

**MINUTES OF A SPECIAL MEETING OF THE DEVELOPMENT AUTHORITY OF PEARLAND, CITY OF PEARLAND TEXAS, HELD ON MONDAY, SEPTEMBER 29, 2014, 4:00 P.M., IN THE FIRST FLOOR CONFERENCE ROOM AT PEARLAND CITY HALL, 3519 LIBERTY DRIVE, PEARLAND, TEXAS.**

Mayor Reid called the meeting to order at 4:00 p.m. with the following present:

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

Others in attendance: Clay Pearson City of Pearland City Manager; Claire Bogard City of Pearland Director of Finance; Rick Overgaard, Assistant Finance Director, Maria E. Rodriguez City of Pearland Deputy City Secretary; Ryan O'Hara BOSC Inc.; Tim Austin Allen Boone Humphries Robinson; Rick Witte, Andrews Kurth LLP, Gary Cook Shadow Creek Ranch, Development Company, Drew Pelter Shadow Creek Ranch Development Company.

**NEW BUSINESS:**

**Board Action** – Approval of the Development Authority of Pearland Board of Directors Meeting Minutes for November 11, 2013, Special Meeting held at 4:00 P.M. *DAP Board of Directors.*

Boardmember Reid made the motion, seconded by Boardmember Pool, to approve the Minutes of the November 11, 2013, Development Authority of Pearland Meeting.

Boardmember Carbone joins the meeting at 4:05.

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

Voting "No" None.

Motion Passed 5 to 0.

**Board Action – Resolution No. RDAP-2014-02** – A Resolution of the Development Authority of Pearland (DAP), Accepting the 2013 Annual Financial Report for the Fiscal Year Ending September 30, 2013.

Boardmember Baker made the motion, seconded by Boardmember Pool, to approve Resolution No. RDAP-2014-02.

Rick Overgaard City of Pearland Assistant Director of Finance stated this is the 2013,

Annual Financial Report for Fiscal Year ending September 30, 2013. The report has been provided by Grant Thornton LLP. The audit was a good clean unqualified audit. He provided the Board with a brief overview of the Financial Audit Report.

Brief discussion ensued between Boardmembers and City of Pearland Director of Finance Claire Bogard, regarding Statement of Revenue and Expenditures.

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

Voting "No" None.

Motion Passed 5 to 0.

**Board Action – Resolution No. RDAP-2014-03** – A Resolution of the Development Authority of Pearland (DAP), Accepting the Financial Report for the Period Ending August 31, 2014.

Boardmember Reid made the motion, seconded by Boardmember Sloan, to approve Resolution No. RDAP-2014-03.

Rick Overgaard Assistant Finance Director, stated there is assets in cash and cash equivalents of \$6,130,000 for development reimbursements, and \$4,342,000 to be used for debt service. He stated the money is in interest bearing accounts, one being Wells Fargo, and the other is Regions Bank. There is a small accounts payable of \$600.00 leaving a total equity of \$10,500,000. On the revenue and expenditures there are transfers in the schedule in the amount of \$10,160,000 for debt service and reimbursements to the Developer. The bond proceeds are \$9,150,000 the expenditures are almost \$9,000,000 for professional Services reimbursement to the developer. Bond payment interest of \$1,054,263 principal \$430,000 along with some bond issuance cost of \$10,600,000 net change in fund balance of \$8,700,000 leaving and ending fund balance of \$10,472,000. There was a bond payment on September 1, of \$3,600,000 which will be on the September financial statement.

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

Voting "No" None.

Motion Passed 5 to 0.

**Board Action – Resolution No. RDAP-2014-04** – A Resolution of the Development Authority of Pearland (DAP), Ratifying Checks 1116 through 1125.

Rick Overgaard Assistant Finance Director stated this item is for the Board to ratify checks 1116 through No.1125 for services provided to the Board. These checks were reviewed

and have been approved by the Invoice Review Committee.

Boardmember Reid explained the policy for the Invoice Review Committee which consists of himself, and Boardmember Baker. The Invoice Review Committee signs the checks prior to the meeting making payments in a timely manner and the Board ratifies the checks at the meeting.

Boardmember Pool made the motion, seconded by Boardmember Carbone, to approve Resolution No. RDAP-2014-04.

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

Voting "No" None.

Motion Passed 5 to 0.

**Board Action – Resolution No. RDAP- 2014-05** – A Resolution of the Development Authority of Pearland (DAP), accepting the Investment Report for the quarters ending December 2013, March 2014, and June 2014.

Boardmember Baker made the motion, seconded by Boardmember Carbone, to approve Resolution No. RDAP-2014-05.

Rick Overgaard City of Pearland Assistant Director of Finance provided the Board with details of the Investment Reports for the quarters ending December 2013, March 2014, and June 2014.

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

Voting "No" None.

Motion Passed 5 to 0.

**Board Action – Resolution No. RDAP-2014-06** – A Resolution of the Development Authority of Pearland (DAP), adopting an Amended Investment Policy, Investment Strategy and approved brokers in accordance with Chapter 2256 of the Government Code ("Public Funds Investment Act").

Boardmember Sloan made the motion, seconded by Boardmember Pool, to approve Resolution No. RDAP-2014-06.

Rick Overgaard Assistant Director of Finance stated each year the Board is required to approve any changes to the Investment Policy, Investment Strategy. The investment policy contains only one minor correction and no proposed changes. Under the definition for

Federal Deposit Insurance Corporation (FDIC), the amount of insurance changed from \$100,000 to \$250,000.

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

Voting "No" None.

Motion Passed 5 to 0.

**Board Action – Resolution No. RDAP-2014-07** – A Resolution of the Development Authority of Pearland (DAP), Texas approving a contract with Arbitrage Compliance Specialists, Inc. for Arbitrage Compliance Services.

Boardmember Baker made the motion, seconded by Boardmember Carbone, to approve Resolution No. RDAP-2014-07.

Rick Overgaard Assistant Finance Director stated the IRS does not allow the City to earn more interest than the City is paying on debt. This is a contract to renew services with Arbitrage Compliance Specialist, Inc. for the fiscal year 2015. The Arbitrage calculations is in the amount not to exceed \$7,535.00.

Brief discussion ensued between Boardmembers and City of Pearland Finance Director Claire Bogard and Assistant Finance Director Rick Overgaard regarding the Letter for Arbitrage Compliance Services Exhibit "A" needing to reflect the corrected total amount.

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

Voting "No" None.

Motion Passed 5 to 0.

**Board Action – Resolution No. RDAP- 2014-08** – A Resolution of the Development Authority of Pearland (DAP), Texas authorizing a developer reimbursement to Shadow Creek Ranch Development Company LTD to reimburse for TIRZ infrastructure improvements in the amount of \$6,285,000.

Boardmember Pool made the motion, seconded by Boardmember Baker, to approve Resolution No. RDAP-2014-08.

Claire Bogard City of Pearland Director of Finance stated every year at this time the Board is presented with a request for approval of cash reimbursement to the developer. One of the main function of the Board is to issue debt and or use the cash to reimburse the Developers for infrastructure improvements for the TIRZ also known as Shadow Creek Ranch. The reimbursements are based on Letters of Finance Agreements approved by the TIRZ at their meetings. To date there is approximately \$182.5 million dollars of audited

approved Letters of Financing Agreements which have been audited improvements for reimbursement by the TIRZ Board, of which \$97.6 million which has yet to be reimbursed. The amount excludes accrued interest from the principal for construction. To date the Board has issued \$66. million in debt reimbursement to the developer pursuant to the financing plan including interest of which \$38.million has been made in cash. In August, pursuant to the Tri-Party Agreement, a release of 2013 Alvin ISD suspense funds and all monies from the TIRZ, less operating costs were transferred to Regions Bank, the trustee of the bonds. Regions Bank retained the amount required for annual debt service payments (\$4.5 million) and returned the remaining monies, considered surplus and available for developer reimbursement. The TIRZ also received \$1.3 million in September from the Texas Education Supplemental payment (TEA) for 2013 supplemental taxes. Ms. Bogard continued to provide an overview of the latest cash analysis for the Development Authority of Pearland, and stated after retaining \$15,500 for operating costs and \$1.0 million for reserve, there is \$6,285,000 available for reimbursement.

Brief discussion ensued between the Board, Rick Witte, Andrews Kurth LLP, and City of Pearland Finance Director Claire Bogard regarding the accrued interest rate amount calculations.

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

Voting "No" None.

Motion Passed 5 to 0.

**Council Possible Action** – Discussion on Bond Sale- Series 2014 in the Estimated amount of \$7,770,000.

Ryan O'Hara BOSCO, Inc., provided an overview of the bond market. The current Bond Buyer index is at 4.17 percent, the Revenue index is at 4.9 percent. This is a 20 and 25 year index corresponding to double-A and an A-plus market. The last couple of sales have been made to Private Placements. The Private Placement means a qualified bank, or financial institution. The Private Placement is provided the financial documents along with a bid sheet and a term package. The Private Placement expenses are less, giving a much better rate, and do not require a reserve amount. A public sale requires a bond insurance, the preparation of documents, getting ratings and having a reserve deposit, roughly about \$815,000 in this case. It is estimated for all cost rate at the Private Placement to be a little over 3.5 percent. We are looking to sell these bonds with the Board's approval on the afternoon of November 10<sup>th</sup> and then presenting them to Council that evening for approval.

In anticipation of the amortization of these bonds. The TIRZ goes away, and in 2028, money comes around we make a payment in 2029. That is basically a 15 year amortization. These scenarios are based on a 3.25 interest rate in today's market. As part of the Alvin Independent School District agreement we do not bond against them and they have the option to exit the TIRZ. We do bond against Pearland, Brazoria County, and Fort Bend County, and that is how we determine the sizing. Provided to us by assessments

of the Southwest. The schedule we are trying to adhere to is to get the term sheet and the bid sheet out into the market on October 14, 2014. We will come back to the Board and to City Council on November 10, 2014 for approval of the sale, so that we may close on December 9, 2014.

Boardmember Carbone asked if the 7.7 was based on the 3.25 rating, and at which point will the Board issue the proceeds to the Developer.

Claire Bogard City of Pearland Finance Director stated that it is typically wired-out after closing possibly in December.

Ryan O'Hara BOC, Inc., stated for clarification, at this time we are requesting the Board's approval to move forward to distribute the term sheet and get the best rate from all the bidders. The actual bid result will be provided to the Board at the next meeting.

Rick Witte, Andrews Kurth LLP, stated they will provide all the legal documents before the next meeting. They will be similar to the last two transactions in the past with Private Placement Banks.

Boardmember Carbone made a motion second by Boardmember Sloan to express the intent to move forward with the bond issue as described.

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

Voting "No" None.

Motion Passed 5 to 0.

**ADJOURNMENT**

Meeting was adjourned at 4:47 p.m.

Minutes approved as submitted and/or corrected this the 10<sup>th</sup> day of November, A.D., 2014.



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Tom Reid  
Chair

ATTEST:



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Ed Baker  
Secretary