

Tax Reinvestment Zone No. 2
Claire Bogard

SHADOW
CREEK
RANCH

Regular Meeting

June 22, 2015



TAX INCREMENT REINVESTMENT ZONE NUMBER TWO (TIRZ NO. 2), ALSO
KNOWN AS SHADOW CREEK RANCH,
CITY OF PEARLAND TEXAS
REGULAR MEETING TIRZ NO.2,
MONDAY, JUNE 22, 2015 | 4:00 P.M.
FIRST FLOOR CONFERENCE ROOM | PEARLAND CITY HALL
3519 LIBERTY DRIVE
281.652.1600

I. CALL TO ORDER AND ROLL CALL

II. PURPOSE OF THE MEETING:

1. **Consideration And Possible Action** – Regarding The Approval of the Regular Meeting Minutes of the June 23, 2014, Tax Increment Reinvestment Zone Number 2 (TIRZ No. 2) Board of Directors Meeting. *TIRZ No. 2.*
2. **Consideration and Possible Action – Resolution No. RTIRZ-2015-02** – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), accepting the 2014 Annual Financial Report for the Fiscal Year ending September 30, 2014.
3. **Consideration and Possible Action – Resolution No. RTIRZ-2015-03** – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), adopting an Amended Investment Policy, Investment Strategy and approved brokers in accordance with Chapter 2256 of the government code (“Public Funds Investment Act”).
4. **Consideration and Possible Action – Resolution No. RTIRZ-2015-04** – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), the Financial Report for the period ending May 31, 2015.
5. **Consideration and Possible Action – Resolution No. RTIRZ-2015-05** – A Resolution of the Tax Increment Reinvestment Zone no. 2 (TIRZ), accepting the investment report for the quarters ending June 2014, September 2014, December 2014 and March 2015.
6. **Consideration and Possible Action – Resolution No. RTIRZ-2015-06** – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), Ratifying Invoices that were paid From May 2014 Through June 2015 and Approving Invoices for Payment.

7. **Consideration and Possible Action – Resolution No. RTIRZ-2015-07** – A Resolution of the Tax Increment Reinvestment Zone NO. 2 (TIRZ), approving the 2014 Annual Report.
8. **Consideration and Possible Action – Resolution No. RTIRZ-2015-08** – A resolution of the board of directors of the Pearland Tax Increment Reinvestment Zone No. 2 (TIRZ #2) approving reimbursement of completed Letter Of Financing Agreement 12-06-001 with 518 SCR Ltd.

III. ADJOURNMENT

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All agenda supporting documents are available at pearlandtx.gov

MINUTES OF A REGULAR MEETING OF THE TAX INCREMENT REINVESTMENT ZONE NUMBER TWO (TIRZ # 2), ALSO KNOWN AS SHADOW CREEK RANCH, CITY OF PEARLAND TEXAS, HELD ON MONDAY, JUNE 23, 2014, AT 4:00 P.M., IN THE COUNCIL CHAMBERS, CITY HALL, 3519 LIBERTY DRIVE, PEARLAND, TEXAS.

Chairman Kenneth R. Phillips called the meeting to order at 4:00 p.m. with the following present:

Chair	Kenneth R. Phillips
Vice Chair	Gary Cook
Secretary	Mike Pyburn
Boardmember	Gary Davis
Boardmember	Herb Fain
Boardmember	Ali Hasanali

Absent: Boardmember Larry Loessin; Boardmember Donna Coleman and Boardmember Jo Knight.

Others in attendance: Clay Pearson City Manager City of Pearland; Claire Bogard Director of Finance City of Pearland; Rick Overgaard Assistant Director of Finance City of Pearland; City of Pearland Darrin Coker, City Attorney; Matt Buchanan President of Pearland Economic Development; City of Pearland Maria E. Rodriguez Deputy City Secretary; Tim Austin Allen Boone Humphries Robinson LLP; James Ross LJA Engineering; Drew Pelter Shadow Creek Ranch Development Company Ltd.

CALL TO ORDER AND ROLL CALL

PURPOSE OF THE MEETING:

Board Action – Regarding The Approval of The Regular Meeting Minutes of the June 24, 2013, Tax Increment Reinvestment Zone Number 2 (TIRZ No. 2) Board of Directors Meeting.

Boardmember Phillips made the motion, seconded by Boardmember Cook, to approve the Special Meeting Minutes.

Voting “Aye” Boardmembers Phillips, Cook, Pyburn, Fain, Hasanali, and Davis.

Voting “No” None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin, and Knight absent.

Board Action – Resolution No. RTIRZ- 2014-02 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ), Approving the 2013 Annual Report. *Ms. Claire Bogard, Finance Director.*

Boardmember Phillips made the motion, seconded by Boardmember Pyburn, to approve Resolution No. RTIRZ-2014-02.

Claire Bogard City of Pearland Director of Finance stated this item is for the Board's consideration and approval of the Pearland Tax Increment Reinvestment Zone 2013 Annual Report. Ms. Bogard provided an overview of the 2013 Annual Financial Report. She stated the report will also be presented to the City Council, filed, and presented to the other participating entities.

Voting "Aye" Boardmembers Phillips, Cook, Pyburn, Fain, Hasanali, and Davis.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin, and Knight absent.

Board Action – Resolution No. RTIRZ- 2014-03 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ), Accepting The Financial Report For The Period Ending May 31, 2014. Ms. Claire Bogard, Finance Director.

Boardmember Pyburn made the motion, seconded by Boardmember Cook, to approve Resolution No. RTIRZ- 2014-03.

Claire Bogard City of Pearland Director of Finance provided the Board with the following overview of the financial statements Balance Sheet, Statement of Revenues and Expenditures for the Tax Increment Reinvestment Zone No.2 for the eight month period ending May 31, 2014. She stated the cash and Investments total \$12,769,923 this includes the Alvin Independent School District Suspense Fund of \$8,315,971, of that amount, \$4,123,011 will be released in August 2014. Contributions through May total 14,892,100 of which \$10,113,975 is from the City of Pearland and \$722,113 from Fort Bend County. In May, the Tax Increment Reinvestment Zone No. 2 received \$4.1 million from Alvin Independent School District, which must be held in the Suspense Fund for a year, and Brazoria County's contribution will be received in August. The Alvin Independent School District has not received the State payment yet. Last year's payment of \$1.3 million was received in September. Fiscal year to date expenses total \$6,461,237, of which 100 percent is administration fees to the City. Fund equity as of May 31, 2014 is \$12,769,438, which includes \$8,315,971 in the suspense fund. The current available operating balance is \$4,453,467. The Brazoria County tax increment is to be received in August, totals \$10.6 million, of which \$5.1 million will be retained by Regions Bank for annual debt service, leaving approximately \$4.5 million, net of the \$1 million in debt service, for cash reimbursement to the developer.

Voting "Aye" Boardmembers Phillips, Cook, Pyburn, Fain, Hasanali, and Davis.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin, and Knight absent.

Board Action – Resolution No. RTIRZ- 2014-04 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ), accepting the 2013 Annual Financial Report for the Fiscal Year ending September 30, 2013. Mr. Rick Overgaard, Assistant Finance Director.

Boardmember Pyburn made the motion, seconded by Boardmember Cook, to approve Resolution No. RTIRZ- 2014-04.

Rick Overgaard City of Pearland Assistant Finance Director, stated 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 Tax Increment Reinvestment Zone No. 2, which is considered a blended unit of the primary government, is included in the audit for the fiscal year ended September 30, 2013. Consideration and approval of the resolution accepting the excerpt of the Fiscal Year 2013 Comprehensive Annual Financial Report as prepared by the accounting firm of Grant Thornton, LLP.

Voting “Aye” Boardmembers Phillips, Cook, Pyburn, Fain, Davis, and Hasanali.

Voting “No” None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin and Knight absent.

Board Action – Resolution No. RTIRZ - 2014-05 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ), Accepting The Investment Report For The Quarters Ending June 2013, September 2013, December 2013 and March 2014. *Mr. Rick Overgaard, Assistant Finance Director.*

Boardmember Phillips made the motion, seconded by Boardmember Cook, to approve Resolution No. RTIRZ- 2014-05.

Rick Overgaard City of Pearland Assistant Finance Director stated 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. He stated the decrease in portfolio from June 2013 to Sept 2013 represents release of Alvin Independent School District Suspense Funds in the amount of \$4.1 million and transfer of those funds along with additional funds to the Development Authority. The increase in portfolio represent tax increment payments from the taxing participants to be transferred to the Development Authority in August 2014. Mr. Overgaard continued to provide the Board with a detailed overview of the Investment Report.

Voting “Aye” Boardmembers Phillips, Cook, Pyburn, Fain, Davis, and Hasanali,

Voting “No” None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin and Knight absent.

Board Action – Resolution No. RTIRZ - 2014-06 – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), adopting an Amended Investment Policy, Investment Strategy and Approved Brokers in accordance with Chapter 2256 of the Government Code (“Public Funds Investment Act”).)

Boardmember Davis made the motion, seconded by Boardmember Hasanali, to approve Resolution No. RTIRZ- 2014-06.

Rick Overgaard City of Pearland Assistant Finance Director stated the investment policy contains a few minor corrections and proposed changes. As of August each year all funds are to be transferred to the Development Authority of Pearland, pursuant to the Tri-Party Agreement. Therefore it is recommend to move the maximum maturity of an investment from 3 years to 1 year, and the maximum weighted average maturity of the portfolio from 18 months to 9 months, or 547.5 days to 274 days. Investments must also mature prior to August 31 of each year. Also, to allow the Tax Increment Reinvestment Zone No. #2 to purchase municipal bonds as an investment option, the following wording was added under authorized investments in the policy, “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.” The Public Funds Investment Act 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 Tax Increment Reinvestment Zone No. 2 approval. There are no proposed changes to the investment strategy.

Discussion ensued between Assistant Finance Director Rick Overgaard and the Board regarding the adoption of the policy and exhibits.

Voting “Aye” Boardmembers Phillips, Cook, Pyburn, Fain, Hasanali and Davis.

Voting “No” None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin, and Knight absent.

Board Action – Resolution No. RTIRZ- 2014-07– A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), Ratifying Invoices that were paid from June 2013 through May 2014 and Approving Invoices for Payment. Mr. Rick Overgaard, Assistant Finance Director.

Boardmember Phillips made the motion, seconded by Boardmember Cook, to approve Resolution No. RTIRZ- 2014-07.

Rick Overgaard Assistant Finance Director stated this item is to ratify invoices that were paid from June 2013, through May 2014 pursuant to the Exhibit provided in the Board’s packet. The Board also has four invoices pending payment for approval totaling

\$8,095.75, also provided as an Exhibit in the Board's packet. Upon payment, total operating expenses for the 2014 Fiscal Year to date will total \$27,211.83.

Voting "Aye" Boardmembers Phillips, Cook, Pyburn, Fain, Hasanali and Davis.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin and Knight absent.

Board Action – Resolution No. RTIRZ - 2014-08 – A Resolution of the Board of Directors of the Pearland Tax Increment Reinvestment Zone #2 Board of Directors, approval of a Joint Construction and Reimbursement Agreement among the Zone, Brazoria-Fort Bend Mud No. 1 and 518 SCR, Ltd. Associated with LFA 13-06-002.

Boardmember Phillips made the motion, seconded by Boardmember Pyburn, to approve RTIRZ- 2014-08, with the Joint Construction and Reimbursement Agreement for Shadow Oaks Detention/Amenity Lakes Phase 1 revised to reflect that KB Home Lone Star, Inc. is the developer of the project.

Tim Austin, Allen Boone Humphries Robinson LLP, stated Lynne Humphries was not able to be at the meeting and that he would be presenting this item on her behalf. These projects were approved for reimbursement in the Letter of Financing Agreement for Southlake Phase 2, No. 13-06-002, which has been previously approved by the Board in June 2013. The Board is being asked to discuss and take necessary action regarding execution of (1) the Joint Construction and Reimbursement Agreements among the Zone, Brazoria-Fort Bend MUD No. 1 and 518SCR, Ltd. for construction of Shelton Ridge Lane Phase 2 Gulf Coast Water Authority Canal Bridge and (2) Joint Construction and Reimbursement Agreements among the Zone, Brazoria-Fort Bend MUD No. 1 and KB Home Lone Star, Inc. for construction of Shadow Oaks Detention/Amenity Lakes Phase 1.

Discussion ensued between Tim Austin, Allen Boone Humphries Robinson LLP, James Ross, LJA Engineering and the Board regarding the parties to the Joint Construction and Reimbursement Agreement for construction of Shadow Oaks Detention/Amenity Lakes Phase 1. Mr. Ross noted the agreement as drafted indicates that 518SCR, Ltd. is the developer of the project, rather than KB Home Lone Star, Inc. Mr. Austin stated that Allen Boone Humphries Robinson will revise the agreement and requested the Board's approve of the agreement as revised.

Voting "Aye" Boardmembers Phillips, Cook, Pyburn, Fain, Hasanali, and Davis.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin, and Knight absent.

Board Action – Resolution No. RTIRZ - 2014-09 – A Resolution Of The Board Of Directors Of The Pearland Tax Increment Reinvestment Zone #2 (TIRZ #2) Board Of Directors, Accepting The Engineering Report and approving the Letter of Finance Agreement On Southlake Phase 3, Project #14-06-001 Site.

Boardmember Pyburn made the motion, seconded by Boardmember Phillips, to approve Resolution No. RTIRZ- 2014-09.

James Ross, LJA Engineering stated this item is to accept the Engineer's Report and the Letter of Finance Agreement for Southlake Phase 3, Project No.14-06-001. The budget for the proposed improvements totals \$2,812,460 (2006 dollars) which includes construction cost, design cost, and contingency for Southlake Phase 3 as provided in the Board's packet.

Discussion ensued between Boardmembers and Mr. James Ross Zone Engineer regarding the proposed budget.

Voting "Aye" Boardmembers Phillips, Cook, Pyburn, Fain, Davis, and Hasanali.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin and Knight absent.

Board Action – Resolution No. RTIRZ - 2014-10 – A Resolution of The Board Of Directors of the Pearland Tax Increment Reinvestment Zone #2 (TIRZ #2) Board of Directors, Accepting the Engineers Report and approving the Letter of Finance Agreement on Shadow Grove Phase 1, Project #14-06-002 Site.

Boardmember Pyburn made the motion, seconded by Boardmember Phillips to approve Resolution No. RTIRZ- 2014-10.

James Ross, LJA Engineering this item is to accept the Engineer's Report and the Letter of Finance Agreement Shadow Grove Phase 1, Project #14-06-002 Site. In accordance with the November 14, 2011, Reimbursement Agreement among the City, the Zone, and 518SCR, Ltd. ("Sub-Developer"), the Sub-Developer has decided to proceed with the project. The Letter Financing Agreement provides the Zone's approval to proceed with the project, the budgeted cost of the improvements, and the reimbursement to the Sub-Developer in accordance with the Reimbursement Agreement and the Project Plan, as amended.

Discussion ensued between Boardmembers and Mr. James Ross Zone Engineer regarding the necessary action regarding acceptance of Engineering Report and approval of Letter Financing Agreement for Shadow Grove Phase 1.

Voting "Aye" Boardmembers Phillips, Cook, Pyburn, Fain, Davis, and Hasanali.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin, and Knight absent.

Board Action – Requesting Alvin Independent School District to reappoint or appoint someone to the Tax Increment Reinvestment Zone #2 (TIRZ #2) Boardmember Position No. 7 with a term expiring November 30, 2015, Ft. Bend County to reappoint or appoint someone to the Tax Increment Reinvestment Zone #2 (TIRZ #2 (TIRZ No. 2) Boardmember Position No. 8 with a term expiring November 30, 2014 and Brazoria County to reappoint or appoint someone to the Tax Increment Reinvestment Zone #2 (TIRZ #2 (TIRZ No. 2) Position No. 9 with a term expiring November 30, 2015.

Boardmember Pyburn made the motion, seconded by Boardmember Phillips, to approve current Boardmembers to continue to serve on until reappointment, or replaced.

Discussion ensued between Darrin Coker, City Attorney and the Board regarding action needed for future reappoints and appointments.

Darrin Coker, City Attorney City of Pearland stated if one, or all positions have been appointed or reappointed the City needs the Order, Resolution, or minutes from the appointing authority where these appointments have been made. That will allow the records to be corrected.

Voting "Aye" Boardmembers Phillips, Cook, Pyburn, Fain, Davis, and Hasanali.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Loessin, and Knight absent.

ADJOURNMENT

Meeting was adjourned at 5:00 p.m.

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

Kenneth R. Phillips Chair

ATTEST:

Mike Pyburn, Secretary

**AGENDA REQUEST
TAX INCREMENT REINVESTMENT ZONE NO. 2
PEARLAND, TEXAS**

AGENDA OF: 6/22/2015	ITEM NO.: Resolution No. RTIRZ 2015-02
DATE SUBMITTED: 6/01/2015	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEW DATE:
SUBJECT: RTIRZ 2015-02 - A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), accepting the 2014 Annual Financial Report for the fiscal year ending September 30, 2014.	
EXHIBITS: Resolution RTIRZ 2015-02 Auditors Opinion Applicable Notes and Financial Statements	
EXPENDITURE REQUIRED: None PROJECT: N/A	

EXECUTIVE SUMMARY

BACKGROUND

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 TIRZ No. 2, which is considered a blended unit of the primary government, is included in the audit for the fiscal year ended September 30, 2014.

POLICY/GOAL CONSIDERATION

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

RECOMMENDED ACTION

Consideration and approval of the resolution accepting the excerpt of the Fiscal Year 2014 Comprehensive Annual Financial Report as prepared by the accounting firm of Whitley Penn, L.L.P.

RESOLUTION NO. RTIRZ 2015-02

A RESOLUTION OF THE TAX INCREMENT REINVESTMENT ZONE NO. 2 (TIRZ), ACCEPTING THE 2014 ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2014.

BE IT RESOLVED BY TIRZ BOARD OF DIRECTORS:

Section 1. That the Tax Increment Reinvestment Zone No. 2 hereby accepts the excerpt of the Fiscal Year 2014 Comprehensive 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.

TIRZ CHAIRMAN

ATTEST:

TIRZ 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, flowing 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 REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	General Fund	Debt Service	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2
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	57,679,869	27,944,202	9,153,121	18,164,296
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	59,673,916	28,985,088	5,364,139	6,653,380
Excess (deficiency) of revenues over expenditures	(1,994,047)	(1,040,886)	3,788,982	11,510,916
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)	2,825,431	934,002		(11,494,978)
Net change in fund balances	831,384	(106,884)	3,788,982	15,938
Fund balances - beginning	18,623,117	4,642,821	15,366,505	4,330,487
Fund balances - ending	\$ 19,454,501	\$ 4,535,937	\$ 19,155,487	\$ 4,346,425

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 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended Component Units:

Pearland Economic Development Corporation (PEDC)

In 1995, the citizens of Pearland established the Pearland Economic Development Corporation (PEDC) to help the citizens and public officials of Pearland attract new businesses and to help existing businesses to expand. The mechanism to fund the operations of the corporation is through a sales tax levy at a rate of one-half of one percent (1/2%). The PEDC is fiscally dependent upon the primary government because, besides appointing the Board, the City Council also must approve the PEDC's budget and any debt issuances.

Tax Increment Reinvestment Zone (TIRZ #2)

In 1998, the Tax Increment Reinvestment Zone (TIRZ #2) was established for a period of 30 years or until dissolved by the City. The TIRZ #2 provides tax-assisted property development and/or redevelopment in specific geographic areas in accordance with applicable state laws. Besides appointing Board members, the City Council must also approve any debt issuances done on behalf of the TIRZ. A major land owner within the City sits on the Board of Directors for the TIRZ #2.

Development Authority of Pearland

In 2004, the City created the Development Authority of Pearland to provide financing for the development of the TIRZ #2. Proceeds from bond sales are to be used to reimburse developers and fund a debt service reserve. Besides appointing Board members, the City Council must also approve any debt issuances done on behalf of the Development Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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	376,013,967	54,343,606	(46,875,217)	383,482,356	15,260,000
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	\$ 386,657,216	\$ 59,440,733	\$ (50,868,071)	\$ 395,229,878	\$ 17,269,808

* 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%

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 annual requirements to amortize blended component unit revenue bonds outstanding at September 30, 2014, were as follows:

Fiscal Year	Governmental Activities			
	Pearland Economic Development Corporation		Development Authority of Pearland	
	Principal	Interest	Principal	Interest
2015	\$ 965,000	\$ 1,068,839	\$ 3,250,000	\$ 1,824,295
2016	1,010,000	1,025,057	3,350,000	1,721,965
2017	1,060,000	976,218	3,455,000	1,616,460
2018	1,115,000	924,986	3,565,000	1,507,696
2019	1,175,000	870,739	3,675,000	1,395,416
2020	1,230,000	819,126	3,565,000	1,279,653
2021	1,285,000	764,705	3,680,000	1,167,093
2022	1,350,000	707,225	3,765,000	1,050,862
2023	1,415,000	645,158	3,690,000	930,131
2024	1,480,000	579,894	3,840,000	812,928
2025	1,555,000	511,083	3,990,000	690,735
2026	1,635,000	438,397	4,150,000	563,552
2027	1,715,000	361,922	4,315,000	431,072
2028	1,805,000	275,920	4,485,000	293,107
2029	1,895,000	188,544	4,660,000	149,467
2030	2,000,000	96,818		
	<u>\$ 22,690,000</u>	<u>\$ 10,254,633</u>	<u>\$ 57,435,000</u>	<u>\$ 15,434,429</u>

**AGENDA REQUEST
TAX INCREMENT REINVESTMENT ZONE NO. 2
PEARLAND, TEXAS**

AGENDA OF: 06/22/2015	ITEM NO.: RTIRZ 2015-03
DATE SUBMITTED: 06/01/2015	DEPT. OF ORIGIN: Finance
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
REVIEWED BY: Claire Bogard	REVIEW DATE: June 10, 2015
SUBJECT: RTIRZ 2015-03 - A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), Adopting an Amended Investment Policy, Investment Strategy and Approved Brokers In Accordance with Chapter 2256 of the Government Code ("Public Funds Investment Act").	
EXHIBITS: Resolution RTIRZ 2015-03 Exhibit A - Investment Policy Exhibit B – Strategy Exhibit C - Broker/Dealer List	
FUNDING:	
<input type="checkbox"/> Bonds To Be Sold	<input type="checkbox"/> Grant <input type="checkbox"/> Bonds- Sold
<input type="checkbox"/> Developer/Other	<input type="checkbox"/> Cash Opns <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 type="checkbox"/> Legal
<input type="checkbox"/> Ordinance	<input 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 no changes this year.

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 TIRZ approval. There are no proposed changes to the investment strategy.

Pursuant to the PFIA, the TIRZ must approve a list of broker/dealers with which the TIRZ can do business. The Investment Officer can only do business with those businesses as approved. The TIRZ's investment policy states that "the TIRZ will prepare a Request of Investments Services every two years at a minimum...." In June 2015, the City on behalf of the TIRZ sent out requests for proposals. Staff will evaluate these proposed when received. At this time there are no changes to the broker/dealer list.

FINANCIAL INFORMATION

N/A

RECOMMENDED ACTION

Consideration and approval of the Resolution adopting the TIRZ's Investment Policy, Investment Strategy, and Approved Broker/Dealers.

RESOLUTION NO. RTIRZ 2015-03

A RESOLUTION OF THE TAX INCREMENT REINVESTMENT ZONE NO. 2 (TIRZ), 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 TIRZ 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 TIRZ BOARD OF DIRECTORS:

Section 1. That the TIRZ 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.

TIRZ CHAIRMAN

ATTEST:

TIRZ SECRETARY

TAX INCREMENT REINVESTMENT ZONE NO. 2

**INVESTMENT POLICY
AND
INVESTMENT STRATEGY**

**ADOPTED FEBRUARY 12, 2007
Revised February 2008
Revised April 2009
Revised June 2011
Revised June 2012
Revised June 2014**

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TAX INCREMENT REINVESTMENT ZONE NO. 2 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 Tax Increment Reinvestment Zone No. 2.

1.02 Policy

It is the policy of the Tax Increment Reinvestment Zone No. 2 (the "TIRZ") 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 TIRZ. 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 TIRZ as well as any other funds held in custody by the TIRZ, 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 TIRZ.

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 TIRZ 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 of the City of Pearland are hereby designated as Investment Officers for the TIRZ. The TIRZ 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 TIRZ. The TIRZ may designate a registered investment advisor to invest for the TIRZ and act as an additional Investment Officer. Authority granted to a person(s) to deposit, withdraw, invest, transfer or manage the TIRZ investments is effective until rescinded by TIRZ 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 TIRZ and who have anyone related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the TIRZ shall file a statement disclosing that personal interest to the Director of Finance, City Manager, the TIRZ 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 TIRZ 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 of the City of Pearland. 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 TIRZ.

2.0 INVESTMENT OBJECTIVES AND STRATEGY

2.01 Objective

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

2.02 Safety of Principal

The primary objective of the TIRZ investment program is to ensure the safety of all funds. To attain this objective, it is the TIRZ 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 TIRZ 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 TIRZ 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 TIRZ 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 TIRZ obligations and secondly to achieve a reasonable return of interest. The maximum allowable stated maturity of any individual investment owned by the TIRZ shall be one (1) year from date of purchase and all investments must mature prior to August 31st of each year. The settlement date is considered the date of purchase. However, the TIRZ 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 9 months, or 274 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 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 TIRZ Investment Policy.

The TIRZ 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 TIRZ control. The strategy shall be reviewed on an annual basis with formal action by the TIRZ 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 TIRZ for investment use. The TIRZ 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 TIRZ 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 TIRZ 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 TIRZ 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 TIRZ 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 TIRZ Board to provide investment services to the TIRZ. Annually, the TIRZ Board will approve the list of financial institutions and broker/dealers authorized to conduct business with the TIRZ. Investment Officers shall not conduct business with any firm not approved by TIRZ Board, except for the purchase of CD's from Texas depository institutions.

The City on behalf of the TIRZ 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.

The top six to seven firms shall be selected to appear on the TIRZ approved list. If, after a firm is selected, they no longer qualify to appear on the TIRZ approved dealer list, or provide services inconsistent with acceptable levels, the Investment Officers may recommend TIRZ 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 TIRZ 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 TIRZ. 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 TIRZ; and
2. acknowledged that the organization has implemented reasonable procedures and controls in effort to preclude investment transactions that are not authorized by the TIRZ Investment Policy except to the extent that the authorization is dependent on an analysis of the makeup of the TIRZ 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(I)).

The TIRZ may contract with a registered investment advisor for the management of the TIRZ 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 TIRZ that all securities shall be purchased on a "Delivery vs. Payment" (DVP) basis, except for investment pools and mutual funds. By so doing, TIRZ funds are not released until the TIRZ 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 TIRZ. 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 TIRZ, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the TIRZ 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 TIRZ 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 TIRZ. 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 TIRZ 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 TIRZ total investment portfolio will be invested in a single security type. If the TIRZ 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 TIRZ may use electronic means to transfer or invest all funds collected or controlled by the TIRZ.

4.09 Selling Of Securities Before Maturity

While it is the TIRZ intent to hold securities to maturity to ensure safety of principal, if the TIRZ 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 TIRZ compute earnings on investments from each issue of bonds on an annual basis to determine if a rebate to the IRS is required. The TIRZ 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 TIRZ. 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 TIRZ to severe penalties.

The TIRZ 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 TIRZ 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 TIRZ 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 TIRZ 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 TIRZ 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 TIRZ 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 TIRZ 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 TIRZ. The bank and/or counter-party will be responsible for the monitoring and maintaining of margin levels at all times.

7.02 Safekeeping

All TIRZ securities shall be held in independent safekeeping by the TIRZ, the TIRZ depository bank or a TIRZ 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 TIRZ Investment Policy shall be adopted by resolution annually by the TIRZ Board. The policy shall be reviewed annually by the Investment Committee. Any modifications made thereto must be approved by the TIRZ 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 TIRZ 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 \$100,000 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 Tax Increment Reinvestment Zone No. 2 (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 Tax Increment Reinvestment Zone No. 2 as stated in the Investment Policy and TIRZ 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

Wells Fargo Bank
CastleOak Securites
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.

TAX INCREMENT REINVESTMENT ZONE NO. 2 INVESTMENT STRATEGY

The Tax Increment Reinvestment Zone No. 2 ("TIRZ") shall adopt by resolution a separate written investment strategy for each of the funds under its control. For Investment purposes, the TIRZ shall use a "Pooled Fund Group" which means that all funds under the TIRZ's control shall be treated as one fund.

INVESTMENT STRATEGY

I. Suitability

Investments are to be purchased based on the financial requirements of the TIRZ. The TIRZ 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 TIRZ funds, including component units.

II. Safety of Principal

Investments of the TIRZ 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 TIRZ'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 TIRZ's investment portfolio will remain sufficiently liquid to enable the TIRZ 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 TIRZ 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 TIRZ 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 TIRZ'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 TIRZ 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 Bank
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.

**AGENDA REQUEST
TAX INCREMENT REINVESTMENT ZONE NO. 2
CITY OF PEARLAND, TEXAS**

AGENDA OF: 6/22/2015	ITEM NO.: RTIRZ NO. 2015-04
DATE SUBMITTED: 6/9/2015	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Rick Overgaard	PRESENTOR: Claire Bogard
REVIEWED BY:	REVIEW DATE:
SUBJECT: RTIRZ 2015-04 - A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), Accepting the Financial Report for the Period Ending May 31, 2015.	
EXHIBITS: RESOLUTION NO. RTIRZ 2015-04 Balance Sheet Income Statement	
EXPENDITURE REQUIRED: None	AMOUNT BUDGETED:
AMOUNT AVAILABLE:	PROJECT NO.:
ACCOUNT NO.:	
ADDITIONAL APPROPRIATION REQUIRED: None	
ACCOUNT NO.:	
PROJECT NO.:	
To be completed by Department:	
<input checked="" type="checkbox"/> Finance <input type="checkbox"/> Legal <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution	

EXECUTIVE SUMMARY

Attached are the financial statements (Balance Sheet and Statement of Revenues and Expenditures) for the Tax Increment Reinvestment Zone for the eight month period ending May 31, 2015.

- Cash and Investments total \$14,265,467. This includes the Alvin ISD suspense fund of \$9,082,394. Of that amount, \$5,642,174 will be released in August 2015.
- Contributions through May total \$17,379,850, of which \$11,697,253 is from the City of Pearland and \$913,610 from Fort Bend County. In May, the TIRZ received \$4.8 million from Alvin ISD, which must be held in the suspense fund for a year, and Brazoria County's contribution will be received in August. AISD has not received the State payment yet. Last year's payment of \$1.3 million was received in September.

- Fiscal year to date expenses total \$7,468,611, of which \$7,467,185 are administration fees to the City.
- Fund equity as of May 31, 2015 is \$14,265,467, which includes \$9,082,394 in the suspense fund. The current available operating balance is \$5,183,074.
- Estimate to be transferred to the Development Authority, including an estimate on Brazoria County tax increment to be received in August, totals \$12.4 million, of which \$5.8 million will be retained by Regions Bank for annual debt service, leaving approximately \$6.6 million, for cash reimbursement to the developer.

RECOMMENDED ACTION

Presentation and acceptance of May 2015 Financial Statements.

RESOLUTION NO. RTIRZ 2015-04

A RESOLUTION OF THE TAX INCREMENT REINVESTMENT ZONE NO. 2 (TIRZ), ACCEPTING THE FINANCIAL REPORT FOR THE PERIOD ENDING MAY 31, 2015.

BE IT RESOLVED BY TIRZ BOARD OF DIRECTORS:

Section 1. That the TIRZ hereby accepts the Financial Report for the period ending May 31, 2015.

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

TIRZ CHAIRMAN

ATTEST:

TIRZ SECRETARY

**TIRZ#2
BALANCE SHEET
FOR MONTH ENDED MAY 31, 2015**

ASSETS:

Cash and Cash Equivalents	4,935,073
Cash in Bank - A.I.S.D.	9,082,394
A.I.S.D. Receivable	
Short Term - CD Investment	248,000
Receivable / Interest	1
Total Assets	<u>14,265,467</u>

LIABILITIES:

Deferred Revenue	-
Total Liabilities	<u>-</u>

EQUITY:

Equity	14,265,467
Total Equity	<u>14,265,467</u>

Total Liabilities and Equity	<u>14,265,467</u>
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**TIRZ #2
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
FOR MONTH ENDED MAY 31, 2015**

	FY2015 ACTUAL TO - DATE	FY2014 ACTUAL TO - DATE
REVENUES		
Taxes		
Alvin ISD	4,768,987	4,056,012
Brazoria County		
City of Pearland	11,697,253	10,163,339
Fort Bend County	913,610	722,113
Interest	7,804	8,682
Miscellaneous		
TOTAL	17,387,654	14,950,146
EXPENDITURES		
Miscellaneous Services	1,426	3,721
Payment to City of Pearland	7,467,185	6,489,029
Payment to Development Authority		
Transfers		
TOTAL	7,468,611	6,492,750
Net Change in Fund Balance	9,919,043	8,457,396
BEGINNING FUND BALANCE	4,346,424	4,330,486
ISD Suspense Fund	9,082,394	8,315,971
ENDING AVAILABLE FUND BALANCE	5,183,074	4,471,911

**AGENDA REQUEST
TAX INCREMENT REINVESTMENT ZONE NO. 2
PEARLAND, TEXAS**

AGENDA OF: 06/22/2015	ITEM NO.: RTIRZ NO. 2015-05
DATE SUBMITTED: 06/01/2015	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
SUBJECT: RTIRZ 2015-05 - A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), Accepting the Investment Report for the Quarters Ending June 2014, September 2014, December 2014 and March 2015.	
EXHIBITS: Resolution RTIRZ 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 June 30, 2014, September 30, 2014, December 31, 2014, and March 31, 2015. Highlights are:

	Jun 2014	Sept 2014	Dec 2014	Mar 2015
• Beginning Book Value	\$ 10,449,638	\$ 12,845,347	\$ 4,346,424	\$ 7,308,273
• Ending Book Value	\$ 12,845,347	\$ 4,346,424	\$ 7,308,273	\$ 11,842,146
• Increase/ (Decrease) in Portfolio	\$ 2,395,709	\$ (8,498,933)	\$ 2,961,849	\$ 4,533,873
• Interest Earned for Quarter	\$ 4,695	\$ 3,127	\$ 1,984	\$ 4,008
• Weighted Average Maturity	1 Day	1 Day	1 Day	1 Day
• Rate of Return at Quarter End	.15%	.15%	.15%	.12%
• Average Rate of Return for Quarter	.15%	.15%	.15%	.14%
• Average One Year T-Bill Benchmark for Quarter	.11%	.11%	.15%	.22%
• Average Agency Disc Benchmark for Quarter	.01%	.01%	.01%	.01%
• Portfolio Composition:				
Money Market	65%	99%	59%	65%
Cash	35%	1%	41%	35%

Revised 2007-01-09

Decrease in portfolio from June 2014 to Sept 2014 represents release of Alvin ISD suspense funds in the amount of \$4.1 million and transfer of those funds along with additional funds to the Development Authority. Increase in portfolio represent tax increment payments from the taxing participants to be transferred to the Development Authority in August 2015. Yield on portfolio has decreased, while 1 year T-Bill benchmark has risen. A 3 month CD at a .15% was purchased in April to try and increase yield. Unfortunately, short maturity CD's do not bring much yield to the portfolio and the CD's have to mature prior to debt service due dates.

RECOMMENDED ACTION

Accept the June 2014, September 2014, December 2014 and March 2015 Quarterly Investment Reports.

RESOLUTION NO. RTIRZ 2015-05

A RESOLUTION OF THE TAX INCREMENT REINVESTMENT ZONE NO. 2 (TIRZ), ACCEPTING THE INVESTMENT REPORT FOR THE QUARTERS ENDING JUNE 2014, SEPTEMBER 2014, DECEMBER 2014 and MARCH 2015.

BE IT RESOLVED BY THE TIRZ BOARD OF DIRECTORS:

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

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

TIRZ CHAIRMAN

ATTEST:

TIRZ SECRETARY

TIRZ II
Quarterly Investment Report
March 31, 2014 - June 30, 2014

<u>Portfolio at March 31, 2014</u>			<u>Portfolio at June 30, 2014</u>		
Ending Book Value	\$	10,449,638.39	Ending Book Value	\$	12,845,347.13
Ending Market Value		10,449,638.39	Ending Market Value		12,845,347.13
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		3,861,006.52	Change in Market Value		2,395,708.74
Yield to Maturity at Cost		0.15%	Yield to Maturity at Cost		0.15%
T-Bill Benchmark		0.13%	T-Bill Benchmark		0.11%
Agency Note Benchmark		0.01%	Agency Note Benchmark		0.01%
 <u>Average for Quarter</u> 					
		Total Rate of Return			0.15%
		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).

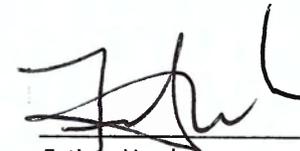
Prepared by:



Claire Bogard
 Director of Finance



Rick Overgaard
 Assistant Director of Finance

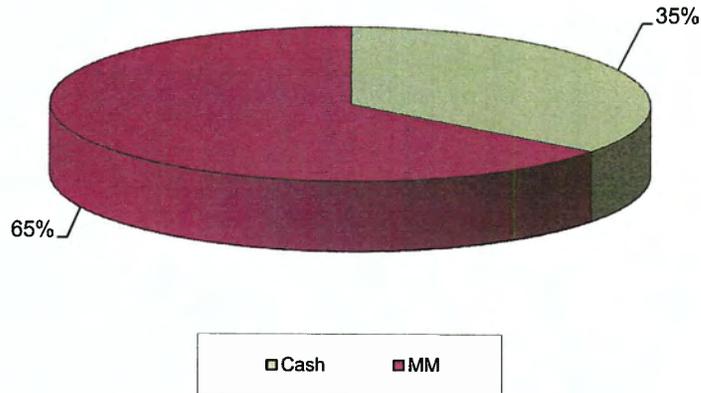


Fatima Uwakwe
 Accounting Supervisor

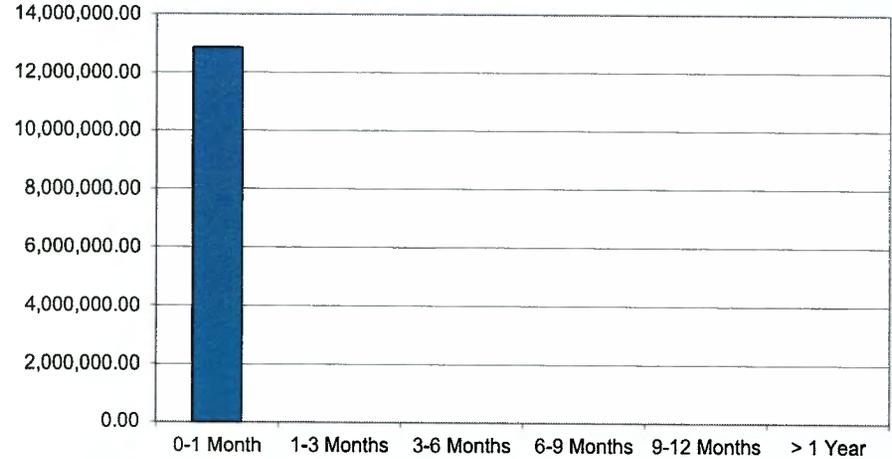
**TIRZ II
Summary by Type
June 30, 2014**

<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>
Cash	\$ 4,528,351.24	\$ 4,528,351.24	\$ 4,528,351.24	\$ 4,528,351.24	0.14	1
MM	8,316,995.89	8,316,995.89	8,316,995.89	8,316,995.89	0.15	1
Total/Average	\$ 12,845,347.13	\$ 12,845,347.13	\$ 12,845,347.13	\$ 12,845,347.13	0.15	1

**Group Portfolio Holdings
by Type**



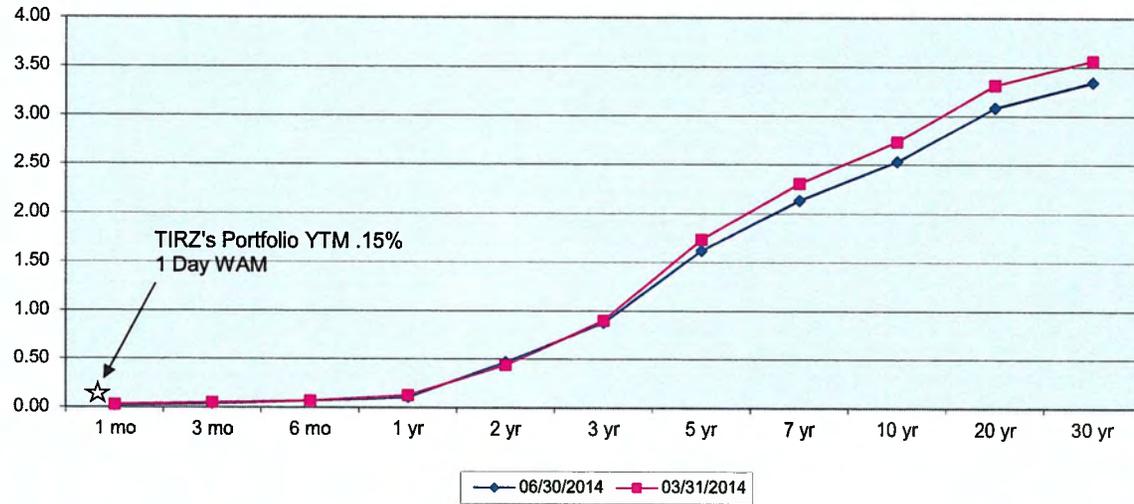
Book Value by Maturity



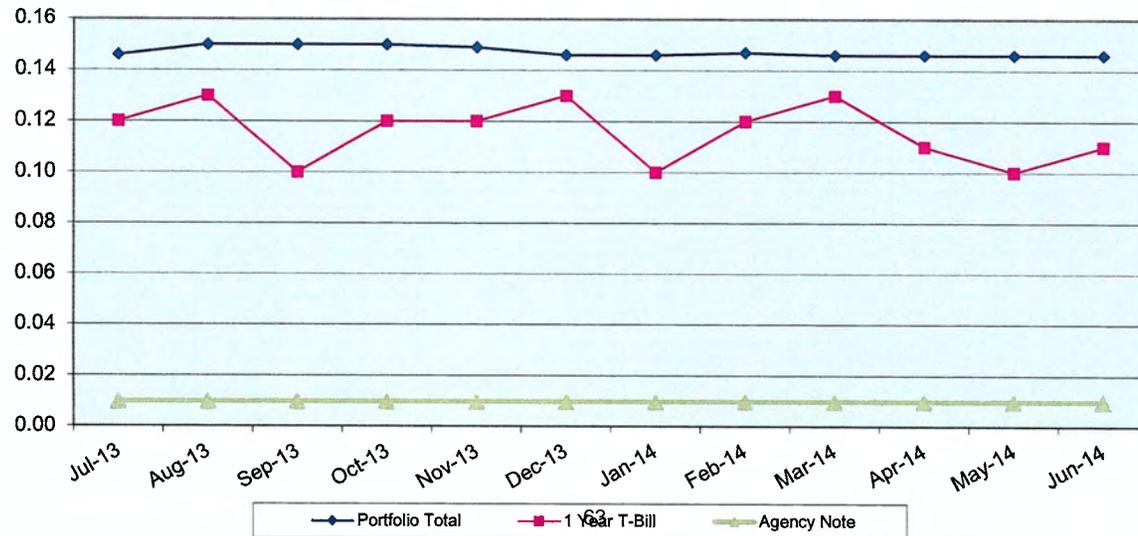
Interest Rates

Date	1 mo	3 mo	6 mo	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	20 yr	30 yr
03/31/2014	0.03	0.05	0.07	0.13	0.44	0.90	1.73	2.30	2.73	3.31	3.56
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

Yield Curve Comparison



Portfolio vs. Benchmark



City of Pearland
Quarterly Investment Report
 Report Format: By CUSIP
 Group By: Security Type
Portfolio/Report Group: 66: TIRZ II
Begin Date: 3/31/2014, End Date: 6/30/2014

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											
Wells Fargo Sweep Cash	WFSWEEP	66: TIRZ II	0.140	N/A	3,715,449.07	812,902.17	0.00	0.00	0.00	4,528,351.24	1,637.26
Sub Total/Average Cash			0.140		3,715,449.07	812,902.17	0.00	0.00	0.00	4,528,351.24	1,637.26
MONEY MARKET											
Wells Fargo MM	WF7843	66: TIRZ II	0.150	N/A	6,734,189.32	1,582,806.57	0.00	0.00	0.00	8,316,995.89	3,057.80
Sub Total/Average Money Market			0.150		6,734,189.32	1,582,806.57	0.00	0.00	0.00	8,316,995.89	3,057.80
Total / Average			0.146		10,449,638.39	2,395,708.74	0.00	0.00	0.00	12,845,347.13	4,695.06

City of Pearland
Quarterly Investment Report at Quarterend
 Report Format: By Transaction
 Group By: Security Type
Portfolio/Report Group: 66: TIRZ II
As of 6/30/2014

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												
Wells Fargo Sweep Cash	WFSWEEP	66: TIRZ II	5/31/2006	N/A	0.140	4,528,351.24	4,528,351.24	4,528,351.24	4,528,351.24	1		35.25
Sub Total / Average					0.140	4,528,351.24	4,528,351.24	4,528,351.24	4,528,351.24	1	0.00	35.25
Money Market												
Wells Fargo MM	WF7843	66: TIRZ II	5/30/2006	N/A	0.150	8,316,995.89	8,316,995.89	8,316,995.89	8,316,995.89	1		64.75
Sub Total / Average					0.150	8,316,995.89	8,316,995.89	8,316,995.89	8,316,995.89	1	0.00	64.75
Total / Average					0.146	12,845,347.13	12,845,347.13	12,845,347.13	12,845,347.13	1	0.00	100

**Pledged Collateral Reconciliation Report
June 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	57,084,034.90
Wells Fargo	179-0121790	EMS Payments	-
Wells Fargo	807-1613395	Credit Card Account	-
Wells Fargo	818-4567843	Alvin ISD	8,316,995.89
Wells Fargo	280-7409871	Health Claims	<u>223,302.01</u>
Total of Bank Balances			\$ 65,624,332.80
Pledged Collateral for City			90,009,763.65
FDIC Insurance			<u>250,000.00</u>
Total Collateral			\$ 90,259,763.65
Over (Under) Collateralized			\$ 24,635,430.85

Total % Collateralized 137.5%

Bank	Account Number	Account Name	Amount
Wells Fargo	100-7284258	Development Authority	<u>922,013.13</u>
Total of Bank Balances			\$ 922,013.13
Pledged Collateral for DAP			1,050,329.18
FDIC Insurance			<u>250,000.00</u>
Total Collateral			\$ 1,300,329.18
Over (Under) Collateralized			\$ 378,316.05

Total % Collateralized 141.0%

Bank	Account Number	Amount
Regions	6180003939	\$ 0.29
	6180003948	<u>327.48</u>
Total of Bank Balances		\$ 327.77
Regions Trust Collateral		\$ -
FDIC Insurance		<u>250,000.00</u>
Over (Under) Collateralized		\$ 249,672.23

Total % Collateralized 76273.0%

Total \$ Over (Under) Collateralized \$ 25,013,746.90

Total % Collateralized 138.0%

TIRZ II
Quarterly Investment Report
June 30, 2014 - September 30, 2014

<u>Portfolio at June 30, 2014</u>		<u>Portfolio at September 30, 2014</u>	
Ending Book Value	\$ 12,845,347.13	Ending Book Value	\$ 4,346,424.18
Ending Market Value	12,845,347.13	Ending Market Value	4,346,424.18
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	2,395,708.74	Change in Market Value	(8,498,922.95)
Yield to Maturity at Cost	0.15%	Yield to Maturity at Cost	0.15%
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		0.15%
	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

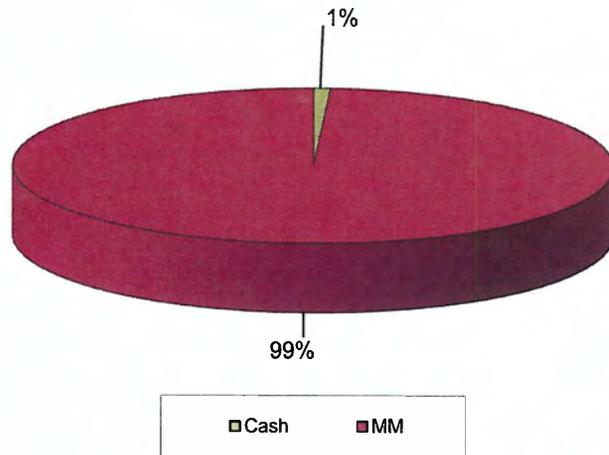


Fatima Uwakwe
 Accounting Supervisor

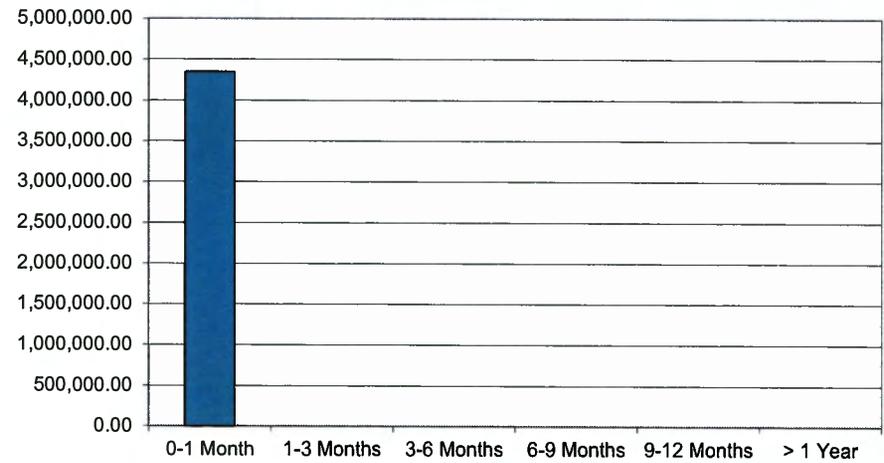
TIRZ II
Summary by Type
September 30, 2014

<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>
Cash	\$ 38,635.35	\$ 38,635.35	\$ 38,635.35	\$ 38,635.35	0.14	1
MM	4,307,788.83	4,307,788.83	4,307,788.83	4,307,788.83	0.15	1
Total/Average	\$ 4,346,424.18	\$ 4,346,424.18	\$ 4,346,424.18	\$ 4,346,424.18	0.15	1

**Group Portfolio Holdings
by Type**



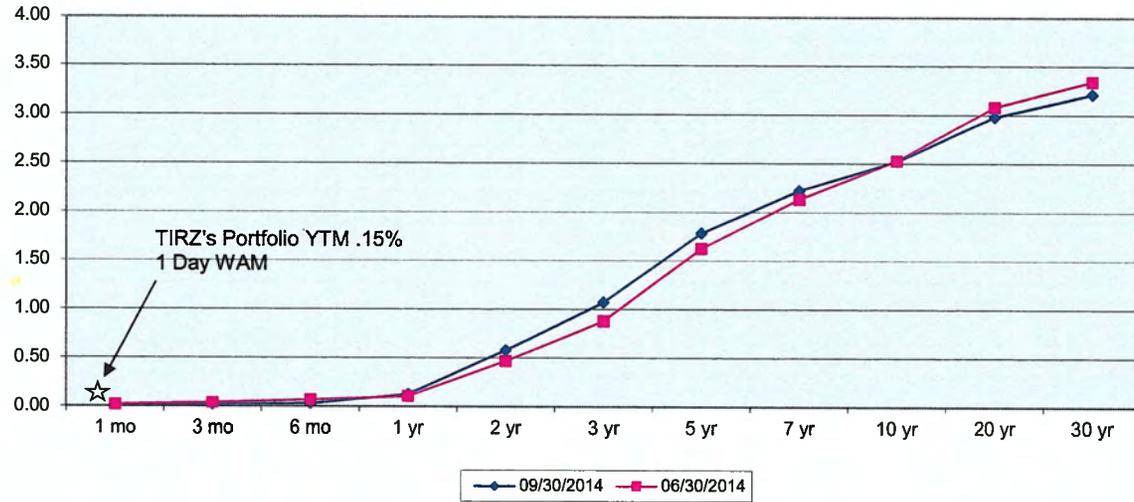
Book Value by Maturity



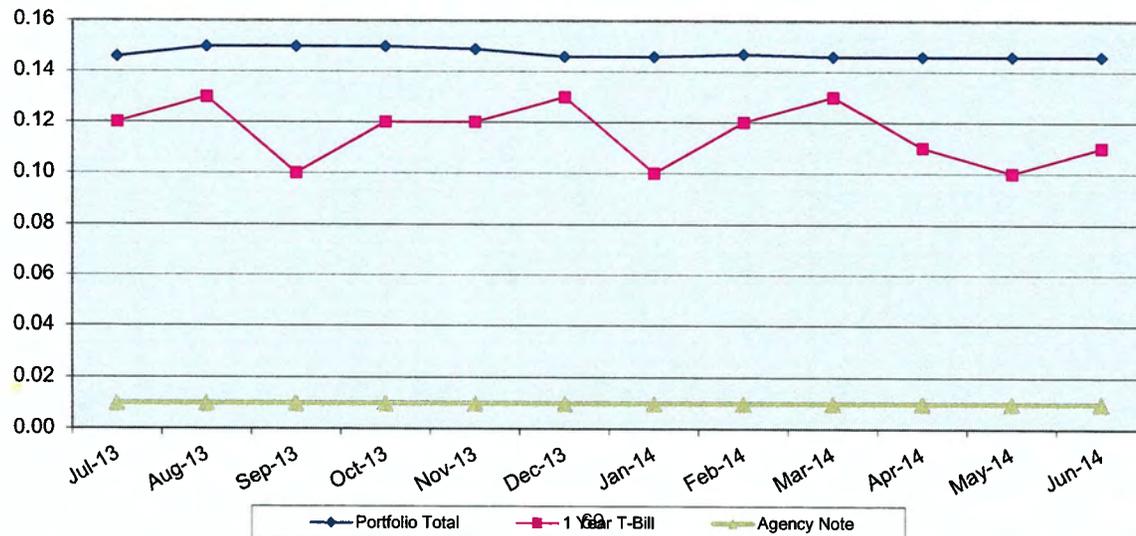
Interest Rates

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
 Report Format: By CUSIP
 Group By: Security Type
Portfolio/Report Group: 66: TIRZ II
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											
Wells Fargo Sweep Cash	WFSWEEP	66: TIRZ II	0.140	N/A	4,528,351.24	11,656.76	4,501,372.65	0.00	0.00	38,635.35	555.02
Sub Total/Average Cash			0.140		4,528,351.24	11,656.76	4,501,372.65	0.00	0.00	38,635.35	555.02
MONEY MARKET											
Wells Fargo MM	WF7843	66: TIRZ II	0.150	N/A	8,316,995.89	447,831.79	4,457,038.85	0.00	0.00	4,307,788.83	2,571.88
Sub Total/Average Money Market			0.150		8,316,995.89	447,831.79	4,457,038.85	0.00	0.00	4,307,788.83	2,571.88
Total / Average			0.150		12,845,347.13	459,488.55	8,958,411.50	0.00	0.00	4,346,424.18	3,126.90

City of Pearland
Quarterly Investment Report at Quarterend
 Report Format: By Transaction
 Group By: Security Type
Portfolio/Report Group: 66: TIRZ II
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												
Wells Fargo Sweep Cash	WFSWEEP	66: TIRZ II	5/31/2006	N/A	0.140	38,635.35	38,635.35	38,635.35	38,635.35	1		0.89
Sub Total / Average					0.140	38,635.35	38,635.35	38,635.35	38,635.35	1	0.00	0.89
Money Market												
Wells Fargo MM	WF7843	66: TIRZ II	5/30/2006	N/A	0.150	4,307,788.83	4,307,788.83	4,307,788.83	4,307,788.83	1		99.11
Sub Total / Average					0.150	4,307,788.83	4,307,788.83	4,307,788.83	4,307,788.83	1	0.00	99.11
Total / Average					0.150	4,346,424.18	4,346,424.18	4,346,424.18	4,346,424.18	1	0.00	100

**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		
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%

**Tax Increment Reinvestment Zone No. 2
Quarterly Investment Report
September 30, 2014 to December 31, 2014**



This report is prepared for the Tax Increment Reinvestment Zone No. 2 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	4,427,737.16	4,427,737.16	0.00	0.15	0.10	561.71	1
11/30/2014	4,724,477.17	4,724,477.17	0.00	0.15	0.13	578.74	1
12/31/2014	7,308,273.10	7,308,273.10	0.00	0.15	0.21	843.59	1
Total / Average	5,486,829.14	5,486,829.14	0.00	0.15	0.15	1,984.04	1

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Claire Bogard
Claire Bogard, Director of Finance

4.16.15
Date

Rick Overgaard
Rick Overgaard, Assistant Director of Finance

4/13/15
Date



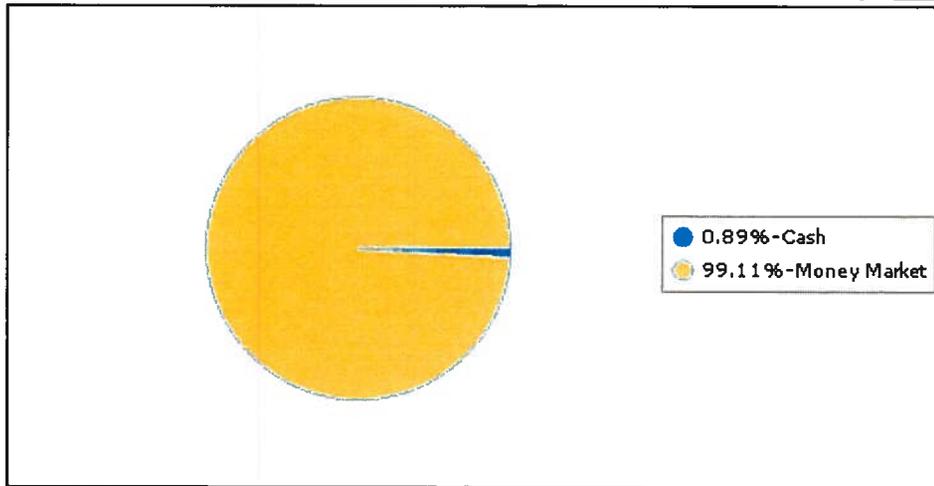
City of Pearland Distribution by Security Type - Book Value Report Group: TIRZ II

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

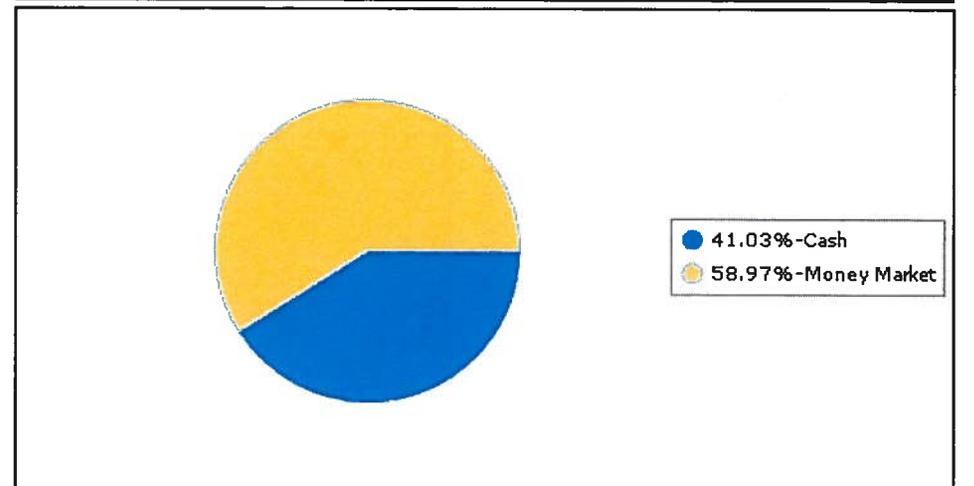
Security Type Allocation

Security Type	Book Value 9/30/2014	% of Portfolio 9/30/2014	Book Value 12/31/2014	% of Portfolio 12/31/2014
Cash	38,635.35	0.89	2,998,855.27	41.03
Money Market	4,307,788.83	99.11	4,309,417.83	58.97
Total / Average	4,346,424.18	100.00	7,308,273.10	100.00

Portfolio Holdings as of 9/30/2014



Portfolio Holdings as of 12/31/2014



74



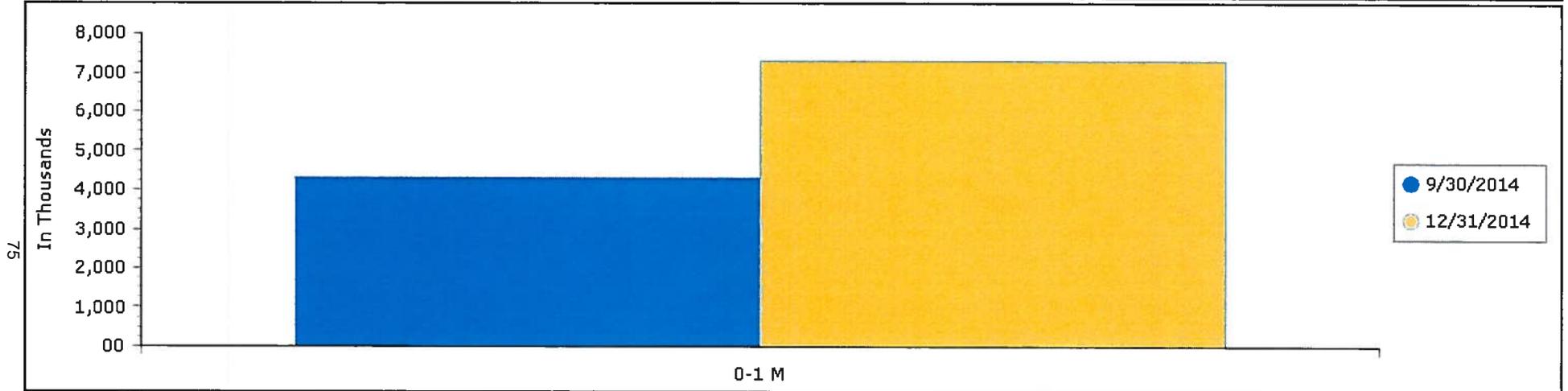
City of Pearland
Distribution by Maturity Range - Book Value
Report Group: TIRZ II

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	4,346,424.18	100.00	7,308,273.10	100.00
Total / Average	4,346,424.18	100.00	7,308,273.10	100.00

Portfolio Holdings





City of Pearland

Total Rate of Return - Book Value by Month

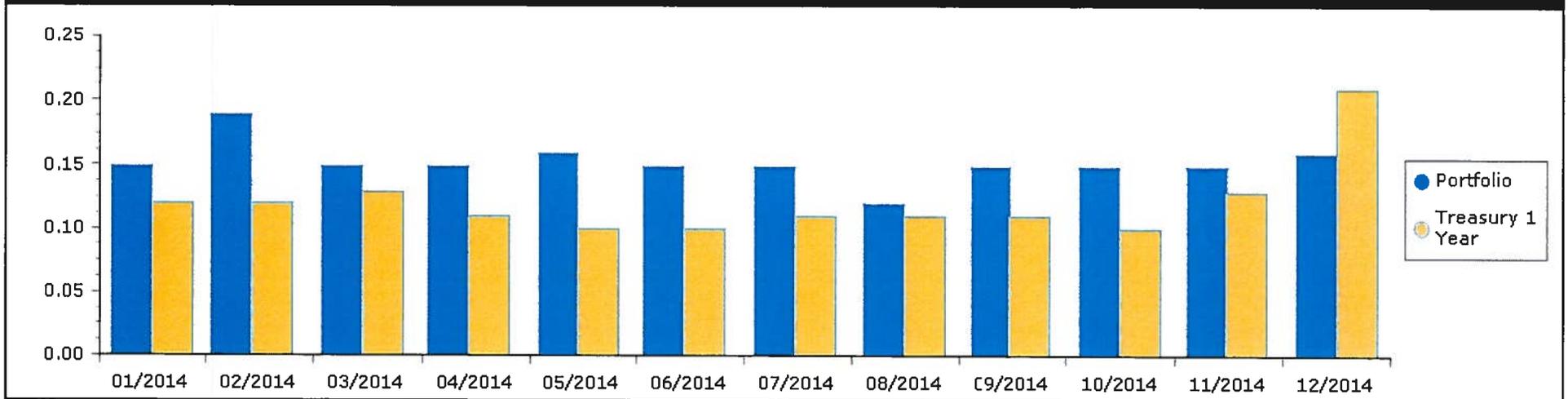
Report Group: TIRZ II

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	6,588,631.87	918.28	0.00	918.28	7,130,776.73	0.01	0.15	0.12
2/28/2014	7,578,167.24	1,399.56	0.00	1,399.56	8,951,447.75	0.02	0.19	0.12
3/31/2014	10,326,127.82	1,299.24	0.00	1,299.24	10,393,146.94	0.01	0.15	0.13
4/30/2014	10,449,638.39	1,483.59	0.00	1,483.59	11,685,767.18	0.01	0.15	0.11
5/31/2014	12,768,863.47	1,653.60	0.00	1,653.60	12,778,652.14	0.01	0.16	0.10
6/30/2014	12,788,366.99	1,557.87	0.00	1,557.87	12,817,925.53	0.01	0.15	0.10
7/31/2014	12,845,347.13	1,613.71	0.00	1,613.71	13,090,374.26	0.01	0.15	0.11
8/31/2014	13,293,775.02	901.75	0.00	901.75	9,113,190.68	0.01	0.12	0.11
9/30/2014	5,671,258.27	611.44	0.00	611.44	4,964,353.99	0.01	0.15	0.11
10/31/2014	4,346,424.18	561.71	0.00	561.71	4,390,707.13	0.01	0.15	0.10
11/30/2014	4,427,737.16	578.74	0.00	578.74	4,585,689.84	0.01	0.15	0.13
12/31/2014	4,724,477.17	843.59	0.00	843.59	6,140,934.90	0.01	0.16	0.21

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Annualized TRR-BV





City of Pearland
Portfolio Holdings by Security Type
Report Group: TIRZ II

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								
Wells Fargo Sweep Cash		5/31/2006	2,998,855.27	100.00	2,998,855.27	41.03%	None	1
WFSWEEP	2,998,855.27	0.14	2,998,855.27	0.14		0.00	None	0
			2,998,855.27		2,998,855.27	41.03%		1
Sub Total Cash	2,998,855.27	0.14	2,998,855.27	0.14		0.00		0
Money Market								
Wells Fargo MM		5/30/2006	4,309,417.83	100.00	4,309,417.83	58.97%	None	1
WF7843	4,309,417.83	0.15	4,309,417.83	0.15		0.00	None	0
			4,309,417.83		4,309,417.83	58.97%		1
Sub Total Money Market	4,309,417.83	0.15	4,309,417.83	0.15		0.00		0
			7,308,273.10		7,308,273.10	100.00%		1
TOTAL PORTFOLIO	7,308,273.10	0.15	7,308,273.10	0.15		0.00		0

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City of Pearland
Portfolio Holdings by Portfolio Name
Report Group: TIRZ II

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
66: TIRZ II								
Wells Fargo MM		5/30/2006	4,309,417.83	100.00	4,309,417.83	58.97%	None	1
WF7843	4,309,417.83	0.15	4,309,417.83	0.15		0.00	None	0
Wells Fargo Sweep Cash		5/31/2006	2,998,855.27	100.00	2,998,855.27	41.03%	None	1
WFSWEEP	2,998,855.27	0.14	2,998,855.27	0.14		0.00	None	0
Sub Total 66: TIRZ II	7,308,273.10	0.15	7,308,273.10	0.15		0.00		0
			7,308,273.10		7,308,273.10	100.00%		1
TOTAL PORTFOLIO	7,308,273.10	0.15	7,308,273.10	0.15		0.00		0

**Tax Increment Reinvestment Zone No. 2
 Quarterly Investment Report
 December 31, 2014 to March 31, 2015**



This report is prepared for the Tax Increment Reinvestment Zone No. 2 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	11,413,022.97	11,413,022.97	0.00	0.15	0.20	1,418.01	1
2/28/2015	11,785,740.58	11,785,740.58	0.00	0.15	0.22	1,409.81	1
3/31/2015	11,842,146.08	11,842,146.08	0.00	0.12	0.25	1,179.78	1
Total / Average	11,680,303.21	11,680,303.21	0.00	0.14	0.22	4,007.60	1

Claire Bogard
 Claire Bogard, Director of Finance

4.15.15
 Date

Rick Overgaard
 Rick Overgaard, Assistant Director of Finance

4/15/15
 Date



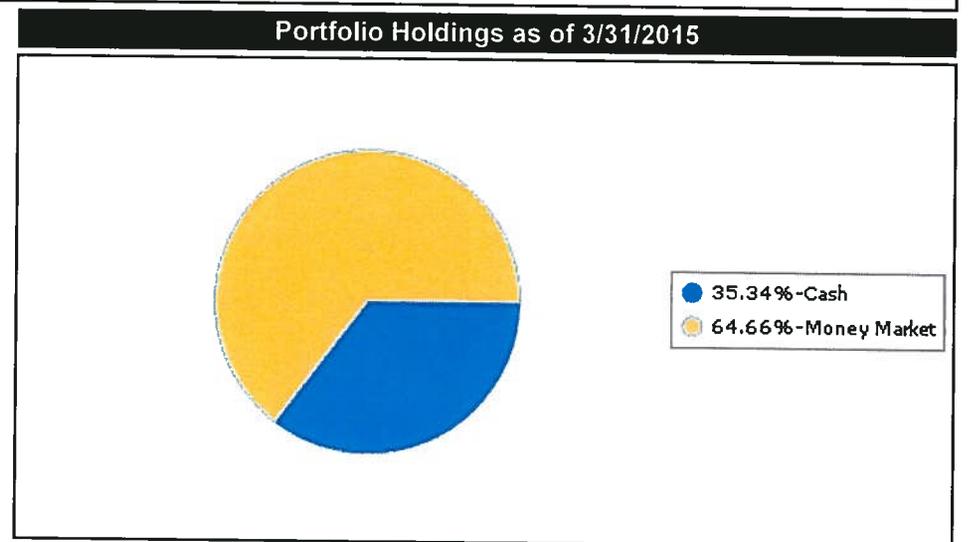
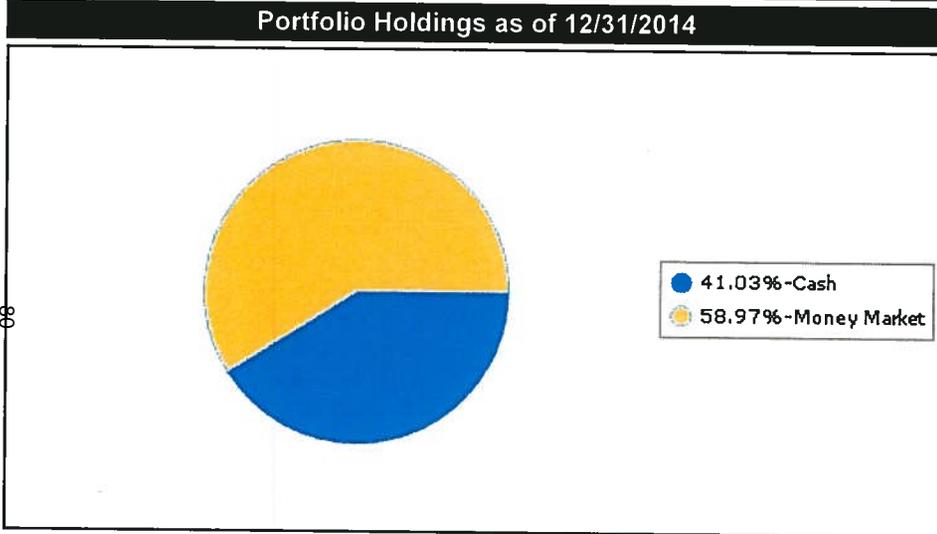
City of Pearland

Distribution by Security Type - Book Value

Report Group: TIRZ II

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	2,998,855.27	41.03	4,184,642.92	35.34
Money Market	4,309,417.83	58.97	7,657,503.16	64.66
Total / Average	7,308,273.10	100.00	11,842,146.08	100.00

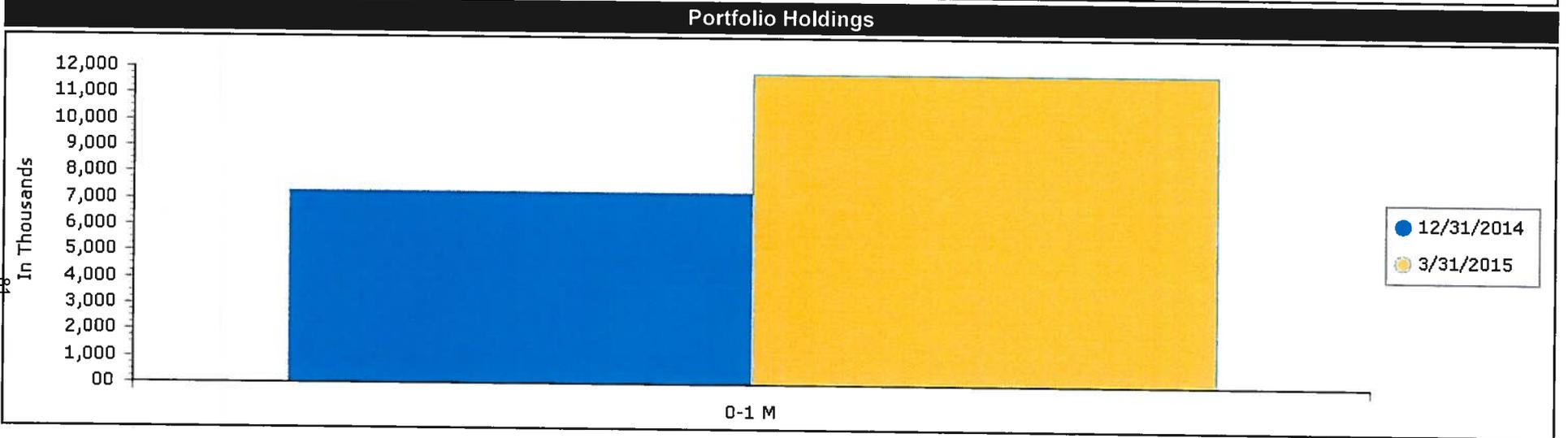




City of Pearland Distribution by Maturity Range - Book Value Report Group: TIRZ II

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	7,308,273.10	100.00	11,842,146.08	100.00
Total / Average	7,308,273.10	100.00	11,842,146.08	100.00





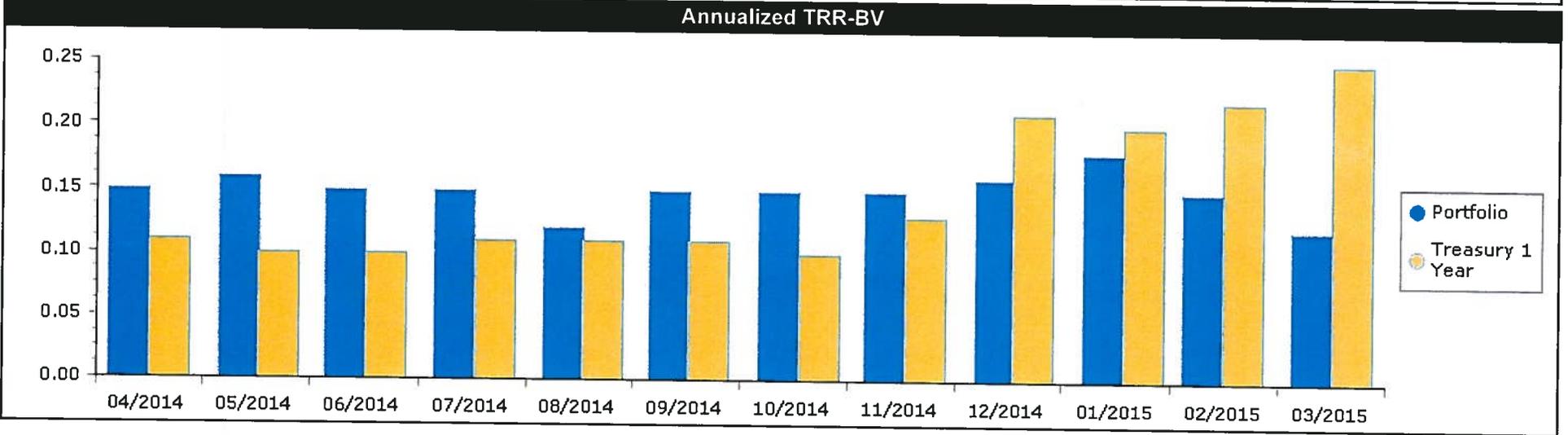
City of Pearland

Total Rate of Return - Book Value by Month

Report Group: TIRZ II

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	10,449,638.39	1,483.59	0.00	1,483.59	11,685,767.18	0.01	0.15	0.11
5/31/2014	12,768,863.47	1,653.60	0.00	1,653.60	12,778,652.14	0.01	0.16	0.10
6/30/2014	12,788,366.99	1,557.87	0.00	1,557.87	12,817,925.53	0.01	0.15	0.10
7/31/2014	12,845,347.13	1,613.71	0.00	1,613.71	13,090,374.26	0.01	0.15	0.11
8/31/2014	13,293,775.02	901.75	0.00	901.75	9,113,190.68	0.01	0.12	0.11
9/30/2014	5,671,258.27	611.44	0.00	611.44	4,964,353.99	0.01	0.15	0.11
10/31/2014	4,346,424.18	561.71	0.00	561.71	4,390,707.13	0.01	0.15	0.10
11/30/2014	4,427,737.16	578.74	0.00	578.74	4,585,689.84	0.01	0.15	0.13
12/31/2014	4,724,477.17	843.59	0.00	843.59	6,140,934.90	0.01	0.16	0.21
1/31/2015	7,308,273.10	1,418.01	0.00	1,418.01	9,558,487.35	0.01	0.18	0.20
2/28/2015	11,413,022.97	1,409.81	0.00	1,409.81	11,598,676.87	0.01	0.15	0.22
3/31/2015	11,785,740.58	1,179.78	0.00	1,179.78	11,816,025.65	0.01	0.12	0.25





City of Pearland
Portfolio Holdings by Security Type
Report Group: TIRZ II

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								
Wells Fargo Sweep Cash		5/31/2006	4,184,642.92	100.00	4,184,642.92	35.34%	None	1
WFSWEEP	4,184,642.92	0.11	4,184,642.92	0.11		0.00	None	0
Sub Total Cash	4,184,642.92	0.11	4,184,642.92	0.11	4,184,642.92	35.34%	0.00	1
Money Market								
Wells Fargo MM		5/30/2006	7,657,503.16	100.00	7,657,503.16	64.66%	None	1
WF7843	7,657,503.16	0.12	7,657,503.16	0.12		0.00	None	0
Sub Total Money Market	7,657,503.16	0.12	7,657,503.16	0.12	7,657,503.16	64.66%	0.00	1
TOTAL PORTFOLIO	11,842,146.08	0.12	11,842,146.08	0.12	11,842,146.08	100.00%	0.00	1

**AGENDA REQUEST
TAX INCREMENT REINVESTMENT ZONE NO. 2
PEARLAND, TEXAS**

AGENDA OF: 6/22/2015	ITEM NO.: RTIRZ No.. 2015-06
DATE SUBMITTED: 6/03/2015	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEWED DATE:
SUBJECT: RTIRZ 2015-06 - A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), Ratifying Invoices that were paid from May 2014 through June 2015 and Approving Invoices for Payment	
EXHIBITS: Resolution RTIRZ 2015-06 A-List of Invoices for Ratification B-List of Invoices Pending Payment Copies of Invoices Pending Payment	
EXPENDITURE REQUIRED: \$27,635.91. PROJECT: N/A	

EXECUTIVE SUMMARY

Since the last meeting in June 2014, the invoice review committee has reviewed and approved for payment invoices totaling \$14,421.15 (Exhibit A). These invoices span more than one fiscal year. The board also has six invoices pending payment for approval totaling \$13,214.76. Upon payment, total operating expenses for FY2015 to date will total \$27,635.91.

RECOMMENDED ACTION

Consideration and approval of a Resolution ratifying invoices already paid totaling \$14,421.15 and approving invoices to be paid totaling \$13,214.76.

RESOLUTION NO. RTIRZ 2015-06

A RESOLUTION OF THE TAX INCREMENT REINVESTMENT ZONE NO. 2 (TIRZ), RATIFYING INVOICES THAT WERE PAID FROM MAY 2014 THROUGH JUNE 2015 AND APPROVING INVOICES FOR PAYMENT

BE IT RESOLVED BY TIRZ BOARD OF DIRECTORS:

Section 1. That the TIRZ hereby ratifies invoices that were paid from May 2014 through June 2015 pursuant to Exhibit A.

Section 2. That the TIRZ board approves invoices for payment pursuant to Exhibit B.

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

TIRZ CHAIRMAN

ATTEST:

TIRZ SECRETARY

PEARLAND TIRZ #2
RATIFICATION OF INVOICES
MAY 2014 TO JUNE 2015

EXHIBIT A

<u>ACCTNG PERIOD</u>	<u>TRANS DATE</u>	<u>INVOICE</u>	<u>DESCRIPTION</u>	<u>ACCOUNT NUMBER</u>	<u>TRANSACTION AMOUNT</u>
ALLEN BOONE HUMPHRIES LLP					
07/15	AP	02/15/15	72207 CONSULTING SERVICES	066-7900-555.11-07	\$ 481.25
07/15	AP	12/18/14	70867 CONSULTING SERVICES	066-7900-555.11-07	502.50
07/15	AP	10/24/14	69767 CONSULTING SERVICES	066-7900-555.11-07	65.00
07/15	AP	10/24/14	69866 CONSULTING SERVICES	066-7900-555.11-07	242.50
12/14	AP	07/18/14	68325 CONSULTING SERVICES	066-7900-555.11-07	2,836.15
09/14	AP	05/28/14	PRZ002-021 CONSULTING SERVICES	066-7900-555.11-07	1,230.00
09/14	AP	04/30/14	67222 CONSULTING SERVICES	066-7900-555.11-07	153.75
09/14	AP	03/31/14	66027 CONSULTING SERVICES	066-7900-555.11-07	195.00
VENDOR TOTAL -					5,706.15
MCGRATH AND CO. PLLC					
09/14	AP	06/30/14	6026266 CONSULTING SERVICES	066-7900-555.11-08	950.00
VENDOR TOTAL -					950.00
LJA ENGINEERING & SURVEYING INC					
12/14	AP	07/09/14	20145145 CONSULTING SERVICES	066-7900-555.11-04	2,198.00
09/14	AP	06/06/14	20143728 CONSULTING SERVICES	066-7900-555.11-04	5,567.00
VENDOR TOTAL -					7,765.00
FINAL TOTALS -					\$ 14,421.15

PEARLAND TIRZ #2
APPROVAL OF INVOICES FOR PAYMENT
Jun-15

EXHIBIT B

<u>VENDOR</u>	<u>INVOICE NUMBER</u>	<u>INVOICE DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
ABHR LLP	73429	04/28/2015	REVIEWING OF CONTRACT, INS, & CONFERENCE CALL	226.25
ABHR LLP	74167	06/04/2015	REVIEWING ANNUAL REPORT & MISC SERVICES	1,239.50
McGrath & Co. LLP	n/a	05/04/2015	UPDATING OF P&I SCHEDULES	1,100.00
McGrath & Co. LLP	n/a	06/11/2015	PREPARATION OF REPORT AND PRESENTATION	1,370.00
LJA	201503831	05/08/2015	ENGINEERING SERVICES THROUGH 5/1/2015	2,595.46
LJA	201505257	06/05/2015	ENGINEERING SERVICES THROUGH 5/29/2015	<u>6,683.55</u>
	Total			13,214.76

Invoices Attached

ABHR

Allen Boone Humphries Robinson LLP

Taxpayer ID 74-3091731

April 28, 2015

REINVESTMENT ZONE NO. 2, CITY OF PEARLAND, TEXAS

Ms. Claire Bogard
City of Pearland
3519 Liberty Drive
Pearland, TX 77581

Page: 1
Client/Matter: PRZ002-01
Statement Number: 73429
Billing Attorney: Lynne B. Humphries

General Account

Professional Fees

Fees for services posted through April 17, 2015, as follows:

<u>Date</u>	<u>Professional</u>		<u>Hours</u>
02/16/15	Susan Hostetler	Follow up regarding Zone contract for fencing and monumentation	0.25
03/30/15	Susan Hostetler	Review renewal certificate of liability insurance for Zone contract with EarthFirst Landscapes	0.25
04/13/15	Lynne B. Humphries	Telephone conference with attorney who owns reimbursement rights to answer questions about the District and the reimbursement rights	0.25
Total Fees:			\$ <u>226.25</u>

RATE SUMMARY

<u>Professional</u>	<u>Rate</u>	<u>Hours</u>	<u>Amount</u>
Susan Hostetler	275.00	0.50	137.50
Lynne B. Humphries	355.00	0.25	88.75

Total Fees:	\$	226.25
Total expenses and other items:	\$	0.00
Total Amount Due:	\$	<u>226.25</u>

Allen Boone Humphries Robinson LLP

To contact the ABHR Billing Department, please call 713-860-6400 or email at billing@abhr.com

April 28, 2015

Reinvestment Zone No. 2, City of Pearland, Texas

Page: 1

General

Client/Matter: PRZ002-01
Statement Number: 73429
Billing Attorney: Lynne B. Humphries

REMITTANCE PAGE

Fees for services posted through April 17, 2015, as follows:	226.25
Expenses and other items posted through April 17, 2015	0.00
Total Amount Due:	\$ <u>226.25</u>

Please return this page with your payment to the remittance address below.

**Allen Boone Humphries Robinson LLP
PO Box 4346
Department 90
Houston, Texas 77210-4346**

Checks should be made payable to Allen Boone Humphries Robinson LLP

Please include the invoice number on your check

Total amount payable in U.S. dollars

ABHR

Allen Boone Humphries Robinson LLP

Taxpayer ID 74-3091731

June 4, 2015

REINVESTMENT ZONE NO. 2, CITY OF PEARLAND, TEXAS

Ms. Claire Bogard
City of Pearland
3519 Liberty Drive
Pearland, TX 77581

Page: 1
Client/Matter: PRZ002-01
Statement Number: 74167
Billing Attorney: Lynne B. Humphries

General Account

Professional Fees

Fees for services posted through June 4, 2015, as follows:

<u>Date</u>	<u>Professional</u>		<u>Hours</u>
04/28/15	Jessica Holoubek	Answer questions regarding contractor insurance	0.25
04/28/15	Susan Hostetler	Check payment, performance and maintenance bonds and certificate of liability insurance for contract for Shadow Grove Phase 1 Amenity Improvements; email to insurance agent regarding information needed to approve certificate of liability insurance	0.75
04/29/15	Susan Hostetler	Review revised certificate of liability insurance for contract for Shadow Grove Phase 1 Amenity Improvement; update and finalize checklist for review; email to Beverly Westbrook regarding contract, bonds and insurance	0.25
05/03/15	Susan Hostetler	Review annual report for the Zone and provide comments	0.50
05/13/15	Susan Hostetler	Review and revise annual report for the Zone	0.25
05/18/15	Susan Hostetler	Edit annual report	0.25
05/18/15	Lynne B. Humphries	Receive and review annual report to be submitted to participating tax entities	0.50
05/26/15	Lynne B. Humphries	Receive and review and exchange of emails regarding action and approval items for the next TIRZ 2 Board of Directors meeting	0.25
05/27/15	Lynne B. Humphries	Exchange of emails in preparation for the Board of Directors meeting on June 22, 2015	0.25
05/29/15	Lynne B. Humphries	Review summary of activity from last month and instruction to legal assistant regarding additional action to be taken	0.25
06/03/15	Lynne B. Humphries	Receive and review and forward on to Claire Bogard the email exchange between James Ross, the TIRZ engineer,	0.25

and Mark McGrath, the auditor, regarding the reimbursement approval for TIRZ LFA # 12-06-001

Total Fees: \$ 1,200.00

Expenses and Other Items

Expenses and Other Items posted through June 4, 2015

12/05/14	SLO	Courier charges: City of Pearland	39.50
			<u>39.50</u>
Total Expenses and Other Items:			<u>39.50</u>

RATE SUMMARY

<u>Professional</u>	<u>Rate</u>	<u>Hours</u>	<u>Amount</u>
Jessica Holoubek	470.00	0.25	117.50
Susan Hostetler	275.00	2.00	550.00
Lynne B. Humphries	355.00	1.50	532.50

Total Fees:	\$	1,200.00
Total expenses and other items:	\$	39.50
Total Amount Due:	\$	<u>1,239.50</u>

Allen Boone Humphries Robinson LLP

To contact the ABHR Billing Department, please call 713-860-6400 or email at billing@abhr.com

June 4, 2015

Reinvestment Zone No. 2, City of Pearland, Texas

Page: 1

General

Client/Matter: PRZ002-01
Statement Number: 74167
Billing Attorney: Lynne B. Humphries

REMITTANCE PAGE

Fees for services posted through June 4, 2015, as follows:	1,200.00
Expenses and other items posted through June 4, 2015	39.50
Total Amount Due:	\$ <u>1,239.50</u>

Please return this page with your payment to the remittance address below:

**Allen Boone Humphries Robinson LLP
PO Box 4346
Department 90
Houston, Texas 77210-4346**

*Checks should be made payable to Allen Boone Humphries Robinson LLP
Please include the invoice number on your check
Total amount payable in U.S. dollars*

McGrath & Co., PLLC
Certified Public Accountants
P.O. Box 270148
Houston, Texas 77277

Mark W. McGrath CPA
mark@mcgrath-co.com

Colette M. Garcia CPA
colette@mcgrath-co.com

May 4, 2015

City of Pearland
Attn: Claire Bogard
3519 Liberty Drive
Pearland, Texas 77581

Time incurred in for 2014 update of principal and interest schedules for
amounts reimbursed to developers of Tax Increment Reinvestment Zone
No. 2.

\$1,100.00

TIRZ No. 2 - Pearland
 Time Summary
 As of:

May 4, 2015

Date	Employee	District	Time Code	Hours	Comments
12/1/2014	Mark McGrath	TIRZ 2 - Pearland	500	2.00	Prepare Interest calcs
12/2/2014	Mark McGrath	TIRZ 2 - Pearland	500	2.00	Prepare Interest calcs
4/27/2015	Mark McGrath	TIRZ 2 - Pearland	500	1.00	Prepare Interest calcs
		Total Hours		5.00	
		Rate		<u>230.00</u>	
		Total - Mark McGrath		<u>1,150.00</u>	
		Total incurred		1,150.00	
		Discount		<u>(50.00)</u>	
		Amount billed		<u><u>1,100.00</u></u>	

McGrath & Co., PLLC

Certified Public Accountants

P.O. Box 270148
Houston, Texas 77277

Mark W. McGrath CPA
mark@mcgrath-co.com

Colette M. Garcia CPA
colette@mcgrath-co.com

June 11, 2015

Tax Increment Reinvestment Zone No. 2
c/o Claire Bogard
Finance Director
City of Pearland
3519 Liberty Drive
Pearland, Texas 77581

Preparation of developer reimbursement report and presentation to the
Board of Directors in June 2015.

\$1,370.00

TIRZ No. 2 - Pearland

Time Summary

As of:

June 11, 2015

Date	Employee	District	Time Code	Hours	Comments
6/8/2015	Crystal Horn	Pearland TIRZ 2	510	2.00	going through all invoices for City of Pearland LFA
6/9/2015	Crystal Horn	Pearland TIRZ 2	510	0.50	going through all invoices for City of Pearland LFA
6/10/2015	Crystal Horn	Pearland TIRZ 2	510	0.50	going through all invoices for City of Pearland LFA
6/11/2015	Crystal Horn	Pearland TIRZ 2	510	2.50	going through all invoices for City of Pearland LFA
		Total Hours		5.50	
		Rate		100.00	
		Total - Crystal Horn		550.00	
6/9/2015	Mark McGrath	TIRZ 2 - Pearland	500	0.50	Supervision/Review
6/10/2015	Mark McGrath	TIRZ 2 - Pearland	500	0.50	Supervision/Review
6/11/2015	Mark McGrath	TIRZ 2 Pearland	500	0.50	Supervision/Review
6/22/2015	Mark McGrath	TIRZ 2 - Pearland	500	2.00	Attend meeting
		Total Hours		3.50	
		Rate		225.00	
		Total - Mark McGrath		787.50	
		Total Incurred		1,337.50	
		Mileage 06-07-10		28.75	50 * .575
		Toll 06-07-10		5.80	
		Subtotal		1,372.05	
		Discount		(2.05)	
		Amount billed		1,370.00	

LJA Engineering, Inc.



2929 Briarpark Drive Phone 713.953.5200
Suite 600 Fax 713.953.5026
Houston, TX 77042 www.ljaengineering.com

Claire Manthei
Pearland TIRZ #2
c/o City of Pearland
3519 Liberty Drive
Pearland, TX 77581

May 08, 2015
Project No: 1546-0000
Invoice No: 201503831

Project 1546-0000 Pearland TIRZ #2 Prj. Coord. Services

For Services Rendered Through 5/1/2015

Phase 010 - Coordination (TIRZ)

Engineering Services

	Billed Hours	Billing Rate	Current Billing
Department Head			
Ross, James	6.50	143.00	\$929.50
CADD Technician			
Dimas, Omar	33.50	49.73	\$1,665.96
	40.00		\$2,595.46
Total Labor			\$2,595.46
		Total This Phase	\$2,595.46
		Total Amount Due	\$2,595.46

Approved By: 
James Ross

Billing Backup

Wednesday, May 13, 2015

LJA Engineering, Inc.

Invoice 201503831 Dated 05/01/15

12:36 PM

Project 1546-0000

Project 1546-0000

Phase 010 - Coordination (TIRZ)

Engineering Services

		Billed Hours	Billing Rate	Current Billing
CADD Technician				
828	Dimas, Omar	4/21/2015 10.00	49.73	\$497.30
		TIRZ - (2027-07XX) Projects		
828	Dimas, Omar	4/23/2015 9.00	49.73	\$447.57
		TIRZ - (2027-07XX) Projects		
828	Dimas, Omar	4/24/2015 5.00	49.73	\$248.65
		TIRZ (2027-07XX) Projects		
828	Dimas, Omar	4/27/2015 5.00	49.73	\$248.65
828	Dimas, Omar	4/28/2015 1.50	49.73	\$74.60
828	Dimas, Omar	4/30/2015 3.00	49.73	\$149.19
Department Head				
091	Ross, James	4/28/2015 2.00	143.00	\$286.00
		LFA Reimbursement Packages: 12-06-001, 16-06-002, and 14-06-001		
091	Ross, James	4/29/2015 1.50	143.00	\$214.50
		LFA Reimbursement Packages: 12-06-001, 16-06-002, and 14-06-001		
091	Ross, James	4/30/2015 3.00	143.00	\$429.00
		LFA Reimbursement Packages: 12-06-001, 16-06-002, and 14-06-001		
		40.00		\$2,595.46
Total Labor				\$2,595.46
Total This Phase				\$2,595.46
Total Amount Due				\$2,595.46

LJA Engineering, Inc.



2929 Briarpark Drive Phone 713.953.5200
Suite 600 Fax 713.953.5026
Houston, TX 77042 www.ljaengineering.com

Claire Manthei
Pearland TIRZ #2
c/o City of Pearland
3519 Liberty Drive
Pearland, TX 77581

June 05, 2015
Project No: 1546-0000
Invoice No: 201505257

Project 1546-0000 Pearland TIRZ #2 Prj. Coord. Services

For Services Rendered Through 5/29/2015

Phase 010 - Coordination (TIRZ)

Engineering Services

	Billed Hours	Billing Rate	Current Billing	
CADD Technician				
Dimas, Omar	16.50	49.73	\$820.55	
Department Head				
Ross, James	41.00	143.00	\$5,863.00	
	57.50		\$6,683.55	
Total Labor				\$6,683.55
		Total This Phase		\$6,683.55
		Total Amount Due		\$6,683.55

Approved By: 
James Ross

Billing Backup

Wednesday, June 10, 2015

LJA Engineering, Inc.

Invoice 201505257 Dated 05/29/15

12:42 PM

Project 1546-0000

Project 1546-0000

Phase 010 - Coordination (TIRZ)

Engineering Services

Department Head		Billed Hours	Billing Rate	Current Billing	
091	Ross, James	5/4/2015	3.00	143.00	\$429.00
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/5/2015	3.00	143.00	\$429.00
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/6/2015	2.50	143.00	\$357.50
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/7/2015	2.00	143.00	\$286.00
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/8/2015	2.00	143.00	\$286.00
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/11/2015	3.00	143.00	\$429.00
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/12/2015	3.00	143.00	\$429.00
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/13/2015	2.50	143.00	\$357.50
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/14/2015	2.00	143.00	\$286.00
					Reimbursement submittals for LFA 12-06-001 and 13-06-002
091	Ross, James	5/18/2015	2.00	143.00	\$286.00
					LFA Reimbursement Package for 12-06-001 and 13-06-002
091	Ross, James	5/19/2015	2.50	143.00	\$357.50
					LFA Reimbursement Package for 12-06-001 and 13-06-002
091	Ross, James	5/21/2015	3.00	143.00	\$429.00
					LFA Reimbursement Package for 12-06-001 and 13-06-002
091	Ross, James	5/22/2015	5.00	143.00	\$715.00
					LFA Reimbursement Package for 12-06-001 and 13-06-002

091	Ross, James	5/26/2015	2.50	143.00	\$357.50
				LFA Reimbursement Package for 12-06-001 and 13-06-002	
091	Ross, James	5/28/2015	3.00	143.00	\$429.00
				LFA Reimbursement Package for 12-06-001 and 13-06-002	
	CADD Technician				
828	Dimas, Omar	5/15/2015	3.00	49.73	\$149.19
828	Dimas, Omar	5/18/2015	2.00	49.73	\$99.46
				TIRZ_LFA-12-06-001 & TIRZ_LFA-13-06-002	
828	Dimas, Omar	5/19/2015	2.00	49.73	\$99.46
				TIRZ_LFA-12-06-001 & TIRZ_LFA-13-06-002	
828	Dimas, Omar	5/20/2015	2.00	49.73	\$99.46
				TIRZ_LFA-12-06-001 & TIRZ_LFA-13-06-002	
828	Dimas, Omar	5/21/2015	2.50	49.73	\$124.33
				TIRZ_LFA-12-06-001 & TIRZ_LFA-13-06-002	
828	Dimas, Omar	5/22/2015	1.00	49.73	\$49.73
				TIRZ_LFA-12-06-001 & TIRZ_LFA-13-06-002	
828	Dimas, Omar	5/26/2015	1.00	49.73	\$49.73
				LFA-TIRZ (12-06-001) & (13-06-002)	
828	Dimas, Omar	5/27/2015	1.00	49.73	\$49.73
				LFA-TIRZ (12-06-001) & (13-06-002)	
828	Dimas, Omar	5/28/2015	1.00	49.73	\$49.73
				LFA-TIRZ (12-06-001) & (13-06-002)	
828	Dimas, Omar	5/29/2015	1.00	49.73	\$49.73
				LFA-TIRZ (12-06-001) & (13-06-002)	
			57.50		\$6,683.55
	Total Labor				\$6,683.55
			Total This Phase		\$6,683.55
				Total Amount Due	\$6,683.55

**AGENDA REQUEST
TAX INCREMENT REINVESTMENT ZONE NO. 2
PEARLAND, TEXAS**

AGENDA OF: 06/22/2015	ITEM NO.: RTIRZ NO. 2015-07
DATE SUBMITTED: 06/01/2015	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Rick Overgaard	PRESENTOR: Claire Bogard
REVIEWED BY:	REVIEW DATE:
SUBJECT: RTIRZ 2015-07 - A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), approving the 2014 Annual Report.	
EXHIBITS Resolution RTIRZ 2015-07 TIRZ 2014 Annual Report	
EXPENDITURE REQUIRED: N/A	AMOUNT BUDGETED: N/A
AMOUNT AVAILABLE: N/A	PROJECT NO.: N/A
ACCOUNT NO.: N/A	
ADDITIONAL APPROPRIATION REQUIRED: N/A	
ACCOUNT NO.: N/A	
PROJECT NO.: N/A	
To be completed by Department:	
<input checked="" type="checkbox"/> Finance <input type="checkbox"/> Legal <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution	

EXECUTIVE SUMMARY

In accordance with the Tax Increment Financing Act (Chapter 311, Tax Code), Reinvestment Zone Number Two, City of Pearland, Texas (the Zone) was established by Ordinance 891 of the City Council of the City of Pearland (the City), Texas on December 21, 1998 and is further known as "Shadow Creek Ranch." The Zone ends December 2028. After two plan amendments adding 465 acres to the Zone, the Zone is now composed of 3,932+ acres, of which 3,125+ acres are within Brazoria County and 807+ acres are within Fort Bend County.

The objective of the Zone is to facilitate quality mixed-use development with a self-sustaining tax base for the City and the other participating taxing entities. Improvements in the Zone significantly enhance the value of all taxable real property in the Zone and are a general benefit. Participating entities in the Zone include: the City of Pearland, Brazoria County, Fort Bend County and Alvin Independent School District. These entities participate in the Zone at various levels as described in their respective inter-local agreements, with property tax increment from each being deposited into the Zone.

Revised 2007-01-09

For 2014, the capture appraised value in the Zone was \$1,476,802,182 and tax increment received from the participating entities was \$18.0 million for 2014 before expenditures.

The Zone pursues its objective by acting as a financing vehicle for regional public improvements, as described in the Project Plan as amended. Property tax increment is used to reimburse the developer, via Letter of Financing Agreements, for the infrastructure pursuant to the project plan.

The Zone has currently approved \$182 million in reimbursements, of which \$84 million has been reimbursed along with \$31 million in interest.

Pursuant to State law, attached for consideration is the Pearland Tax Increment Reinvestment Zone 2014 Annual Report. The annual report must be submitted to the chief executive officer of each taxing unit that levies taxes on property within the Zone. The report must include the following items:

- The amount and source of revenue in the tax increment fund established for the zone
- The amount and purpose of expenditures from the fund
- The amount of principal and interest due on outstanding bonded indebtedness
- The tax increment base and current appraised value retained by the zone
- The captured appraised value shared by the city and other taxing units
- The total amount of tax increments received and
- Any additional information necessary to demonstrate compliance with the tax increment financing plan adopted.

Staff will be present to review the 2014 Annual Report with the board. The report will be presented to City Council on June 22, 2015 and to be filed/presented to the other participating entities.

RECOMMENDED ACTION

Consideration and approval of the Resolution approving the TIRZ 2014 Annual Report.

RESOLUTION NO. RTIRZ 2015-07

A RESOLUTION OF THE TAX INCREMENT REINVESTMENT ZONE NO. 2 (TIRZ), APPROVING THE 2014 ANNUAL REPORT

BE IT RESOLVED BY TIRZ BOARD OF DIRECTORS:

Section 1. That the Tax Increment Reinvestment Zone No. 2 hereby approves the 2014 Annual Financial Report as prepared by the City of Pearland.

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

TIRZ CHAIRMAN

ATTEST:

TIRZ SECRETARY

**REINVESTMENT ZONE NUMBER TWO
CITY OF PEARLAND, TEXAS**



**ANNUAL REPORT
2014**

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COMPLIANCE

Texas Tax Code Section 311.016 (a):

(1)	7
(2)	9
(3)	11
(4)	13
(5)	13

CITY OF PEARLAND, TEXAS CITY COUNCIL

2014 Council Members

Mayor	Hon. Tom Reid
Mayor Pro-Tem	Hon. Keith Ordeneaux
Council Member	Hon. Scott Sherman
	Hon. Gary Moore
	Hon. Tony Carbone
	Hon. Keith Ordeneaux
	Hon. Greg Hill

City Staff

City Manager	Clay Pearson
Director of Finance	Claire Bogard

REINVESTMENT ZONE NUMBER TWO CITY OF PEARLAND, TEXAS

BOARD OF DIRECTORS

2014 Board Members

- Position 1 Donna Coleman
State Senator Designee
- Position 2 Gary Davis
State Representative Designee
- Position 3 Herb Fain, Jr.
City of Pearland Designee
- Position 4 Gary Cook, Vice Chair
City of Pearland Designee
- Position 5 Kenneth R. Phillips, Chair
City of Pearland Designee
- Position 6 Jo Knight
City of Pearland/Alvin Independent
School District Designee
- Position 7 Mike Pyburn
Alvin Independent School District Designee
- Position 8 Ali Hasanali
Fort Bend County Designee
- Position 9 Larry Loessin
Brazoria County Designee

DESCRIPTION OF ZONE

In accordance with the Tax Increment Financing Act (Chapter 311, Tax Code), Reinvestment Zone Number Two, City of Pearland, Texas (the Zone) was established by Ordinance 891 of the City Council of the City of Pearland (the City), Texas on December 21, 1998. The original Zone, also known as "Shadow Creek Ranch", consisted of 3,467 acres located in Brazoria County and Fort Bend County, Texas. In addition, the Zone is located in Alvin I.S.D. (AISD), Fort Bend I.S.D. (FBISD) and a small portion in Pearland I.S.D. (PISD). The original Zone is generally bounded by Clear Creek on the north, State Highway 288 on the east, Broadway (the extension of FM 518 west of S.H. 288) on the south and FM 521 on the west. A map illustrating the original boundaries of the Zone follows on page 15 as Exhibit 1. On August 23, 1999, by Ordinance No. 918 of the City, the Project Plan and Reinvestment Zone Financing Plan (the Project Plan) for the original TIRZ boundaries was adopted.

1st Plan Amendment

On July 10, 2006, by Ordinance 1276 of the City, the Project Plan was amended and the Zone was expanded to provide for the annexation of 457 acres of vacant land, adjacent to the Zone. 288 acres are in Brazoria County and 169 acres are in Fort Bend County.

2nd Plan Amendment

On November 13, 2006 by Ordinance 1312 of the City, the Project Plan was amended to provide for development of public improvements to serve Shadow Creek Ranch Town Center. The proposed development is within the boundaries of the original Zone and Brazoria County.

3rd Plan Amendment

On November 13, 2006 by Ordinance 1313 of the City, the Project Plan was amended and the Zone was expanded to provide for the annexation of 8± acres to facilitate the improvement and widening of Broadway from S.H. 288 to F.M. 521. The boundaries of the annexed area are within Brazoria County.

The Zone is now composed of 3,932+ acres, of which 3,125± acres are within Brazoria County and 807± acres are within Fort Bend County. A map illustrating the boundaries of the Zone as expanded follows on page 16 as Exhibit 2.

PURPOSE OF ZONE

The objective of the Zone is to facilitate quality mixed-use development with a self-sustaining tax base for the City and the other participating taxing entities.

The City Council, in adopting the ordinances creating and expanding the Zone, found that the development described in the Project Plan, and its subsequent amendments, would not likely occur, to the quality, standards and densities described in the Project Plan, but for the creation of the Zone.

The City Council further found that improvements in the Zone will significantly enhance the value of all taxable real property in the Zone and will be of general benefit to the City. The Zone will pursue its objective by acting as a financing vehicle for regional public improvements, as described in the Project Plan as amended. The methods of financing and the sources of funding available to the Zone, including the participation levels of the various participating entities, including the City, Brazoria County, Fort Bend County and Alvin ISD, are described in the Project Plan and its amendments.

STATE OF THE ZONE AND PLAN IMPLEMENTATION IN 2014

1. The information provided in this section is in accordance with § 311.016 (a) (1) of the Texas Tax Code, which requires inclusion of the amount and source of revenue in the tax increment fund established for the zone.

In addition to the City's tax increment revenue, interlocal agreements with Brazoria County, Fort Bend County and Alvin ISD provide for each taxing unit's participation in the Zone. The Project Plan also allows for the participation of Brazoria Drainage District No. 4 and Fort Bend Independent School District, though neither is currently participating. Levels of participation are detailed in the Project Plan and current levels of participation are shown in Table A. The zone is currently in its sixteenth year.

**TABLE A
Taxing Entity Participation**

Taxing Entity	Zone Years	Participation
City of Pearland	9 through 30	100% of taxes collected at current tax rate on Captured Appraised Value (1)
Brazoria County	1 through 30	100% of taxes collected at current tax rate on Captured Appraised Value up to a tax rate of \$.1359, or if rate is less than \$.1359 then 38% of actual tax rate.
Fort Bend County	11 through 20	100% of taxes collected at current tax rate on Captured Appraised Value, up to a maximum tax rate of .468075 (2)
Alvin ISD	1 through 30	100% of taxes collected at current tax rate on Captured Appraised Value (3)

(1) 64% to be repaid as an administrative cost, provided the TIRZ retain at least \$.255 / \$100.

(2) In years 21 through 30 participation drops to 100% of .31205.

(3) 75% to be used by AISD for the construction of educational facilities.

The obligations of the participating taxing jurisdictions, as defined in their respective interlocal agreements, include the timely deposit of tax increment into the City's tax increment revenue fund.

Table B illustrates the growth in appraised value from base year to tax year 2014 for each participating jurisdiction. Table C illustrates the amount of the incremental revenue, which has been transferred to the increment fund. These amounts are based upon actual taxes collected as of December 31, 2014.

TABLE B

Base Market Value by Jurisdiction (1)

Taxing Entity	Base Year	Base Value	2014 Value (2)	Change
Original Zone	1998			
City of Pearland		7,172,980	1,651,897,101	1,644,724,121
Brazoria County		4,143,160	1,418,835,330	1,414,692,170
Fort Bend County		3,029,820	233,061,771	230,031,951
Alvin ISD		4,143,160	1,392,283,068	1,388,139,908
1st Plan Amendment	2006			
City of Pearland		4,381,680	9,781,810	5,400,130
Brazoria County		3,354,830	6,059,930	2,705,100
Fort Bend County		1,026,850	3,721,880	2,695,030
2nd Plan Amendment (3)	2006			
City of Pearland				
Brazoria County				
Fort Bend County				
3rd Plan Amendment (4)	2006			
City of Pearland				
Brazoria County				
Fort Bend County				

(1) The information in this table was provided by the Brazoria and Fort Bend County Appraisal Districts

(2) Market value (less exemptions) as of January 1, 2014.

(3) All of the land within the 2nd Plan Amendment area is within the boundaries of the original Zone.

(4) All of the land within the 3rd Plan Amendment area is either owned by a municipality or within dedicated ROW and thus tax exempt.

TABLE C

City of Pearland TIRZ No. 2 Tax Increment Revenue Fund Balance by Year (1)

Year	2000 / 2001		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	1999 (2)	(2) (5)													
City of Pearland Revenue	\$ 45,111	\$ 93,856	\$ 67,388	\$ 167,897	\$ 753,905	\$ 935,516	\$ 4,632,534	\$ 6,312,426	\$ 6,719,800	\$ 8,318,686	\$ 9,600,003	\$ 8,349,033	\$ 10,280,251	\$ 10,459,326	\$ 12,326,867
Rebate to City for Administrative Costs (3)			\$ (23,221)	\$ (60,353)	\$ (299,311)	\$ (344,257)	\$ (1,667,712)	\$ (4,039,953)	\$ (4,067,024)	\$ (5,068,860)	\$ (5,848,747)	\$ (5,233,446)	\$ (6,514,331)	\$ (6,677,117)	\$ (7,865,023)
Brazoria County Revenue				\$ 159,854	\$ 205,459	\$ 815,614	\$ 1,110,573	\$ 1,055,912	\$ 1,297,278	\$ 1,434,579	\$ 1,449,043	\$ 1,486,826	\$ 1,499,782	\$ 1,527,826	
Alvin ISD Revenue (4)			\$ 10,969	\$ 207,479	\$ 229,941	\$ 826,613	\$ 2,616,519	\$ 2,917,931	\$ 2,879,739	\$ 3,574,007	\$ 6,941,779	\$ 3,927,965	\$ 4,112,895	\$ 4,160,862	\$ 4,167,334
Other Revenue			\$ 4,130	\$ 80,981	\$ 40,827	\$ 90,358	\$ 267,907	\$ 150,232	\$ 46,199	\$ 16,119	\$ 9,859	\$ 2,532,291	\$ 1,310,196	\$ 1,348,416	
Fort Bend County Revenue						\$ 125,300	\$ 185,540	\$ 189,508	\$ 358,745	\$ 654,408	\$ 435,863	\$ 432,546	\$ 505,394	\$ 725,795	
Expenditures for Zone Administration				\$ (11,824)	\$ (154,203)	\$ (134,237)	\$ (305,626)	\$ (302,978)	\$ (127,259)	\$ (94,639)	\$ (68,646)	\$ (40,196)	\$ (16,767)	\$ (24,122)	\$ (16,427)
Transfers to Development Authority						\$ (1,204,318)	\$ (3,129,978)	\$ (5,106,344)	\$ (3,548,991)	\$ (7,671,822)	\$ (10,784,813)	\$ (10,381,230)	\$ (12,016,051)	\$ (10,997,930)	\$ (11,494,978)
Fund Balance	\$ 45,111	\$ 230,491	\$ 194,103	\$ 395,012	\$ 1,166,179	\$ 1,511,781	\$ 1,449,062	\$ 1,930,590	\$ 1,638,990	\$ 1,854,605	\$ 2,277,367	\$ 1,989,003	\$ 2,127,904	\$ 2,332,457	\$ 2,999,404

(1) Source: City of Pearland, Texas. Fund balances as of 12/31 of each year.

(2) Note that in years 1999 through 2001 revenue was reported net of expenditures. From year 2002 forward gross revenue is reported along with rebates to the city and other expenditures.

(3) Rebate for admin costs prior to 2007 is 36%. In 2007 the rebate increased to 64%.

(4) Note that Alvin ISD revenue is reported net of the 75% rebate to Alvin ISD.

(5) Revenue for 2000 and 2001 have been combined. In each year revenue was the same as in 1999.

(6) In addition to fund balance, as of 12/31/14, AISD had \$4,309,418 in the suspense account.

2. The information provided in this section is in accordance with §311.016 (a) (2) of the Texas Tax Code, which requires inclusion of the amount and purpose of expenditures from the fund.

The Board of Directors of the Zone has been granted by City Council, in accordance with Section 311.010 of Texas Tax Code, the power to administer, manage, and operate the Zone and to implement the Project Plan. The Zone was created for the duration of 30 years, or until dissolved by the City.

The total cost of the public improvements within the Zone, as outlined in the original Project Plan, amounts to \$294,482,034. Of this amount, the City will fund \$35,471,061 worth of improvements, and the Texas Department of Transportation (TxDOT) will fund another \$10,277,050 worth of improvements. The Zone will fund the remaining improvements, which amounts to a cost of \$248,733,923, unadjusted for inflation.

1st Plan Amendment

The original list of project costs was amended with the approval of the 1st Plan Amendment, which included improvements, estimated to total \$34,724,218. These improvements address the water, wastewater, storm sewer, lakes channels, roads and landscaping costs for the 457± acre annexation.

2nd Plan Amendment

The list of project costs was amended again with the approval of the 2nd Plan Amendment, which included improvements estimated to total \$11,749,618. These improvements address major road infrastructure, detention, drainage, landscaping and the relocation of pipelines and overhead utilities. All projects associated with this annexation have been completed.

3rd Plan Amendment

The list of project costs was amended a third time with the approval of the 3rd Plan Amendment, which included improvements estimated to total \$8 million. This amendment addressed the need to fund and construct a section of Broadway. All projects associated with this annexation have been completed.

These costs are detailed in the amended Project Budget, a copy of which follows as Table D. The Zone as now enlarged is composed of 3,932± acres, of which 3,125± acres are within Brazoria County and 807± acres are within Fort Bend County. A map illustrating the boundaries of the Zone as amended follows on page 16 as Exhibit 2.

TABLE D
Reinvestment Zone NO. 2, City of Pearland, Texas - Shadow Creek Ranch
Budget

Item	TIRZ Budget as approved (08/23/99) (1)	1st Plan Amendment (2)	2nd Plan Amendment (2)	3rd Plan Amendment (2)	TIRZ Budget as Amended (3)
Infrastructure					
Streets					
Pavement	12,610,050	1,634,000			14,244,050
Sidewalks	1,859,400				1,859,400
Landscaping and Irrigation	9,675,350				9,675,350
Entry Monuments	735,320				735,320
Lighting		125,900			125,900
Broadway Widening and Signalization			2,831,789		2,831,789
Business Center Drive Paving			852,722		852,722
Memorial Hermann Drive Paving			383,107		383,107
Water System	3,026,863	363,000			3,389,863
Wastewater System	6,940,964	1,029,000			7,969,964
Storm Water System	10,195,776	1,649,000			11,844,776
Lakes and Channels					
Improvements	29,121,915	5,625,600			34,747,515
Land Cost	4,597,889	6,675,000			11,272,889
Detention and Drainage					
Land Cost			2,850,000		2,850,000
Beautification / Deepening / Pond Creation			200,000		200,000
Site Drainage Facilities			1,842,000		1,842,000
Parks and Recreation					
Improvements	5,155,524	5,573,025			10,728,549
Land Cost	2,383,545				2,383,545
Landscaping					
Business Center Drive			157,500		157,500
Memorial Hermann Drive			67,500		67,500
Overhead Utilities Placed Underground			1,200,000		1,200,000
Pipeline Relocation			700,000		700,000
Major Improvements					
Water Plants					
Land Cost	20,000				20,000
WWTP	340,000				340,000
Lift Station	300,000				300,000
Traffic Signals	600,000	550,000			1,150,000
McHard Road Reimbursables					
Miscellaneous	150,000				150,000
Signal	100,000				100,000
SH 288 Access Road	1,000,000				1,000,000
FM 518 Improvements		6,485,600			6,485,600
Broadway / FM 518 Improvements				7,100,000	7,100,000
Contingencies and Engineering					
Contingencies (10%)	8,181,116	1,733,620			9,914,736
Engineering (15%)	11,274,211	2,860,473	490,000	900,000	15,524,684
Master Drainage Plan Costs		70,000			70,000
Environmental Study Costs		100,000			100,000
Subtotal	108,267,923	34,474,218	11,574,618	8,000,000	162,316,759
Zone Administration / Creation					
TIRZ Administration (1-3 Years)	466,000				466,000
Reimbursable TIRZ Creation Costs	900,000				900,000
Annexation Costs		250,000			250,000
Plan Amendment Costs			175,000		175,000
Subtotal	1,366,000	250,000	175,000		1,791,000
Total	109,633,923	34,724,218	11,749,618	8,000,000	164,107,759
City Facilities					
Library					
Improvements	2,395,000				2,395,000
Land Cost	105,000				105,000
Fire / Police Station					
Improvements	2,255,000				2,255,000
Land Cost	245,000				245,000
Subtotal	5,000,000				5,000,000
Educational Facilities					
AISD Elementary School	41,600,000				41,600,000
AISD Jr. High School	21,450,000				21,450,000
AISD Fresh/Soph Campus	34,050,000				34,050,000
FBISD Elementary School	11,000,000				11,000,000
FBISD Middle School	26,000,000				26,000,000
Subtotal	134,100,000				134,100,000
Grand Total	248,733,923	34,724,218	11,749,618	8,000,000	303,207,759

(1) The original TIRZ Budget as approved in 1999 dollars has not been adjusted for inflation.

(2) The amended Budgets as approved in 2006 are shown in 2006 dollars and have not been adjusted for inflation.

(3) The Budget as amended shows budget line items as approved in their respective years without adjustment for inflation.

TIRZ-Funded Projects:

Since the creation of the Zone a series of infrastructure improvements have been funded and constructed. Project #13-06-002, Southlake, Phase 2 was initiated in 2013. The proposed improvements total \$9.1 million (2006 dollars) for construction, design, and contingency for streets, water, sewer, drainage, land, and landscaping. The Zone approved two Joint Construction and Reimbursement Agreements with Brazoria-Fort Bend Municipal Utility District #1 and 518 SCR, Ltd for shared projects: (1) Southlake Phase 2 and (2) Southlake, Shelton Ridge Lane Phase 2 Gulf Coast Water Authority Canal Bridge. The board also approved Letter of Financing Agreements (Project 14-06-001) for Southlake Phase 3 totaling \$2.8 million (2006 dollars) and (Project 14-06-002) for Shadow Grove Phase I totaling \$5.9 million (2006 dollars).

During calendar year 2014 Shadow Creek Ranch reported approximately 374 home sales and 406 closings. This brings the total number of homes in the Zone to 5,720 as of December 31, 2014. Also, major construction during 2014 included a 174,000 square feet Pearland Medical Center, a Walmart Neighborhood Center, a Reflection Bay Events Center, and a 350 unit apartment complex.

City Funded Improvements:

- There were no City funded projects in 2014.

TxDOT Funded Improvements:

- There were no TxDOT funded projects in 2014.

3. The information provided in this section is in accordance with §311.016 (a) (3) of the Texas Tax Code, which requires inclusion of the amount of principal and interest due on outstanding bonded indebtedness.

Bond Issues

In accordance with a Tri-Party Agreement dated October 11, 2004 between the TIRZ, the City of Pearland, and the Development Authority of Pearland (DAP), the TIRZ has pledged increment to provide for the repayment of debt issued on its behalf. In this regard, the DAP sold bonds in 2004, 2005, 2006, 2007 and 2009. The bonds were refunded in 2012 and are outlined in Table E. The Development Authority also sold Series 2013 bonds and Series 2014 bonds, totaling \$9,150,000 and \$8,060,000 respectively.

TABLE E

Development Authority of Pearland Outstanding Debt as of December 31, 2014

Tax increment Contract Revenue Bonds	Principal Amount Issued	Principal Amount Outstanding	Total Debt Service Outstanding
Series 2012 (refunding)	\$56,915,000	\$48,715,000	\$61,099,687
Series 2013	\$9,150,000	\$8,720,000	\$11,769,742
Series 2014	\$8,060,000	\$8,060,000	\$9,793,072
Total	\$74,125,000	\$65,495,000	\$82,662,501

In addition to developer reimbursements made via the sale of bonds, the DAP has also made payments from cash reserves. In 2014 the DAP made direct payments to the developer totaling \$6,285,000. Total direct payments as of the end of 2014 for the DAP is \$47,991,860, all of which are reflected in the reimbursements outlined in Table F.

Additional LFA's Approved for Reimbursement

The Zone Board has approved a series of Letter Financing Agreements (LFA's) for reimbursement. Prior to Board action all project costs related to each LFA were reviewed by the Zone's Auditor, McGrath & Co. PLLC, and summarized in a reimbursement report, which included eligible project costs plus interest.

Table F outlines Letter Financing Agreements approved through the end of 2014.

TABLE F

Letter Finance Agreements Approved for Reimbursement

Letter Finance Agreement (LFA)	LFA Date	LFA Amount (1)	Reimbursements Through 2014 (2)
Creation Costs	06/19/2000	\$ 900,000	\$ 1,235,408
LFA 99-11-001 (Entry)	11/08/1999	919,150 *	1,220,281
LFA 00-01-001 (V1P1A)	02/21/2000	6,524,629	5,243,529
LFA 00-10-002 (V1P1B)	10/09/2000	10,318,290	10,593,290
LFA 01-04-001 (V1P1B)	08/23/2001	1,967,061	805,884
LFA 03-10-004 (Kingsley Drive, Phase 3)	10/07/2003	3,529,173	2,791,877
LFA 04-07-006 (Traffic Signal Shadow Creek PKWY/Kingsley)	07/13/2004	287,788	293,578
LFA 04-07-007 (Parks and Trails Grading and Infrastructure)	07/13/2004	1,007,256	877,201
LFA 03-10-001 (Remaining Village 2, Phase 2 Improvements)	10/07/2003	7,554,654	-
LFA 04-07-002 (Fire/Police Station Land Cost)	07/13/2004	408,668	555,954
LFA 02-08-001 (Village 1 and Village 2 Phase 2 Improvements)	08/06/2002	4,727,516	6,029,532
LFA 01-11-002 (Additional Village 1 and Village 2 Improvements)	11/12/2001	24,509,430	-
LFA 03-10-002 (Village 3, Phase 1 and 2 Improvements)	10/07/2003	7,809,950	33,055,576
LFA 06-03-001 (Elementary School #2 Site)	03/27/2006	1,687,801	-
LFA 06-08-002 (Library Site)	08/28/2006	481,569	1,168,312
LFA 04-07-003 (Regional Nature Park)	07/13/2004	760,988	1,168,312
LFA 03-10-005 (Kingsley Drive Phase 4 Improvements)	10/07/03	4,486,342	6,811,005
LFA 03-10-006 (Village 5 Improvements)	10/07/03	7,055,177	11,274,134
LFA 04-07-005 (Village 4, Phase 1 and Refelction Bay North Improvements)	04/07/05	3,354,452	5,223,786
LFA 03-10-003 (Village 3, Phase 3 Improvements)	10/07/03	7,711,582	5,557,103
LFA 04-07-004 (Village 3, Phase 4 Improvements)	07/13/04	8,204,999	
LFA 06-01-003 (Remaining Village 4 Improvements)	01/30/06	7,120,532	
LFA 06-08-001 (Additional Sidewalks)	08/28/06	2,356,305	
LFA 06-01-001 (Kingsley Drive North)	01/31/06	6,417,644	
LFA 06-01-002 (Additional Village 4 Improvements)	01/31/06	9,392,437	
LFA 06-08-003 (S.H. 228 Frontage Road)	08/31/06	1,276,667	
LFA 06-10-001 (Road Infrastructure, Pipeline Relocation and Site Drainage; Part of 2nd Plan Amendment)	10/23/06	9,949,618	
LFA 07-03-002 (Shadow Creek Ranch Town Center Improvements; Part of 2nd Plan Amendment)	03/12/07	1,851,598	
LFA 07-03-001 (Village 7, Phase 1 Broadway Improvements)	03/12/2007	1,271,499	
LFA 08-05-001 (Broadway to FM 521)	05/05/2008	9,482,989	
LFA 08-05-002 (Broadway Landscape - Northside)	05/05/2008	1,158,218 *	
LFA 08-01-001 (Broadway Improvements) City of Pearland	01/15/2008	8,449,086	
LFA 10-06-001 (Discovery Bay Extension to SH288)	06/07/2010	912,908	
LFA 10-06-002 (SCH-4 Site)	06/07/2010	2,530,620	
LFA 10-06-003 (SCH-5 Site)	06/07/2010	4,935,370	
LFA 13-06-004 (SCH-3 Site)	06/24/2013	2,382,379	
LFA 12-06-001 (Village 7, Phase 1)	06/11/2012	8,824,599	
		\$ 182,518,944	\$ 115,407,560

(1) LFA amounts have been adjusted for inflation per the Project and Financing Plan and related budget.

(2) Amounts reimbursed include actual interest per the Developer Reimbursement Agreement.

* Actual costs exceeded the amount of the LFA. Per the governing agreements, reimbursement is limited to the amount of the LFA

4. The information provided in this section is in accordance with §311.016 (a) (4) of the Texas Tax Code, which requires inclusion of the tax increment base and current captured appraised value retained by the zone.

In each year subsequent to the base year, the Zone will receive tax increment revenue based on ad valorem property taxes levied and collected by each participating taxing unit on the captured appraised value of the Zone. The captured appraised value of the Zone is the total appraised value of all real property located within the Zone as of January 1, less the total appraised base year (January 1, 1998) value.

As of December 31, 2014, development schedules for the original Zone remained unchanged from projections in the Project Plan. However, because the pace of development is unpredictable, and because the Project Plan provides a best estimate of captured appraised values, the actual captured appraised value in any future year may not equal the projected estimates of such value.

As of January 1, 1998, the base year for the Zone, the area encompassed by the original Zone was undeveloped land, with a total appraised value of \$7,172,980. On January 1, 2014, the area encompassed by the Zone had a total appraised value of \$1,478,575,032. As a result, the total captured appraised value (net base year value and exemptions) on the tax roll as of January 1, 2014 was \$1,471,402,052 for the City, as illustrated in Table B.

The City of Pearland base year (2006) value for the 457± acres annexed in the 1st Plan Amendment was \$4,381,680. As of January 1, 2014 the total appraised value was \$9,781,810. As a result the total captured appraised value on the roll as of January 1, 2014 was \$5,400,130. All lands associated with the 2nd Plan Amendment are within the boundaries of the original Zone. All lands associated with the 3rd Plan Amendment are either owned by a municipality or are dedicated right-of-way with no taxable value.

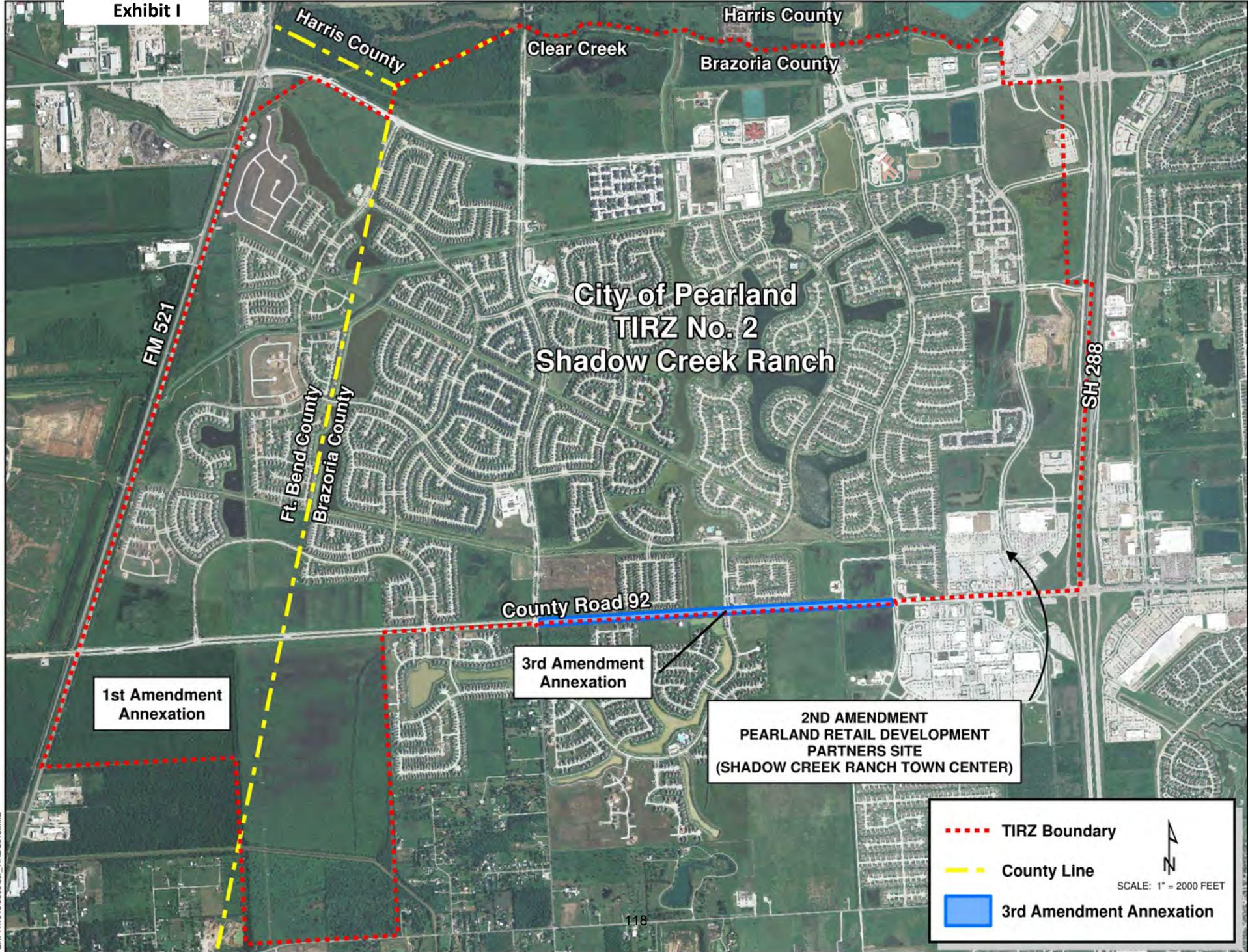
5. The information provided in this section is in accordance with §311.016 (a) (5) of the Texas Tax Code, which requires inclusion of the captured appraised value shared by the municipality and other taxing units, the total amount of tax increments received, and any additional information necessary to demonstrate compliance with the tax increment financing plan adopted by the governing body of the municipality.

As previously stated, the City, Brazoria County, Fort Bend County and Alvin ISD are the only taxing units currently participating in the Zone. As of January 1, 2014 the total captured appraised value in the TIRZ was \$1,476,802,182 for the original and annexed areas of the Zone. The total amount of tax increment revenue received is detailed in Table C.

(This report was written in accordance with the provisions of Chapter 311.016 of the Texas Tax Code)

**REINVESTMENT ZONE NUMBER TWO
CITY OF PEARLAND, TEXAS**

**2014 ANNUAL REPORT
EXHIBITS**



**City of Pearland
TIRZ No. 2
Shadow Creek Ranch**

**1st Amendment
Annexation**

**3rd Amendment
Annexation**

**2ND AMENDMENT
PEARLAND RETAIL DEVELOPMENT
PARTNERS SITE
(SHADOW CREEK RANCH TOWN CENTER)**

--- TIRZ Boundary

- - - County Line

■ 3rd Amendment Annexation

N

SCALE: 1" = 2000 FEET



Exhibit 2

**AGENDA REQUEST
TAX INCREMENT REINVESTMENT ZONE NO. 2
PEARLAND, TEXAS**

AGENDA OF: 06/22/2015	ITEM NO.: RTIRZ NO. 2015-08
DATE SUBMITTED: 06/01/2015	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Claire Bogard	PRESENTOR: Claire Bogard
REVIEWED BY:	REVIEW DATE:
SUBJECT: Resolution RTIRZ-2015-08 – A Resolution of the Board of Directors of the Pearland Tax Increment Zone #2 (TIRZ #2) Approving Reimbursement of Completed Letter of Financing Agreement 12-06-001 with 518SCR LTD.	
EXHIBITS Resolution RTIRZ 2015-08 Auditor’s Report of Completion of TIRZ Improvements Engineer’s Recommendation Letter and Attachment for Reimbursement of TIRZ Improvements Resolution RTIRZ-2012-05 – Letter of Financing Agreement 12-06-001	
EXPENDITURE REQUIRED: N/A AMOUNT AVAILABLE: N/A ACCOUNT NO.: N/A	AMOUNT BUDGETED: N/A PROJECT NO.: N/A
ADDITIONAL APPROPRIATION REQUIRED: N/A ACCOUNT NO.: N/A PROJECT NO.: N/A	
To be completed by Department: <input checked="" type="checkbox"/> Finance <input type="checkbox"/> Legal <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution	

EXECUTIVE SUMMARY

On June 11, 2012, the Board of Directors of the Pearland Tax Increment Reinvestment Zone #2 (TIRZ) approved a letter of financing agreement with 518SCR, LTD for Village 7, Phase 1, LFA 12-06-001 with notice to proceed with the design and construction of improvements. The improvements consisting of street, water, wastewater and storm serve, serve land within the Zone. (Resolution RTIRZ 2012-05)

Pursuant to reimbursement process, the Zone Engineer, LJA Engineering has certified the completion of the improvements and the Zone’s independent accountant, McGrath Revised 2007-01-09

& Co., PLLC has reviewed the documentation of payments made and recommended reimbursement be made.

Once approved, LFA 12-06-001, will be placed in line for reimbursement with other Letter of Financing agreements awaiting to be reimbursed. There are currently seventeen other Letter of Financing Agreements in line for reimbursement totaling \$69 million, excluding interest due the developer.

RECOMMENDED ACTION

Consideration and approval of a Resolution of the Board of Directors approving Reimbursement of Completed Letter of Financing Agreement 12-06-001 with 518SCR, LTD.

Revised 2007-01-09

RESOLUTION NO. RTIRZ – 2015-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PEARLAND TAX INCREMENT REINVESTMENT ZONE #2 (TIRZ #2) APPROVING REIMBURSEMENT OF COMPLETED LETTER OF FINANCING AGREEMENT 12-06-001 WITH 518SCR LTD.

BE IT RESOLVED BY TIRZ #2 BOARD OF DIRECTORS:

Section 1. That the Board of Directors for the Pearland Tax Increment Reinvestment Zone #2 hereby approves reimbursement for the following Letter of Financing Agreements.

LFA 12-06-001 Village 7, Phase I

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

TIRZ #2 CHAIRMAN

ATTEST:

TIRZ #2 SECRETARY

McGrath & Co., PLLC
Certified Public Accountants
P.O. Box 270148
Houston, Texas 77277

Mark W. McGrath CPA
mark@mcgrath-co.com

Colette M. Garcia CPA
colette@mcgrath-co.com

June 24, 2015



Reinvestment Zone No. Two,
City of Pearland, Texas
Attn: Chairman, Board of Directors
C/o- City of Pearland, Texas
3519 Pearland Drive
Pearland, Texas 77581

Re: Independent Accountants' Report - Completion of TIRZ improvements:

Dear Mr. Chairman and Members of the Board:

As the independent accountant for Reinvestment Zone No. Two, City of Pearland, Texas (the "Zone"), we have reviewed the completed documentation submitted by 518SCR, Ltd., (the "Sub-developer") and the City of Pearland relating to the construction of the TIRZ Improvements described by that Letter Financing Agreements noted on Schedule A (the "Letter Financing Agreements"). By the Letter Financing Agreement, the Master Developer agreed to pre-finance the design and construction of the TIRZ improvements to be reimbursed in accordance with the Reimbursement Agreement between the City of Pearland (the "City"), the Zone and the Sub-Developer dated November 14, 2011 (the "Reimbursement Agreement").

Based upon our review of the payments made and of the certification of the Zone's Engineer, I conclude that the construction of the TIRZ Improvements was conducted and have been completed in compliance with the Reimbursement Agreement and the document entitled "TIRZ Implementation and Reimbursement Process" and are in order for reimbursement upon availability of funds. We have confirmed with Brazoria-Fort Bend County Municipal Utility District No. 1 ("MUD 1") that these TIRZ are not being financed, and the Sub-Developer is not being reimbursed by MUD 1. We therefore recommend that the Zone reimburse the Master Developer the amounts indicated on Schedule A for the funds advanced to the Zone for the design and construction of the TIRZ Improvements, which is within the TIRZ budget (adjusted for inflation) established in the Zone's Project Plan and Reinvestment Zone Financing Plan for the TIRZ improvements.

In accordance with the Zone's Project Plan and Reinvestment Zone Financing Plan, "developer interest" on this advance shall be calculated at 6.50 percent per annum for up to five years. Based upon this rate of interest, interest due as of the date of the letter is indicated on Schedule A.

SCHEDULE A
TAX INCREMENT REINVESTMENT ZONE NO. 2
CITY OF PEARLAND, TEXAS
RECAPITULATION OF AMOUNTS DUE TO
518SCR, LTD.
As of June 22, 2015

DRAFT

<u>Letter Finance Agreement (LFA)</u>	<u>LFA Date</u>	<u>LFA Amount</u>	<u>Actual Cost</u>	<u>Interest *</u>	<u>Total</u>
518SCR, Ltd.					
LFA 12-06-001 (Village 7, Phase 1)	06/11/12	\$ 10,571,086	\$ 3,767,158	\$ 544,659	\$ 4,311,817
Totals		<u>\$ 10,571,086</u>	<u>\$ 3,767,158</u>	<u>\$ 544,659</u>	<u>\$ 4,311,817</u>

* Interest computed through July 22, 2015 at 6.50%. Actual interest will be calculated through the date of reimbursement.

LJA Engineering, Inc.



2929 Briarpark Drive
Suite 600
Houston, Texas 77042
TBPE No F-1386

Phone 713 953 5200
Fax 713 953 5026
www.ljaengineering.com
TBPLS No 10110501

June 22, 2015

Board of Directors
Reinvestment Zone No. 2, City of Pearland, Texas
c/o City of Pearland, Texas
3519 Liberty Drive
Pearland, Texas 77581

Re: Reinvestment Zone No. 2, City of Pearland, Texas
Completion of TIRZ Improvements
Described in the Letter Financing Agreement Dated June 11, 2012
LFA No. 12-06-001 – Village 7 Phase 1
LJA Job No. 1546-0000 (2.0)

Dear Mr. Chairman and Members of the Board:

As the Engineer for Reinvestment Zone No. 2, City of Pearland, Texas (the "Zone"), I have reviewed the completed documentation submitted by 518SCR, LTD. (the "Developer") relating to the construction of the TIRZ Improvements described by the Letter Financing Agreement No. 12-06-001, dated June 11, 2012 (the "Letter Financing Agreement"). By the Letter Financing Agreement, the Developer agreed to pre-finance the design and construction of the TIRZ Improvements to be reimbursed in accordance with the Reimbursement Agreement dated September 22, 1999 (the "Reimbursement Agreement").

The Letter Financing Agreement states that the budget (adjusted for inflation) established in the Zone's Project Plan and Reinvestment Zone Financing Plan for the TIRZ Improvements is \$10,571,086 plus "developer interest" calculated per the Reimbursement Agreement.

The Developer has provided, and I have reviewed, the necessary documentation to prove compliance with all procedures set forth in the document entitled "TIRZ Project Implementation and Reimbursement Process." Based upon my review, I conclude that the construction of the TIRZ Improvements was conducted in compliance with the Reimbursement Agreement and the procedures set forth in the document entitled "TIRZ Project Implementation and Reimbursement Process," is complete, and is in order for reimbursement. I therefore recommend that the Zone reimburse the Developer the amount of \$3,767,158 for the funds advanced to the Zone for the construction of the TIRZ Improvements, plus "developer interest" calculated per the Reimbursement Agreement, as applicable. A detailed breakdown of the costs of the construction of the TIRZ Improvements is attached to this letter.

If you have any questions, please call me at 713.953.5096.

Sincerely,

James D. Ross, PE
Engineer for the Zone

JDR/ew

Attachment

Reinvestment Zone No.2, City of Pearland, Texas - Shadow Creek Ranch
Letter Finance Agreement # 12-06-001
Village 7 Phase 1
Itemized Summary of Costs

ENR Index Jan. 2006 - 7660
 ENR Index Jan. 2012 - 9176
 Adjustment - 19.79%

Items	Approved Budget (2006 Dollars)	Approved Budget (Adjusted per ENR Index)	Total Actual Costs
INFRASTRUCTURE			
Streets			
Pavement	\$ 331,595	\$ 397,221	\$ 502,082
Lighting	\$ 25,000	\$ 29,948	\$ 13,307
Water System	\$ 111,520	\$ 133,591	\$ -
Wastewater System	\$ 207,517	\$ -	\$ -
Storm Sewer System	\$ 204,316	\$ 244,752	\$ -
Lakes & Channels	\$ 2,349,191	\$ 2,814,122	\$ 1,350,260
Land Cost	\$ 3,000,000	\$ -	\$ 338,605
Landscaping (Includes contingencies and eng.)	\$ 1,444,420	\$ 1,730,287	\$ 1,096,997
Major Infrastructure			
F. M. 518 Improvements	\$ 38,692	\$ 46,350	\$ -
Traffic Signals	\$ 200,000	\$ 239,582	\$ 134,016
Contingencies & Engineering			
Contingencies (10%)	\$ 344,283	\$ -	\$ -
Engineering (15%)	\$ 568,067	\$ 680,493	\$ 331,891
Master Drainage Plan Costs	\$ -	\$ -	\$ -
Environmental Study Costs	\$ -	\$ -	\$ -
Subtotal	\$ 8,824,599	\$ 10,571,086	\$ 3,767,158
Annexation Cost	\$ -	\$ -	\$ -
TOTAL	\$ 8,824,599	\$ 10,571,086	\$ 3,767,158

**City of Pearland**

3519 Liberty Drive
Pearland, Texas 77581
Tel: 281.652.1671
pearlandtx.gov

June 16, 2015

Pearland Reinvestment Zone No. Two
Board of Directors
3519 Liberty Drive
Pearland, TX 77581

Re: Completion of TIRZ Improvements LFA 12-06-001
Village 7, Phase I

Dear Board of Directors:

I have reviewed the procedures followed by 518SCR Ltd. and the City of Pearland related to the implementation of the Zone project referenced above. Pursuant to the Letter of Financing Agreement, the Developer agreed to pre-finance costs associated with the design and construction of this project and to be reimbursed in accordance with the Reimbursement Agreement between the City of Pearland and the Zone dated September 22, 1999.

Based upon my review of the TIRZ Project Implementation Plan and Reimbursement Process and the Letter of Financing Agreement and based upon the Engineer's letter stating that construction is complete and in order for reimbursement, I conclude that the above LFA qualifies for reimbursement.

Sincerely,

A handwritten signature in cursive script that reads "Claire Bogard".

Claire Bogard
City of Pearland, TX
Director of Finance

RESOLUTION NO. RTIRZ – 2012- 05

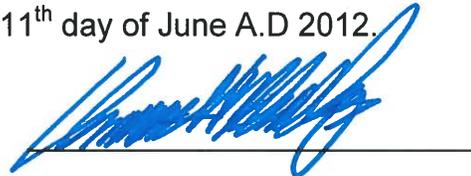
A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PEARLAND TAX INCREMENT REINVESTMENT ZONE #2 (TIRZ #2) BOARD OF DIRECTORS, APPROVING A LETTER FOR FINANCING AGREEMENT WITH 518SCR, LTD. FOR VILLAGE 7 PHASE 1, LFA 12-006-001

Whereas the Board, City of Pearland, and 518SCR LTD. entered into a Sub-Developer Reimbursement Agreement dated November 14, 2011 to provide for financing and construction of improvements to serve land within the Zone;

BE IT RESOLVED BY TIRZ #2 BOARD OF DIRECTORS:

Section 1. That the Board approve the Letter of Financing Agreement for Village 7, Phase I in an amount not to exceed \$8,824,599 plus developer interest pursuant to the agreement. - (Exhibit A)

PASSED, APPROVED, AND ADOPTED this 11th day of June A.D 2012.



TIRZ #2 CHAIRMAN

ATTEST:



TIRZ #2 SECRETARY

REINVESTMENT ZONE NO. TWO, CITY OF PEARLAND, TEXAS
(518SCR, LTD.)

June 11, 2012

518SCR, Ltd.
c/o Perry Homes
P.O. Box 34306
Houston, TX 77234
Attn: Richard C. Hale

RESOLUTION NO. RTIRZ NO. 2012-05
EXHIBIT "A"

Re: Financing for TIRZ Improvements: Village 7 Phase 1; TIRZ Project No. 12-06-001

Dear Mr. Hale:

The City of Pearland, Texas (the "City"), Reinvestment Zone No. Two, City of Pearland, Texas (the "Zone"), and 518SCR, Ltd. (the "Sub-Developer") entered into a Sub-Developer Reimbursement Agreement (the "Reimbursement Agreement") dated November 14, 2011, to provide for the financing and construction of TIRZ Improvements to serve land within the Zone. The Zone and the Sub-Developer have determined to proceed with the design and construction of the following TIRZ Improvements in accordance with the Reimbursement Agreement:

Village 7 Phase 1; TIRZ Project No. 12-06-001

Attached to this letter is a map showing the area which is benefited by the TIRZ Improvements over which the available Tax Increment will be applied for purposes of determining when reimbursement is made. The Sub-Developer has agreed to pre-finance the design and construction of the TIRZ Improvements to be reimbursed in accordance with the Reimbursement Agreement.

The Zone hereby gives its approval to proceed with the construction of the above described TIRZ Improvements. All procedures set forth in the document entitled "TIRZ Project Implementation and Reimbursement Process" must be followed and letters from the Zone's Engineer certifying the completion of the TIRZ Improvements and from the Zone's Auditor must be issued before the Zone will reimburse the Sub-Developer.

The Zone's Engineer has determined that the budget (adjusted for inflation) established in the Zone's Project Plan and Reinvestment Zone Financing Plan for the above described TIRZ Improvements is \$8,824,599 plus "developer interest" calculated per the Zone's Project Plan and Reinvestment Zone Financing Plan. The Zone is not obligated to reimburse the Sub-Developer for any amount in excess of that budgeted amount plus "developer interest." In accordance with the Zone's Project Plan and

Reinvestment Zone Financing Plan, as amended, "developer interest" on these TIRZ Improvements will be simple interest calculated at 6.5 percent per annum for five years.

This agreement was duly authorized at a meeting of the Board of Directors of the Zone held on the 11th day of June, 2012.

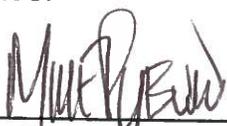
Very truly yours,

REINVESTMENT ZONE NO. TWO, CITY OF
PEARLAND, TEXAS (SHADOW CREEK
RANCH)

By: 

Chair, Board of Directors

ATTEST:

By: 

Secretary, Board of Directors

AGREED TO AND ACCEPTED THIS 11th DAY OF June, 2012.

518SCR, LTD.,
a Texas limited partnership

By: PWSA, Inc.,
a Texas corporation,
as the Sole General Partner

By: 

Name: Richard C. Hale
Title: Senior Vice President



Legend

 ALL AREAS BENEFIT

BENEFITTED AREAS REINVESTMENT ZONE NO. 2, CITY OF PEARLAND, TEXAS 1st Amendment		
VILLAGE 7 PHASE 1		
PROJECT NO. 12-06-001		
LJA Engineering, Inc.  5729 Fossil Trail, Pearland, TX 77584-1201 P.O. Box 1747, Dallas, TX 75271 Phone: 281.477.1232 Fax: 281.477.1234 www.lja-engineering.com		
EXHIBIT NO.:	JOB NO.:	DATE:

LJA Engineering, Inc.



2929 Briarpark Drive
Suite 600
Houston, Texas 77042-3703

Phone 713.953.5200
Fax 713.953.5026
www.ljaengineering.com

June 11, 2012

Board of Directors
Reinvestment Zone No. 2, City of Pearland, Texas
City of Pearland, Texas
3519 Liberty Drive
Pearland, Texas 77581

Re: Project # 12-06-001, Village 7 Phase 1
Reinvestment Zone No. 2, City of Pearland, Texas
LJA Project No. 1546-0000 (2.0)

Dear Board of Directors:

We have determined that the referenced project, as proposed, is included in the adopted TIRZ Project Plan, 1st Amendment. The budget for the proposed improvements totals \$8,824,599 (2006 dollars), which includes construction cost, design cost, and contingency for Village 7 Phase 1 as shown on the attached exhibits.

Attached is a budget status report that illustrates the remaining balances within the TIRZ budget and shows the proposed budget for the above referenced project.

If you have any questions or concerns regarding this matter, please contact our office.

Sincerely,

James D. Ross, PE
Senior Project Manager

JDR/rca

Attachments

Copy: Ms. Lynne B. Humphries – Allen Boone Humphries Robinson LLP
Mr. Rick Hale – 518SCR, LTD.
Mr. Bill Eisen – City of Pearland, Texas

Reinvestment Zone No. 2, City of Pearland, Texas - Shadow Creek Ranch
 Budget for Shadow Creek Ranch Improvements
 Letter Finance Agreement

Project Number: 12-06-001
 Project Name: Village 7 Phase 1
 Developer: 518SCR, LTD.
 Date of Meeting: June 11, 2012

ENR Index Jan. 2006 - 7660
 ENR Index Jan. 2012 - 9176
 Adjustment - 19.79%

Items	TIRZ Budget as approved on June 5, 2006	Total of TIRZ Projects Approved for Reimbursement - Actual Costs (2006 Dollars)	Total of Outstanding TIRZ Projects - Budget (2006 Dollars)	Total Funds Available for Proposed TIRZ Projects (2006 Dollars)	Project No. 12-06-001 Village 7 Phase 1		Total Funds Available for Future TIRZ Projects (2006 Dollars)
					Recommended for approval on June 11, 2012	TIRZ Budget %	
INFRASTRUCTURE							
Streets							
Pavement	\$ 1,634,000	\$ -	\$ -	\$ 1,634,000	\$ 331,595	20.29%	\$ 1,302,405
Lighting	\$ 125,900	\$ -	\$ -	\$ 125,900	\$ 25,000	19.86%	\$ 100,900
Water System	\$ 363,000	\$ -	\$ -	\$ 363,000	\$ 111,520	30.72%	\$ 251,480
Wastewater System	\$ 1,029,000	\$ -	\$ -	\$ 1,029,000	\$ 207,517	20.17%	\$ 821,483
Storm Sewer System	\$ 1,649,000	\$ -	\$ -	\$ 1,649,000	\$ 204,316	12.39%	\$ 1,444,684
Lakes & Channels	\$ 5,625,600	\$ -	\$ -	\$ 5,625,600	\$ 2,349,191	41.76%	\$ 3,276,409
Land Cost	\$ 6,675,000	\$ -	\$ -	\$ 6,675,000	\$ 3,000,000	44.94%	\$ 3,675,000
Landscaping (Includes contingencies and eng.)	\$ 5,573,025	\$ 708,992	\$ -	\$ 4,864,033	\$ 1,444,420	25.92%	\$ 3,419,613
Major Infrastructure							
F.M. 518 Improvements	\$ 6,485,600	\$ 3,147,147	\$ -	\$ 3,338,453	\$ 38,692	0.60%	\$ 3,299,761
Traffic Signals	\$ 550,000	\$ 518,472	\$ -	\$ 31,528	\$ 200,000	36.36%	\$ (168,472)
Contingencies & Engineering							
Contingencies (10%)	\$ 1,733,620	\$ -	\$ -	\$ 1,733,620	\$ 344,283	19.86%	\$ 1,389,337
Engineering (15%)	\$ 2,860,473	\$ 1,582,311	\$ -	\$ 1,278,162	\$ 568,067	19.86%	\$ 710,095
Master Drainage Plan Costs	\$ 70,000	\$ 66,679	\$ -	\$ 3,321	\$ -	0.00%	\$ 3,321
Environmental Study Costs	\$ 100,000	\$ 68,940	\$ -	\$ 31,060	\$ -	0.00%	\$ 31,060
Subtotal	\$ 34,474,218	\$ 6,092,541	\$ -	\$ 28,381,677	\$ 8,824,599	25.60%	\$ 19,557,078
Annexation Cost	\$ 250,000	\$ 96,925	\$ -	\$ 153,075	\$ -	0.00%	\$ 153,075
TOTAL	\$ 34,724,218	\$ 6,189,466	\$ -	\$ 28,534,752	\$ 8,824,599	25.41%	\$ 19,710,152



Legend

- 28' PAVEMENT
- 2 -25' PAVEMENT SECTIONS
- Entry Monument

**STREET PAVEMENT
REINVESTMENT ZONE NO. 2,
CITY OF PEARLAND, TEXAS
1st Amendment**

VILLAGE 7 PHASE 1

PROJECT NO. 12-06-001

LJA Engineering, Inc.
228 Oldham Lake Drive Pearland, TX 77588-2226
 Suite 100 Tel: 281-483-5000
 Houston, Texas 77067-3131 Fax: 281-483-5009
 www.ljaengineering.com PER: F-302158

EXHIBIT NO:	JOB NO.	DATE:
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WATER
 REINVESTMENT ZONE NO. 2,
 CITY OF PEARLAND, TEXAS
 1st Amendment

VILLAGE 7 PHASE 1

PROJECT NO. 12-06-001

LJA Engineering, Inc. 

3329 Oldcastle Drive Phone 713.638.2223
 6406 SW. Fax 713.638.2253
 Houston, Texas 77057-3773 email@ljaengineering.com ISBN 7-0-021286

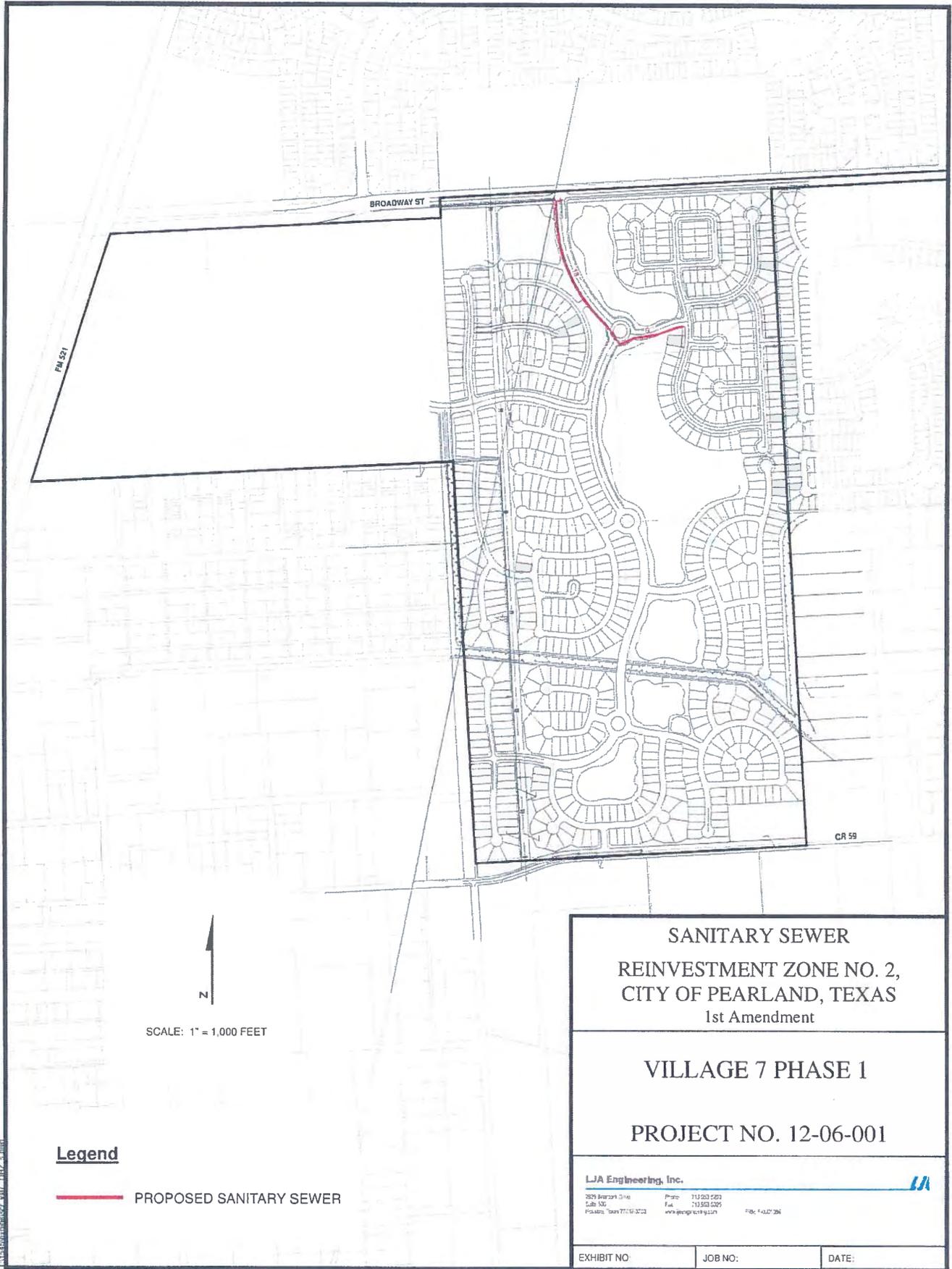
Legend

 PROPOSED WATER LINE

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 N

SCALE: 1" = 1,000 FEET

EXHIBIT NO:	JOB NO:	DATE:
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**SANITARY SEWER
REINVESTMENT ZONE NO. 2,
CITY OF PEARLAND, TEXAS
1st Amendment**

VILLAGE 7 PHASE 1

PROJECT NO. 12-06-001

LJA Engineering, Inc.



200 Westcott Drive Phone: 713.953.2222
 Suite 300 Fax: 713.953.2225
 Pearland, Texas 77581-3722 www.ljaeng.com FIC# 1-027-264

EXHIBIT NO

JOB NO:

DATE:



Legend

-  PROPOSED STORM SEWER
-  PROPOSED DRY DETENTION AREA
-  PROPOSED WET DETENTION AREA

<p>DRAINAGE REINVESTMENT ZONE NO. 2, CITY OF PEARLAND, TEXAS 1st Amendment</p>		
<p>VILLAGE 7 PHASE 1</p>		
<p>PROJECT NO. 12-06-001</p>		
<p>LJA Engineering, Inc. </p> <p><small>2633 Greenway Drive Phone: 713-533-8220 Dallas, TX 75244 Fax: 713-533-8220 Houston, Texas 77061-2103 www.ljaengineering.com E-mail: P.322@lja.com</small></p>		
EXHIBIT NO:	JOB NO:	DATE:



**BENEFITTED AREAS
REINVESTMENT ZONE NO. 2,
CITY OF PEARLAND, TEXAS
1st Amendment**

VILLAGE 7 PHASE 1

PROJECT NO. 12-06-001

Legend

 ALL AREAS BENEFIT

LJA Engineering, Inc. 
 3030 Bldg. 300 Phone (409) 203-1200
 Suite 500 Fax (409) 203-1800
 Houston, Texas 77042-3232 www.ljaengineering.net Project 12-06-001

EXHIBIT NO: JOB NO: DATE: