimum rating. Investment ratings shall be checked monthly online by an Investment Officer to ensure that the ratings have not been downgraded. The DAP shall take all prudent measures that are consistent with its investment policy to liquidate investments that do not have the minimum rating.

4.0 INVESTMENT CONTROLS

4.01 Selection of Investment Broker/Dealers

The Investment Officers will maintain a list of financial institutions, primary broker/dealers, and local government investment pools authorized by the DAP board to provide investment services to the DAP. Annually, the DAP board will approve the list of financial institutions and broker/dealers authorized to conduct business with the DAP. Investment Officers shall not conduct business with any firm not approved by DAP board, except for the purchase of CD's from Texas depository institutions.

The DAP will prepare a Request for Investment Services every two years at a minimum and notice of said request will be published in the City's

official paper and on the City's on-line bidding system. All financial institutions and broker/dealers who desire to become qualified bidders for investment services must fill out the application and return it to the City by the stated day and time. After review of all applicants, a list of selected financial institutions and broker/dealers will be prepared by the Investment Officers and reviewed by the Investment Committee. The following may be required with the application: most recent audited financial statement, list of local government clients, and statements of qualifications.

Criteria used in the selection of the authorized broker/dealers will include, but are not limited to material litigation against the firm, regulatory status of the dealer, completed packet, references from local government clients, background and expertise in investment of public funds.

Up to ten~~The top six to seven~~ firms shall be selected to appear on the DAP's approved list. If, after a firm is selected, they no longer qualify to appear on the DAP's approved dealer list, or provide services inconsistent with acceptable levels, the Investment Officers may recommend DAP board to remove the firm from the approved list and replace it with the next qualified candidate based on the previous Request for Investment Services ranking. Should an approved bank merge with or be acquired by another bank while on the DAP's approved list, the new bank must agree to meet the same collateralization and certification requirements, or the bank shall be removed from the approved list.

4.02 Certification

A written copy of this Investment Policy shall be presented to any firm seeking to engage in a financial transaction with the DAP. The authorized representative of the firm shall execute a written instrument substantially in the form of Attachment A of this Policy and to the effect that the representative has:

1. received and thoroughly reviewed the investment policy of the DAP;
and
2. acknowledged that the organization has implemented reasonable procedures and controls in effort to preclude investment transactions that are not authorized by the DAP's Investment Policy except to the extent that the authorization is dependent on an analysis of the makeup of the DAP's entire portfolio or requires interpretation of subjective investment standards.

The Investment Officer(s) may not transact business with any firm that has not executed and returned this certification. (2256.005(l)).

The DAP may contract with a registered investment advisor for the management of the DAP's portfolio. The advisor shall review the Policy and execute all transactions in accordance with the provisions and controls of the Policy.

4.03 Delivery vs. Payment Settlement

It shall be the policy of the DAP that all securities shall be purchased on a "Delivery vs. Payment" (DVP) basis, except for investment pools and mutual funds. By so doing, DAP funds are not released until the DAP or its approved custodian has received the securities purchased or pledged.

4.04 Internal Control and Annual Audit

The Director of Finance or designee shall establish a system of internal controls. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, or imprudent actions by employees or Investment Officers of the DAP. Controls and managerial emphasis deemed most important include the following:

Imperative Controls:

- A. Safekeeping receipts and record management
- B. Documentation of investment bidding
- C. Written confirmations
- D. Reconciliation and comparisons of security receipts with investments and bank records
- E. Compliance with investment policies
- F. Accurate and timely reporting
- G. Adequate training and development of Investment Officers

Controls Where Practical

- A. Control of collusion
- B. Segregation of duties
- C. Clear delegation of authority
- D. Staying informed about market conditions, changes and trends that require adjustments in investment strategies.

The DAP, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the DAP's established investment policies. This annual audit shall be performed by an external auditor and will include formal review of the quarterly reports.

4.05 Standard of Care

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. the investment of all funds over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
2. whether the investment decision was consistent with the DAP's Investment Policy.

The Director of Finance and the Investment Officers are not personally responsible for changes in the market.

4.06 Competitive Bidding

All purchases of investments will be placed after receiving competitive quotes from at least three financial institutions, broker/dealers, investment pools or any combination thereof. Quotes will be accepted either written or electronically, or a combination thereof. An exception to this rule may be made when time limitations preclude the bidding process.

The investment will be made with the broker/dealer offering the greatest return and quality to the DAP. If three bids/offers are solicited but three responses are not received within the time frame specified in the solicitation of the bid/offer, the Investment Officer may act based on the responses received as long as the solicitation of and failure to receive the bids/offers is documented. Any investments purchased must have the signature of at least two Investment Officers, when both are present.

4.07 Portfolio Diversification

The DAP will diversify its investments by security type, institution, and broker/dealer. Requests for bids/offers from broker/dealers shall rotate among approved broker/dealers to ensure that the same brokers are not solicited for every bid/offer request, and to ensure competition among broker/dealers.

With the exception of U.S Treasury Securities and interest bearing checking accounts that are fully collateralized, no more than 75% of the DAP's total investment portfolio will be invested in a single security type. If the DAP elects to participate in more than one investment pool, the total percent invested in all pools shall not exceed the maximum percent allowed.

Diversification requirements are as follows:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	Up to 50%
Certificates of Deposit**	Up to 50%
US Treasury Bills/Notes	Up to 100%
Other US Government Securities	Up to 50%
Authorized Investment Pools	Up to 75% in total
CDARS Program	Up to 25%
No-Load MM Mutual Funds	Up to 50%
No-Load Mutual Funds	Per PFIA
Sweep Accounts/DDA***	Up to 100%

** FDIC coverage or fully collateralized

*** Fully collateralized at 102% of value

4.08 Electronic Funds Transfer

The DAP may use electronic means to transfer or invest all funds collected or controlled by the DAP.

4.09 Selling Of Securities Before Maturity

While it is the DAP's intent to hold securities to maturity to ensure safety of principal, if the DAP needs to sell securities in order to meet disbursement needs or to take advantage of interest rates, the City Manager and the Director of Finance must both approve the sale of the security.

5.0 Arbitrage

Arbitrage rebate provisions require that the DAP compute earnings on investments from each issue of bonds on an annual basis to determine if a rebate to the IRS is required. The DAP is required to perform specific calculations relative to the actual yield earned on the investment of the funds and the yield that could have been earned if the funds had been invested at a rate equal to the yield on the bonds sold by the DAP. The regulations require extreme precision in the monitoring and recording facets of the investments as a whole, and particularly as it relates to yields and computations to insure compliance. Failure to comply can

dictate that the bonds become taxable, retroactively from the date of issuance, or subject the DAP to severe penalties.

The DAP's investment position as it relates to arbitrage regulations is as follows: Investments on bond proceeds will be made with safety of principal and liquidity in mind, but with a competitive rate of return. When project timing and cash flows allow, bond proceeds may be invested in instruments allowed under Section 3.0, if the investment can be purchased solely with the individual bond proceeds, and not commingled with operating funds or multiple issues. All investments purchased with bond funds shall be documented clearly and reported to the DAP's arbitrage consultant for tracking and review. Arbitrage rebate calculations will be performed annually on all debt issues and funds set aside annually for any positive arbitrage. Arbitrage will be rebated to the IRS, as necessary.

6.0 Investment Reporting

The Investment Officers shall report to DAP board on no less than a quarterly basis in accordance with the Act (2256.023). The report shall include a detailed listing of all purchases, sales, and payments and a description of each security held as well as management summary information.

The report must be prepared and signed by all Investment Officers and contain a statement of compliance with regard to the DAP's Investment Policy and the Act (2256.023).

Market prices used to determine market value in the investment reports shall be obtained from an independent source.

7.0 INVESTMENT COLLATERAL AND SAFEKEEPING

7.01 Collateral

The Investment Officer(s) or Investment Advisor shall ensure that all DAP funds in time and demand deposits, certificates of deposits and/or repurchase agreements are insured or collateralized consistent with the Public Funds Collateral Act (Texas Government Code 2257) and federal law as well as the then current bank depository contract. The DAP chooses to accept collateral based on the list of investments authorized under the Public Funds Investment Act. The right of collateral substitution is granted with the approval of the Director or Assistant Director of Finance. The Director or Assistant Director of Finance may approve and release pledged collateral. The DAP shall request additional

collateral in the event Investment Officer(s) deems that deposits or investments are not sufficiently protected by the pledged collateral.

Collateral will equal 102% of the ledger balance of time and demand deposits, plus principal and accrued interest on certificates of deposit, and repurchase agreements and be held by an independent party outside the bank's or counter-parties' holding company. Pledged collateral will be evidenced by original safekeeping receipts, which are held at the Federal Reserve Bank and readily available to the DAP. The DAP's bank and/or counter-party will be responsible for the monitoring and maintaining of margin levels at all times.

7.02 Safekeeping

All DAP securities shall be held in independent safekeeping by the DAP, the DAP's depository bank or a DAP approved custodian in a third party financial institution. All safekeeping will be evidenced by original safekeeping receipts. Safekeeping receipts shall be maintained by the Investment Officer(s), and shall be available for review upon request.

8.0 INVESTMENT POLICY ADOPTION

The DAP's Investment Policy shall be adopted by resolution annually by the DAP board. The policy shall be reviewed annually by the Investment Committee. Any modifications made thereto must be approved by the DAP board and documented by formal action.

GLOSSARY

Accrued Interest: Term designating the interest due on a bond or other fixed income security that must be paid by the buyer of a security to its seller.

Agency: A security, almost always debt, issued by a corporation sponsored by the U.S. Government. Examples: bonds of the Tennessee Valley Authority.

Agency Notes: One to two year obligations offered at a discount from par by U.S. Government Agencies, such as the Federal National Mortgage Association, the Federal Home Administration, and the Farm Credit System.

Bid: The price offered by a buyer of securities – when you are selling securities, you ask for a bid.

Broker: A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate.

Collateral: Evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Component Unit: Based on generally accepted account principles, the Pearland Economic Development Corporation, TIRZ #2, and the Development Authority of Pearland are considered component units of the City, and as such are included in the City's annual financial reports.

Confirmation: Commonly called a "confirm." The confirmation is a notice to a customer that payment is due on a purchase, or that net proceeds are available on a sale of securities. Federal securities law requires that a confirmation be sent promptly following each purchase and sale.

Conflict of Interest: Term used to describe a financial situation where a person prejudicially places personal affairs before those of constituents that the person is supposed to serve or represent.

Coupon: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Current Maturity: Used to designate the remaining lifetime of an already outstanding bond.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery versus Payment: Delivery of securities first, with an exchange of money for the securities after delivery.

Derivatives: (a) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying indices or securities, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security.

Discount: The difference between the cost price of a security and its maturity value when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value. Example: U.S. Treasury Bills.

Discount Yield: Measurement of return that computes interest on face value of security rather than on the dollar amount invested. Used in figuring yield on U.S. Treasury Bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Equivalent Bond Yield: Used to compare the discount yield on money market securities to the coupon yield on government bonds.

Face Value: The dollar amount that appears on the face of the bond certificate. It is the dollar amount the issuer promises to pay to the holder at maturity. Also called par value.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals. Examples: S&L's, small business firms, students, farmers, farm cooperatives.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per depositor.

Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Farm Credit Bank (FFCB): Fiscal agent for the Farm Credit System, a public government sponsored enterprise (GSE) created in 1916 to lend to agricultural and rural America. Funds for loans are obtained through the issuance of Farm Credit Debt Securities.

Federal Home Loan Bank (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac): Public government sponsored enterprise (GSE) created in 1970 to expand the secondary market for mortgages in the US. Along with other GSEs, Freddie

Mac buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors on the open market. This secondary mortgage market increases the supply of money available for mortgage lending and increases the money available for new home purchases.

Federal National Mortgage Association (FNMA or Fannie Mae): FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC): Consists of the seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Financial Assets: Cash and other assets that, in the normal course of operations, will become cash.

Government National Mortgage Association (GNMA or Ginnie Mae): A fixed income security that represents an undivided interest in a pool of federally insured mortgages put together by GNMA. GNMA securities are commonly backed by FHA or VA mortgages.

Liquidity: A liquid assets is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable sizes can be done at those quotes.

Local Government Investment Pool (LGIP): An entity created under the public funds investment act to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are 1) preservation and safety of principal, 2) liquidity, and 3) yield.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, etc.) with a one-year maturity or less, and often 30-days or less, are issued and traded.

Offer: The price asked by a seller of securities.

Overnight Repo: A repurchase agreement with expiration set for the following business day.

Par Value: The dollar amount that appears on the face of the bond certificate. It is the dollar amount the issuer promises to pay to the holder at maturity. Also, called face value.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions.

Principal: The face amount (par value) of a debt security.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. For bonds and notes, it is the coupon rate divided by the price.

Repurchase Agreement (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.

Safekeeping: A services to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission: Agency created by Congress to protect investors in security related transactions by administering securities legislation.

Sell: To transfer ownership for a monetary consideration. The term is used in conjunction with the disposition of stocks, bonds, or other financial assets.

Structured Notes: Notes issued by Government Sponsored Enterprises (FFCB, FHLB, FHLMC, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g.: call features, step-up coupons, floating rate coupons, derivative based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds: Long-term coupon bearing U.S. Treasury Securities issued as direct obligations of the U. S. Government and having initial maturities of more than 10 years.

Treasury Notes: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio.

ATTACHMENT A

CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of Development Authority of Pearland (the Investor) and _____ (the Business Organization) pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the Act) in connection with investment transactions conducted between the Investor and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter into an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code and
2. The Qualified Representative of the Business Organization has received and reviewed the Investment Policy furnished by the Investor and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment transactions conducted between the Business Organization and the Investor that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or required an interpretation of subjective investment standards.
4. The Business Organization will rely upon instructions from only the persons authorized on behalf of the Development Authority of Pearland as stated in the Investment Policy and DAP's resolution designating investment officers.

Qualified Representative of the Business Organization

Signature: _____
Name: _____
Title: _____
Date: _____

ATTACHMENT B

APPROVED/AUTHORIZED LIST OF BROKER/DEALERS

Comerica Securities
Duncan Williams
First Southwest Company
~~Frost National Bank~~
SAMCO Securities
Oppenheimer & Co.
Wells Fargo Securities
CastleOak Securities
Gilford Securities

Certificates of deposit may be purchased from Texas depository institutions, which are not on the approved broker/list, as they are considered depository in nature. Certificates of deposit purchased from brokerage firms, however, must be on the approved broker/dealer list as they fall under the Public Funds Investment Act. All deposits over the FDIC limit must be collateralized.

DEVELOPMENT AUTHORITY OF PEARLAND INVESTMENT STRATEGY

The Development Authority of Pearland ("DAP") shall adopt by resolution a separate written investment strategy for each of the funds under its control. For Investment purposes, the DAP shall use a "Pooled Fund Group" which means that all funds under the DAP's control shall be treated as one fund.

INVESTMENT STRATEGY

I. Suitability

Investments are to be purchased based on the financial requirements of the DAP. The Development Authority of Pearland shall strive to maintain the level of investment of all fund balances, reserves and bond funds as close as possible to 100%. Any investment eligible in the Investment Policy is suitable for all DAP funds, including component units.

II. Safety of Principal

Investments of the DAP shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. All investments shall be of high quality with no perceived default risk. It is the DAP's full intent, at the time of purchase, to hold all investments until maturity in order to ensure the return of all invested principal.

III. Liquidity

The DAP's investment portfolio will remain sufficiently liquid to enable the DAP to meet all operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with budgetary and economic cycles, and forecasted cash flow requirements. A portion of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Investment pools and money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

IV. Marketability

The DAP shall invest in securities that, if the need arises, can be liquidated before maturity. Investments will never be prematurely

sold at less than book value plus accrued interest, without the approval of the Director of Finance and the City Manager.

V. Diversification

The DAP will diversify its investments by security type and by broker/dealer. With the exception of U.S. Treasury securities and fully collateralized demand deposit accounts, no more than 75% of the DAP's total investment portfolio will be invested in a single security type.

VI. Yield

The investment portfolio shall obtain a competitive rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The DAP shall attempt to obtain an acceptable return provided that the requirements of safety and liquidity are first met. The yield of the one-year U.S. Treasury Bill shall be a yield objective or benchmark as well as benchmarked against an agency note with maturity, which approximates the weighted average maturity of the portfolio.

ATTACHMENT B

APPROVED/AUTHORIZED LIST OF BROKER/DEALERS

Comerica Securities
Duncan Williams
First Southwest Company
~~Frost National Bank~~
Wells Fargo Securities
CastleOak Securities
Gilford Securities
SAMCO Securities
Oppenheimer & Co.

Certificates of deposit may be purchased from Texas depository institutions, which are not on the approved broker/list, as they are considered depository in nature. Certificates of deposit purchased from brokerage firms, however, must be on the approved broker/dealer list as they fall under the Public Funds Investment Act. All deposits over the FDIC limit must be collateralized.

**AGENDA REQUEST
DEVELOPMENT AUTHORITY OF PEARLAND
PEARLAND, TEXAS**

AGENDA OF: 09/14/15	ITEM NO.: RDAP- 2015-07
DATE SUBMITTED: 08/28/15	REPRESENTING: City of Pearland
PREPARED BY: Claire Bogard	PRESENTOR: Claire Bogard
SUBJECT: Resolution RDAP 2015-07 – A Resolution of the Development Authority of Pearland Texas, Approving a Contract with Arbitrage Compliance Specialists, Inc. for Arbitrage Compliance Services	
EXHIBITS: Resolution No. RDAP – 2015-07 Exhibit A - Contract	
EXPENDITURE REQUIRED: \$7,535.00 PROJECT: N/A	

EXECUTIVE SUMMARY

The Development Authority has issued tax-exempt bonds and is planning on issuing additional tax-exempt bonds in the future. IRS regulations state that an entity cannot earn more interest on the bonds than it is paying. If an entity does, this is called arbitrage, and an entity is required to report and pay the gain to the IRS. Calculations are required every 5 and 10 years until the construction funds are depleted and until there is no outstanding debt.

It was staff's recommendation, with board consensus, to track and calculate arbitrage annually versus every 5 years. The calculations are current, the Development Authority will know of potential liabilities, and information and data required to be sent to the consultant is easily accessible annually versus re-creating/gathering the data every 5 years. Calculations to-date show no tax liability on any bond issue.

Attached is the annual contract with Arbitrage Compliance Specialists, Inc. to bring current all rebate reports through 9/30/16. The total amount of the contract, not to exceed, is \$7,535.00 and covers five bond Series; 2005; 2009; 2012; 2013 and 2014.

RECOMMENDED ACTION

Consideration and approval of Resolution RDAP 2015-07 approving a contract with Arbitrage Compliance Specialists, Inc. for fiscal year 2015 arbitrage calculations in the amount not to exceed \$7,535.00.

RESOLUTION NO. RDAP 2015 - 07

A RESOLUTION OF THE DEVELOPMENT AUTHORITY OF PEARLAND (DAP), TEXAS APPROVING A CONTRACT WITH ARBITRAGE COMPLIANCE SPECIALISTS, INC. FOR ARBITRAGE COMPLIANCE SERVICES

BE IT RESOLVED BY DAP BOARD OF DIRECTORS:

Section 1. That contract letter for arbitration compliance services, a copy of which is attached hereto as Exhibit "A" and made a part hereof for all purposes, is hereby authorized and approved.

Section 2. That the Chairman is hereby authorized to execute and the Secretary to attest a contract letter for arbitration compliance services.

PASSED, APPROVED, AND ADOPTED this _____ day of _____, A.D 2015.

DAP Chairman

ATTEST:

DAP Secretary



May 6, 2015

Ms. Claire Bogard, Director of Finance
City of Pearland, Texas
3519 Liberty Drive
Pearland, Texas 77581-5416
on behalf of:
Development Authority of Pearland ("Authority")

FOR FYE 9/30/16
COMPREHENSIVE CONTRACT LETTER FOR ARBITRAGE COMPLIANCE SERVICES
FOR THE DEVELOPMENT AUTHORITY OF PEARLAND TAX-EXEMPT BOND ISSUES

Arbitrage Compliance Specialists, Inc. ("ACS") is proposing a comprehensive contract ("Contract") to complete and bring to current status all rebate reports through the FYE 9/30/16, pertaining to the required rebate to the United States Treasury, Internal Revenue Service ("IRS") for all tax-exempt debt issues ("Debt") of the Authority listed in Exhibit A of this Contract. *ACS has offered the Authority volume discounted fees of \$1,250 for annual Rebate Reports from our standard fee of \$1,500.*

Based on ACS' prior experience with arbitrage rebate computations for the Authority's Debt, ACS' review of various Authority accounting information and, ACS' experience with similar engagements of this nature and scope, we have set forth the total contractual cost to complete rebate reports as defined in Exhibit A of this Contract to be \$6,850 with a contingency of \$685, for a Contract total not to exceed \$7,535. The fees due for arbitrage compliance services will be billed by ACS, based on ACS' Fees, at the time of the Report delivery to the Authority. All invoices will be paid to ACS by the Authority as of the payable date of the invoice.

The scope of this Contract would cover the services, as stipulated in Exhibit A for arbitrage compliance reports. ACS has provided for a \$685 contingency budget in this Contract if the scope of the Contract needs to expand for any services after discovery and will be based on the Fee Schedule defined in Exhibit B. ACS is the prime manager and Contractor of this Contract and does not plan to retain or manage any subcontractors to assist with this Contract.

We appreciate the opportunity to present this Contract to the Authority. If we may be of further assistance, or if you or any of the involved Authority personnel have any questions, please do not hesitate to call us at (800) 672-9993 ext. 7526 or 7530.

Sincerely,



Matt Collins
Account Manager



Stephen H. Broden
Vice President

Please acknowledge acceptance of this Contract by executing and returning one copy of this letter to Arbitrage Compliance Specialists, Inc. along with any other purchase orders or required paperwork deemed necessary by the Authority to Arbitrage Compliance Specialists, Inc.

Accepted by – Signature

Print Name

EXHIBIT A

DEVELOPMENT AUTHORITY OF PEARLAND					
ARBITRAGE AND YIELD RESTRICTION REPORT FEES					
				NEXT	
				FILING DATE	
				(R=REBATE)	
				(YR=YIELD REST)	
				(5TH=5TH YEAR)	
CNTRL		ISSUE	DELIVERY	(10TH=10TH YEAR)	FY
#	BOND ISSUE	AMOUNT	DATE	(F=FINAL)	10/1/14 - 9/30/15
27	Tax Increment Contract Revenue Bonds, Series 2005	\$9.775M	11/22/05	11/22/14 - 9/1/15 F (R)	\$1,250
59	Tax Increment Contract Revenue Bonds, Series 2009	\$8.815M	6/23/09	6/23/15 - 6/23/16 (R)	\$1,250
71	Tax Increment Contract Revenue and Refunding Bonds, Series 2012	\$56.915M	5/22/12	5/22/15 - 5/22/16 (R)	\$1,850
72	Tax Increment Contract Revenue and Refunding Bonds, Series 2013	\$9.15M	11/26/13	11/26/14 - 11/26/15 (R)	\$1,250
73	Tax Increment Contract Revenue and Refunding Bonds, Series 2014	\$8.06M	12/9/14	12/9/14 - 12/9/15 (R)	\$1,250
SUBTOTAL					\$6,850
ESTIMATE OF HOURLY UNCOMMINGLING FEES + CONTINGENCIES (10%)					\$685
TOTAL					\$7,535



April 23, 2014

Ms. Claire Bogard, Director of Finance
 City of Pearland, Texas ("City")
 3519 Liberty Drive
 Pearland, Texas 77581-5416

EXHIBIT B
FEE SCHEDULE
FOR ARBITRAGE COMPLIANCE SERVICES
FOR THE CITY OF PEARLAND

SERVICE	FEE SCHEDULE:
<u>REBATE REPORT FEES (PER YEAR):</u>	
FIXED RATE BONDS:	
FIRST YEAR OF REPORT (COMPUTATION PERIOD OF UP TO ONE YEAR)	\$1,250
EXTENSION FEE (REPORTS IN EXCESS OF ONE YEAR)	\$600
VARIABLE RATE BONDS:	
FIRST YEAR OF REPORT (COMPUTATION PERIOD OF UP TO ONE YEAR)	\$1,850
EXTENSION FEE (REPORTS IN EXCESS OF ONE YEAR, PARTIAL YEARS ARE PRORATED)	\$700
<u>REBATE SUPPLEMENTAL FEES:</u>	
BOND YEAR SLICING (PER YEAR)	\$1,000
PREPARATION OF FORM 8038-T AND IRS FILING INSTRUCTIONS	ON-TIME \$295 LATE \$395
REFUNDING BONDS WITH TRANSFERRED PROCEEDS ALLOCATIONS	HOURLY; RATE \$150
ALLOCATION/REVIEW/VERIFICATION OF COMMINGLED FUNDS	HOURLY; RATE \$150
OTHER CONSULTING/IRS AUDIT ASSISTANCE/DATA GATHERING	HOURLY; RATE \$175
<u>YIELD RESTRICTION CALCULATIONS:</u>	
YIELD RESTRICTION CALCULATIONS (REPORT FEE FOR 1ST YEAR PERIOD)	\$1,000
REPORTS COVERING COMPUTATION PERIOD IN EXCESS OF 1 YEAR FOR EACH ADDITIONAL PARTIAL OR FULL YEAR	\$875
<u>PENALTY/SPENDING EXCEPTION REPORT FEES:</u>	
SPENDING EXCEPTION CALCULATIONS - PER SEMI-ANNUAL SPENDING PERIOD	\$1,250

ACS' fees are based on the following three categories:

Rebate Report Fees - There are different report fees for the various types of bond issues that reflect the necessary time and effort required for legal and technical analysis, due diligence and transactional reporting.

Rebate Supplemental Fees - Optional fees may apply in more complex rebate areas dealing with Transferred Proceeds arising in connection with refunding bonds or commingled investments to be evaluated.

Spending Exception Report Fee - Fees for calculating ACP (the amount to be spent semi-annually), determining expenditures and retainage and any penalties owed. These fees are in lieu of rebate fees.

* THE IRS ALLOWS A CREDIT OF UP TO \$7,340 PER 5-YEAR FILING. ACS' FEES ARE LESS THAN THE CREDIT YOU RECEIVE FROM THE IRS.

Note: ACS' fees should be paid from bond proceeds. ACS' fees stated above include all normal business expenses such as faxes, copies, regular U.S. mail postage, and telephone access via ACS' toll free telephone number. FedEx, when needed, is billed to the City at cost.

**AGENDA REQUEST
DEVELOPMENT AUTHORITY OF PEARLAND
PEARLAND, TEXAS**

AGENDA OF: 09/14/2015	ITEM NO.: RDAP 2015-08
DATE SUBMITTED: 09/2/15	REPRESENTING: City of Pearland
PREPARED BY: Claire Bogard	PRESENTOR: Claire Bogard
SUBJECT: Resolution RDAP 2015- 08 – A Resolution of the Development Authority of Pearland Authorizing a Cash Developer Reimbursement to Shadow Creek Ranch Development Company LTD to Reimburse for TIRZ Infrastructure Improvements in the Amount of \$6,840,000	
EXHIBITS: Resolution No. RDAP 2015-09 Cash Analysis	
EXPENDITURE REQUIRED: \$6,840,000 PROJECT: N/A	

EXECUTIVE SUMMARY

Pursuant to Tri-Party Agreement with the City, the Tax Increment Reinvestment Zone (TIRZ) #2, and the Development Authority, (Resolution R2004-170) dated October 11, 2004, the Development Authority facilitates the TIRZ plan and assists with the reimbursement to the developers of certain project costs that are identified in the TIRZ plan through the issuance of bonds or other monies available to the Authority.

The Authority uses the TIRZ property tax increments that are provided by the participating entities in the zone; the City, Alvin ISD, Brazoria County, and Fort Bend County, to finance the reimbursements to the developers. Letter of Financing Agreements between the TIRZ and the developers are approved pursuant to the project plan and the amount for reimbursement is placed in line for reimbursement upon completion of the infrastructure, audit of the actual expenditures, and approval by the TIRZ Board.

As of June 2015, there is \$153,134,984 in actual costs, excluding interest, that have been approved for reimbursement, of which \$83,796,932 has been paid through a combination of issuing bonds or using cash on hand, leaving a balance of \$69,338,052 yet to be reimbursed, excluding interest due.

In August, pursuant to the Tri-Party Agreement, release of fiscal year 2014 Alvin ISD suspense funds in the amount of \$4.307 million and all remaining monies from the TIRZ, less operating costs were transferred to Regions Bank, the trustee of the bonds. Regions Bank retained the amount required for annual debt service payments (\$5.789 million) and returned the remaining monies, considered surplus and available for developer reimbursement. The TIRZ also received \$1.466 million in August from the TEA for fiscal year 2014 supplemental taxes. Alvin ISD fund and the State TEA supplemental payments are not bonded against, rather used as cash reimbursements.

Attached is the latest cash analysis for the DAP, and after retaining \$1.0 million for reserve, there is \$6,840,000 available for reimbursement, of which \$5.773 million is related to school tax increment.

RECOMMENDED ACTION

Consideration and approval of Resolution RDAP-08 authorizing a cash developer reimbursement to Shadow Creek Ranch Development Company LTD to reimburse for TIRZ infrastructure improvements in the amount of \$6,840,000.

RESOLUTION NO. RDAP-2015-08

A RESOLUTION OF THE DEVELOPMENT AUTHORITY OF PEARLAND (DAP), TEXAS AUTHORIZING A DEVELOPER REIMBURSEMENT TO SHADOW CREEK RANCH DEVELOPMENT COMPANY LTD TO REIMBURSE FOR TIRZ INFRASTRUCTURE IMPROVEMENTS IN THE AMOUNT OF \$6,840,000.

BE IT RESOLVED BY DAP BOARD OF DIRECTORS:

Section 1. That the Board of Directors hereby authorizes a cash reimbursement in the amount of \$6,840,000 to Shadow Creek Ranch Development Company LTD for TIRZ infrastructure improvements.

PASSED, APPROVED, AND ADOPTED this _____ day of _____, A.D 2015.

Development Authority of Pearland
Chairman

ATTEST:

Development Authority of Pearland
Secretary

**DEVELOPMENT AUTHORITY OF PEARLAND
BALANCE SHEET
FOR MONTH ENDED AUGUST 31, 2015**

ASSETS:

Cash and Cash Equivalents	7,705,079
Money Market	968,394
Interest Receivable	
Total Assets	8,673,472

LIABILITIES:

Accounts Payable	
Total Liabilities	-

EQUITY:

Equity	8,673,472
Total Equity	8,673,472

Total Liabilities and Equity	8,673,472
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Cash Analysis for Reimbursement

Cash and Cash Equivalents	7,705,079
Plus additional Monies from TIRZ	130,874
Total Monies Available	7,835,953

Less:	
DS Reserve	1,000,000
Total Funds to be Held	1,000,000

Monies Available for Cash Reimbursement	6,835,953
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Cash Developer Reimbursement	6,840,000
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**AGENDA REQUEST
DEVELOPMENT AUTHORITY OF PEARLAND
PEARLAND, TEXAS**

AGENDA OF: 9/14/2015	ITEM NO.: New Business No. 9
DATE SUBMITTED: 8/31/15	REPRESENTING: City of Pearland
PREPARED BY: Claire Bogard	PRESENTOR: John Robuck
SUBJECT: Discussion and Approval to Proceed with Private Placement of Bond Sale – Series 2015 in the estimated amount of \$17,905,000	
EXHIBITS: Overview Presentation Term and Bid Sheet	
EXPENDITURE REQUIRED: None PROJECT: N/A	

EXECUTIVE SUMMARY

Pursuant to Tri-Party Agreement with the City, the Tax Increment Reinvestment Zone (TIRZ) #2, and the Development Authority, (Resolution R2004-170) dated October 11, 2004, the Development Authority facilitates the TIRZ plan and assists with the reimbursement to the developers of certain project costs that are identified in the TIRZ plan through the issuance of bonds or other monies available to the Authority.

The Authority uses the TIRZ property tax increments that are provided by the participating entities in the zone; the City, Alvin ISD, Brazoria County, and Fort Bend County, to finance the reimbursements to the developers. Letter of Financing Agreements between the TIRZ and the developers are approved pursuant to the project plan and the amount for reimbursement is placed in line for reimbursement upon completion of the infrastructure, audit of the actual expenditures, and approval by the TIRZ Board.

As of June 2015, there is \$153,134,984 in actual costs, excluding interest, that have been approved for reimbursement, of which \$83,796,932 has been paid through a combination of issuing bonds or using cash on hand, leaving a balance of \$69,338,052 yet to be reimbursed, excluding interest due.

Each year, BOSC Inc., the Authority's financial advisor, analyzes the property values and subsequent tax increment, to determine if the valuation on the ground will support the issuance of additional debt. Based on property values estimated as of 7/01/2015 and financial analysis prepared by BOSC, Inc, the Authority's financial advisor is recommending a competitive private placement sale in the estimated amount of \$17,905,000. A private placement keeps bond closing costs to a minimum and negates the need for a reserve on the bonds, which increases the amount available to the developer. Estimated amount to the developer under a competitive private placement is \$17,680,000, net of \$225,000 in estimated closing costs versus \$15,390,000, net of \$1.998 million for a reserve fund and closing costs.

BOSC, Inc., the Authority's financial advisor, will be present to discuss the analysis and estimated amount of the sale. Upon Board approval to proceed, bid forms would be prepared and distributed with the Board and City Council approving the sale on Monday, October 12, 2015.

After the private placement, the total estimated debt issued to date by the Authority would be \$92,030,000 of which \$79,600,000 would still be outstanding. Estimated annual debt service for the Development Authority would be estimated at \$7,135,590 with a maturity of 2029 to coordinate with the life of the Tax Increment Zone, which expires December 2028. A tax rate will be set by the participating entities in fall 2028 for payoff of the 2029 bonds.

The actual amount of bonds sold will be determined on the day of sale, based on the competitive bids received.

RECOMMENDED ACTION

Review and discussion on potential bond sale Series 2015 in the estimated amount of \$17,905,000 and approval to proceed with private placement.



Development Authority of Pearland

Overview of:

\$17,905,000* Tax Increment Contract Revenue Bonds, Series 2015

September 14, 2015

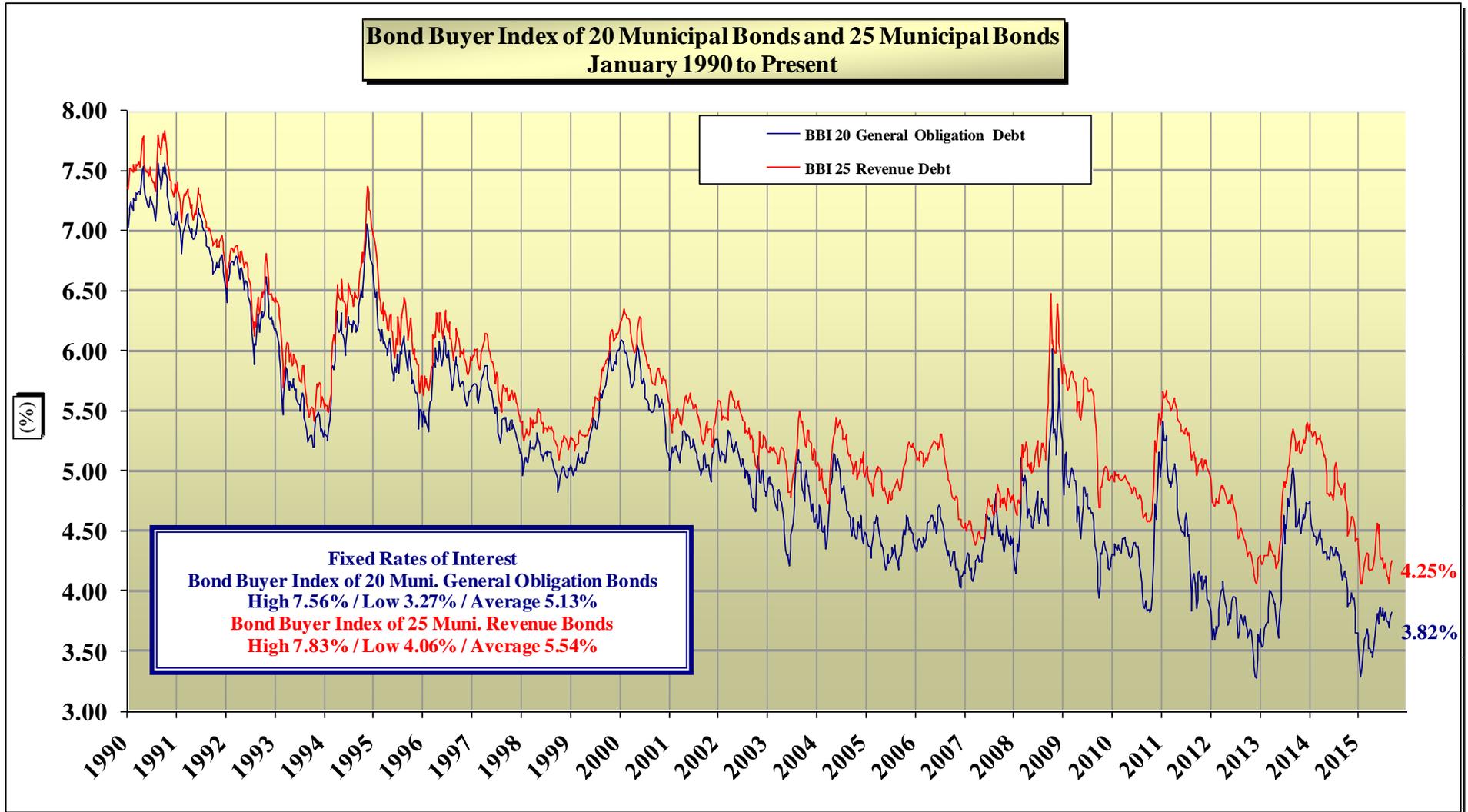
* Preliminary, subject to change.

Broker/Dealer Services and Securities offered by BOSC, Inc., an SEC registered investment adviser, a registered broker/dealer, member FINRA/SIPC. SEC registration does not imply a certain level of skill or training. Insurance offered by BOSC Agency, Inc., an affiliated agency. Investments and insurance are not insured by FDIC, are not deposits or other obligations of, and are not guaranteed by, any bank or bank affiliate. Investments are subject to risks, including possible loss of principal amount invested.



Development Authority of Pearland

Current Market Conditions



The BBI 20 is published every Thursday. The rate consists of general obligation bonds maturing in 20 years with an average rating equivalent to Moody's "Aa2" and S&P's "AA." The BBI 25 is also published every Thursday. The rate consists of revenue bonds maturing in 30 years with an average rating equivalent to Moody's "A1" and S&P's "A+".



Development Authority of Pearland

Estimated Sources and Uses of Funds

Public Sale (Current Market Scale)

Principal Amount of the Bonds:	\$17,315,000
Less: Expenses:	(269,364)
Plus: Net Premium:	73,823
Less: Bond Insurance	(67,109)
Less: Reserve Fund Deposit	(1,662,350)
Total Proceeds (Developer Reimbursement):	\$15,390,000

"All Cost" True Interest Rate (a):	3.725%
Average Life:	7.715 Years

Sale Date: October 12, 2015
Delivery Date: November 12, 2015

Private Placement (Market Indication)

Principal Amount of the Bonds:	\$17,905,000
Less: Expenses:	(225,000)
Total Proceeds (Developer Reimbursement):	\$17,680,000

"All Cost" True Interest Rate (a):	3.190%
Average Life:	7.758 Years

(a) Includes transaction costs.



Development Authority of Pearland

Estimated Debt Service Requirements

Fiscal Year Ending (9/30)	Current Total Debt Service (a)	Plus: The Series 2015 Bonds			Total Debt Service
		Principal*	Interest (b)	Total	
2015	\$5,783,847				\$5,783,847
2016	5,781,237	\$925,000	\$431,212	\$1,356,212	7,137,449
2017	5,781,996	1,150,000	509,400	1,659,400	7,441,396
2018	5,784,088	1,185,000	474,900	1,659,900	7,443,988
2019	5,782,256	1,220,000	439,350	1,659,350	7,441,606
2020	5,466,534	1,175,000	402,750	1,577,750	7,044,284
2021	5,471,053	1,205,000	367,500	1,572,500	7,043,553
2022	5,469,111	1,245,000	331,350	1,576,350	7,045,461
2023	5,470,320	1,280,000	294,000	1,574,000	7,044,320
2024	5,469,864	1,315,000	255,600	1,570,600	7,040,464
2025	5,468,263	1,360,000	216,150	1,576,150	7,044,413
2026	5,470,380	1,395,000	175,350	1,570,350	7,040,730
2027	5,470,815	1,440,000	133,500	1,573,500	7,044,315
2028	5,469,381	1,485,000	90,300	1,575,300	7,044,681
2029	5,470,888	1,525,000	45,750	1,570,750	7,041,638
Totals	\$83,610,029	\$17,905,000	\$4,167,112	\$22,072,112	\$105,682,141

* Interest on the Series 2012 Bonds is 3.07% through the 10-Year Put date of 5/21/22 and then 6.00% thereafter.

(a) Interest estimated at 3.00% based on an indication rate as of September 2, 2015. For illustrative purposes only.

(b) Generates \$17,680,000 in proceeds to the Authority.



Development Authority of Pearland

Debt Service Requirements: Bond Issue Parameters and Coverage Requirements Private Placement (Market Indication – Fixed Rate)

Year Ending 9/30	City of Pearland			Brazoria County			Fort Bend County			Total Collections	Coverage 125%	DAP Current Debt	Plus: \$17,905,000 Series 2015 (a)	Total Debt Requirements
	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections					
	Estimated Value: \$2,328,956,846			Estimated Value: \$1,695,215,287			Estimated Value: \$340,050,918							
	1998 Base Year Value: (7,172,980)			1998 Base Year Value: (4,143,160)			1998 Base Year Value: (3,029,820)							
	Estimated Captured Value: \$2,321,783,866			Estimated Captured Value: \$1,691,072,127			Estimated Captured Value: \$337,021,098							
2015	36%	0.255000	4,171,902	38%	0.135900	1,946,893		0.468075	1,366,108	7,484,903	5,987,922	5,783,847		5,783,847
2016	36%	0.255000	5,196,569	38%	0.135900	2,076,460		0.468075	1,652,214	8,925,243	7,140,195	5,781,237	1,356,212	7,137,449
2017	36%	0.255000	5,624,521	38%	0.135900	2,183,259		0.468075	1,498,636	9,306,416	7,445,133	5,781,996	1,659,400	7,441,396
2018	36%	0.255000	5,624,521	38%	0.135900	2,183,259		0.468075	1,498,636	9,306,416	7,445,133	5,784,088	1,659,900	7,443,988
2019	36%	0.255000	5,624,521	38%	0.135900	2,183,259	2019-2028	0.312050	1,498,636	9,306,416	7,445,133	5,782,256	1,659,350	7,441,606
2020	36%	0.255000	5,624,521	38%	0.135900	2,183,259		0.312050	999,091	8,806,871	7,045,497	5,466,534	1,577,750	7,044,284
2021	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,471,053	1,572,500	7,043,553	
2022	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,469,111	1,576,350	7,045,461	
2023	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,470,320	1,574,000	7,044,320	
2024	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,469,864	1,570,600	7,040,464	
2025	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,468,263	1,576,150	7,044,413	
2026	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,470,380	1,570,350	7,040,730	
2027	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,470,815	1,573,500	7,044,315	
2028	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,469,381	1,575,300	7,044,681	
2029	36%	0.255000	5,624,521	38%	0.135900	2,183,259	0.312050	999,091	8,806,871	7,045,497	5,470,888	1,570,750	7,041,638	
Total:												83,610,029	22,072,112	105,682,141

(a) Generates \$17,680,000 in proceeds to the Authority. Private Placement with an indication interest rate of 3.00%. Collection rate of 95%. Appraised value estimates provided by Assessments of the Southwest.

Average Annual: 7,045,476



Development Authority of Pearland

Tentative Schedule of Events

\$17,905,000*

Tax Increment Contract Revenue Bonds, Series 2015

September - 2015						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October - 2015						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November - 2015						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

<u>Date</u>	<u>Action</u>	<u>Role</u>
Monday, September 14 th	DAP Meeting to Review Schedule of Events	BOSC, DAP
Tuesday, September 15 th	Prepare Private Placement Bid Form / Term Sheet	BOSC, ABHR, AK, DAP
Tuesday, September 22 nd	Distribute Private Placement Bid Form / Term Sheet	BOSC, ABHR, AK, DAP
Friday, October 9 th	Private Placement Bids Due	BOSC
Monday, October 12 th	DAP Board Approves Sale (Bond Pricing) City Council Meeting to Approve Sale	BOSC, ABHR, AK, DAP
Thursday, November 12 th	Bond Closing	BOSC, ABHR, AK, DAP

PARTICIPANTS

DAP – Development Authority of Pearland
 BOSC - BOSC, Inc.
 ABHR – Allen Boone Humphries Robinson LLP
 AK – Andrews Kurth LLP

* Preliminary, subject to change.

TERM SHEET

The following is intended to provide limited introductory information concerning the transaction and does not purport to be comprehensive. This information is qualified in its entirety by reference to the complete legal documents and should be read together therewith.

\$17,905,000*

DEVELOPMENT AUTHORITY OF PEARLAND

(A NON-PROFIT LOCAL GOVERNMENT CORPORATION ACTING ON BEHALF OF THE CITY OF PEARLAND, TEXAS)

TAX INCREMENT CONTRACT REVENUE BONDS, SERIES 2015

FINANCING OVERVIEW:

Development Authority of Pearland (the “Authority”) is contemplating the issuance of \$17,905,000* in Tax Increment Contract Revenue Bonds, Series 2015 (the “Bonds”). The Authority will be privately placing these bonds with an institution in a fixed rate mode.

The Bonds will NOT be designated as “Qualified Tax-Exempt Obligations” for financial institutions. The Bonds may be offered as term bonds or as serial bonds or any combination thereof. Interest will be payable on March 1, 2016, and each September 1 and March 1 thereafter until the earlier of maturity or redemption.

Bids will need to be submitted on or before Monday, October 12, 2015 (John Robuck by email jrobuck@bosscinc.com) by 11 AM CDT. The Authority and City will meet the evening of Monday, October 12th to approve the sale.

The Authority will pay a Bank Counsel fee on behalf of the winning bidder in an amount not to exceed \$5,000. The winning bidder must execute an Investor Letter. The Authority reserves the right to reject any and all bids. Financial information, audits, tax data and other documents are provided on the Municipal Advisory Council of Texas’ website or upon request.

MATURITY SCHEDULE:

Maturity Date	Principal Amount*	Maturity Date	Principal Amount*
9-1-2016	\$ 925,000	9-1-2023	\$1,280,000
9-1-2017	1,150,000	9-1-2024	1,315,000
9-1-2018	1,185,000	9-1-2025	1,360,000
9-1-2019	1,220,000	9-1-2026(a)	1,395,000
9-1-2020	1,175,000	9-1-2027(a)	1,440,000
9-1-2021	1,205,000	9-1-2028(a)	1,485,000
9-1-2022	1,245,000	9-1-2029(a)	1,525,000

(a) Bonds maturing on or after 9-1-2026 are callable at any time at par beginning 9-1-2025.

CLOSING DATE:

Thursday, November 12, 2015*.

* Preliminary, subject to change.

SECURITY:

The Bonds are payable solely from the Contract Tax Increments, as defined below under “THE AUTHORITY”, and certain funds on deposit with Regions Bank, Houston, Texas (the “Trustee”), together with earnings and investments thereon (collectively, the “Pledged Revenues”) pursuant to an Indenture of Trust, as supplemented, (the “Indenture”) between the Authority and the Trustee. The Bonds are not payable from any other funds of the Authority other than the Pledged Revenues.

PROCEEDS:

A portion of the proceeds from the sale of the Bonds will be used to reimburse the developer for certain Project Costs including infrastructure and related improvements made by such developer within the TIRZ authorized according to the Project Plan and Reinvestment Zone Financing Plan of the TIRZ adopted by the Board of Directors of the TIRZ on August 23, 1999 and approved by the City Council on August 23, 1999, as amended by the First Amendment, the Second Amendment, and the Third Amendment (defined herein, and collectively, the “Plan”) and interest on funds advanced therefor. Project Costs to be reimbursed from this Bond issue include (i) monumentation and signage, (ii) landscaping improvements, (iii) street and sidewalk paving and signalization, (iv) water, sanitary sewer and drainage facilities, (v) lakes and parks, and (vi) land acquisition. Proceeds from the sale of the Bonds will also be used to pay costs of issuance of the Bonds.

THE AUTHORITY:

The Authority is a Texas non-profit local government corporation acting on behalf of the City of Pearland, Texas (the “City”). The Authority was created to aid, assist, and act on behalf of the City in the performance of the City’s governmental and proprietary functions with respect to, and to provide financing for, Reinvestment Zone Number Two, City of Pearland, Texas (the “TIRZ”), which is located in the City. The City Council of the City (the “City Council”) designated a reinvestment zone and created the TIRZ in 1998 to include approximately 3,467 acres of land (the “Original Area”). The City approved the annexation of an additional 457 acres of land (the “First Annexation Area”) into the boundaries of the TIRZ on July 10, 2006. The City approved the annexation of an additional seven acres of land (the “Second Annexation Area,” and together with the First Annexation, Area, the “Annexation Area”) into the boundaries of the TIRZ on November 13, 2006. The TIRZ operates under the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the “TIF Act”) to facilitate the development of the land within the boundaries of the TIRZ, which encompass the Shadow Creek Ranch master planned community (“Shadow Creek Ranch”) and other property, and benefit the City as a whole. The City, Alvin Independent School District (“AISD”), Brazoria County, Texas (“Brazoria County”) and Fort Bend County, Texas (“Fort Bend County”) have agreed to deposit to the Tax Increment Fund established for the TIRZ (the “Tax Increment Fund”) annually a certain percentage of tax collections arising from their taxation of the increase, if any, since January 1, 1998, in the total appraised value of all taxable real property located in the Original Area of the TIRZ, and the City, Brazoria County and Fort Bend County have agreed to deposit to the Tax Increment Fund tax collections arising from its taxation of the increase, if any, since January 1, 2006, in the total appraised value of taxable real property located in the Annexation Area of the TIRZ (collectively, the “Tax Increments”).

The City, the Authority, and the TIRZ entered into an agreement (the “Tri-Party Agreement”) which sets forth, among other things, the duties and responsibilities of the Authority, the City, and the TIRZ as they relate to developer reimbursements for Project Costs (as defined in the Plan) in the TIRZ and Shadow Creek Ranch, and pursuant to which the City and the TIRZ have agreed to pay to the Authority on an annual basis certain of the Tax Increments then available in the Tax Increment Fund (the “Contract Tax Increments”).

FINANCIAL ADVISOR:

BOSC, Inc. – Houston, Texas

John Robuck 713-289-5897 or jrobuck@boscinc.com

CO-BOND COUNSEL:

Allen Boone Humphries Robinson LLP – Houston, Texas

Lynne Humphries 713-860-6406 or lhumphries@abhr.com

Jessica Holoubek 713-860-6491 or jholoubek@abhr.com

Tina Kyle 713-860-6455 or tkyle@abhr.com

CO-BOND COUNSEL:

Andrews Kurth LLP – Houston, Texas

Rick Witte 713-220-3944 or rickwitte@akllp.com

Tanya Fischer 713-220-3915 or tanyafischer@akllp.com

BID SHEET

The following is intended to provide limited introductory information concerning the transaction and does not purport to be comprehensive. This information is qualified in its entirety by reference to the complete legal documents and should be read together therewith.

\$17,905,000*

DEVELOPMENT AUTHORITY OF PEARLAND

(A NON-PROFIT LOCAL GOVERNMENT CORPORATION ACTING ON BEHALF OF THE CITY OF PEARLAND, TEXAS)

TAX INCREMENT CONTRACT REVENUE BONDS, SERIES 2015

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(a) Bonds maturing on or after 9-1-2026 are callable at any time at par beginning 9-1-2025.

CLOSING DATE: Thursday, November 12, 2015*.

PURCHASER: _____
Company

By: _____
Signature

Print Name

Title

BANK COUNSEL: _____

OTHER CONDITIONS: _____

* Preliminary, subject to change.

FINANCING OVERVIEW:

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* Preliminary, subject to change.

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