

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

AGENDA OF: 9/26/2016	ITEM NO.:
DATE SUBMITTED: 9/8/16	REPRESENTING: City of Pearland
PREPARED BY: Cynthia Pearson	PRESENTOR: John Robuck
SUBJECT: Discussion and Approval to Proceed with Private Placement Bond Sale – for Series 2016 Bonds	
EXHIBITS: Overview Presentation	
EXPENDITURE REQUIRED: None PROJECT: N/A	

EXECUTIVE SUMMARY

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

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

As of June 2016, there is \$173,694,345 in actual costs, excluding interest, that have been approved for reimbursement, of which \$141,822,560 has been paid through a combination of issuing bonds or using cash on hand, leaving a balance of \$31,871,785 yet to be reimbursed, excluding interest due.

BACKGROUND

Each year, BOSC Inc., the Authority's financial advisor, analyzes the property values and subsequent tax increment, to determine if the valuation on the ground will support the issuance of additional debt. Based on property values estimated as of 7/01/2016 and financial analysis prepared by BOSC, Inc, the Authority can competitively bid a private placement sale in the estimated amount of \$11,910,000 based on 2.75% indicative pricing. A private placement keeps bond closing costs to a minimum and negates the need for a reserve on the bonds, which increases the amount available to the developer. Estimated

amount to the developer under a competitive private placement is \$11,722,500, net of \$187,500 for bond issuance costs.

BOSC Inc. the Authority's financial advisor will present the financial analysis, estimated savings, and total sources and uses of funds.

Based on the boards direction, bid forms and term sheets will be prepared and distributed with competitive bids due on Friday October 7, 2016. Approval of the bond sale with the Authority and City Council would be on Monday, October 10th with bond closing on November 15, 2016.

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

RECOMMENDED ACTION

Review and discussion on potential bond sale Series 2016 and approval to proceed with private placement.



Development Authority of Pearland

Overview of:

\$11,910,000* Tax Increment Contract Revenue Bonds, Series 2016

September 26, 2016

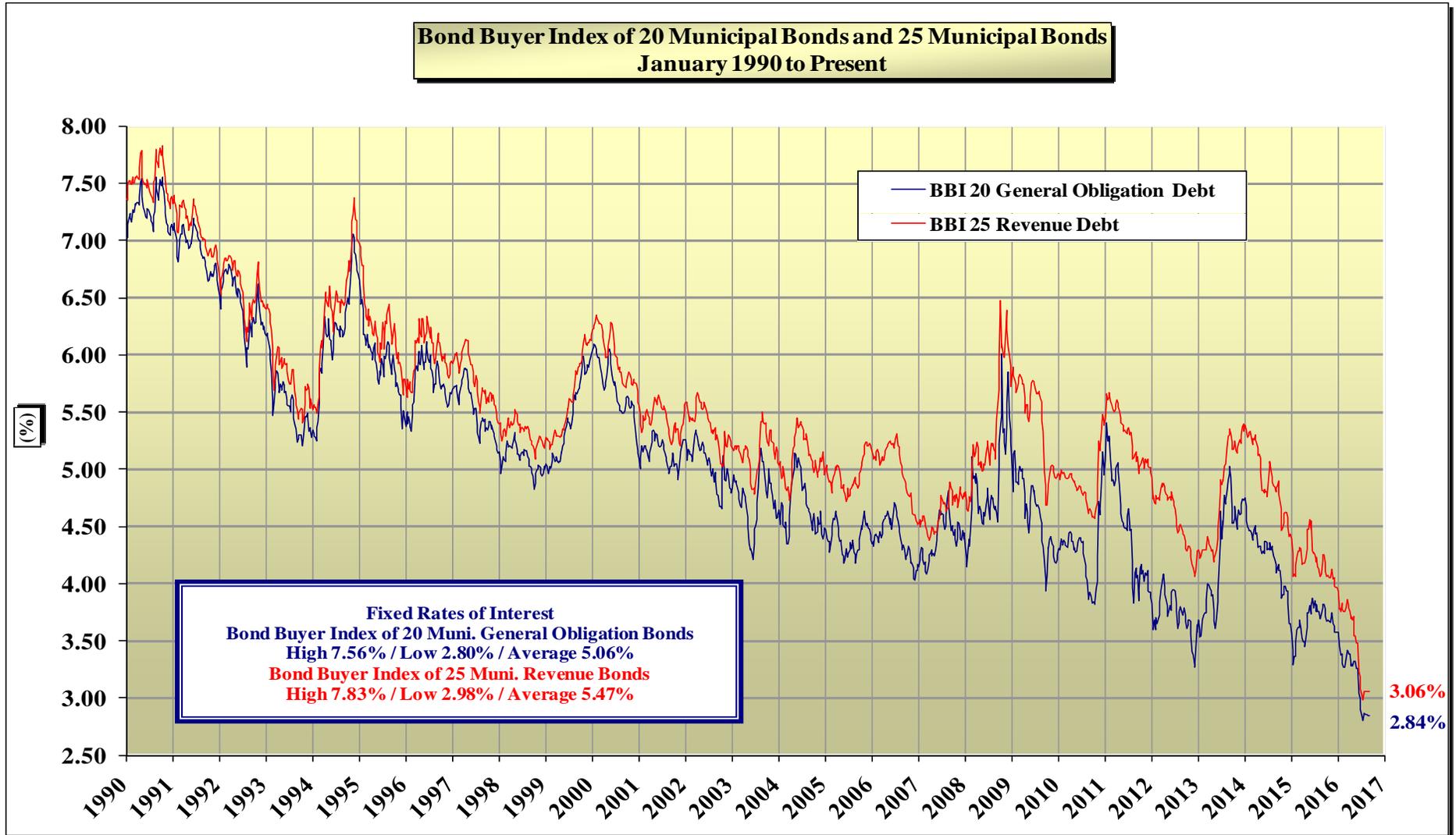
* Preliminary, subject to change.

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



Development Authority of Pearland

Current Market Conditions



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



Development Authority of Pearland

Estimated Sources and Uses of Funds

Private Placement (Market Indication)

Principal Amount of the Bonds:		\$11,910,000
Less: Expenses:		(187,500)
Co-Bond Counsel (Andrews Kurth LLP)	55,000	
Co-Bond Counsel (ABHR LLP)	55,000	
Financial Advisor	53,500	
Attorney General Fee	9,500	
Paying Agent/Trustee	6,000	
Bank Counsel	3,500	
Miscellaneous	5,000	
Total Proceeds (Developer Reimbursement):		\$11,722,500

"All Cost" True Interest Rate (a): 2.997%

Average Life: 7.317 Years

Sale Date: October 10, 2016
Delivery Date: November 15, 2016

(a) Includes transaction costs.



Development Authority of Pearland

Estimated Debt Service Requirements

Fiscal Year Ending (9/30)	Current Total Debt Service	Plus: The Series 2016 Bonds			Total Debt Service
		Principal *	Interest (a)	Total	
2016	\$7,136,659				\$7,136,659
2017	7,443,144	\$280,000	\$260,200	\$540,200	7,983,344
2018	7,440,158	965,000	319,825	1,284,825	8,724,983
2019	7,442,997	985,000	293,288	1,278,288	8,721,284
2020	7,041,437	855,000	266,200	1,121,200	8,162,637
2021	7,041,317	880,000	242,688	1,122,688	8,164,005
2022	7,041,885	900,000	218,488	1,118,488	8,160,372
2023	7,045,427	925,000	193,738	1,118,738	8,164,165
2024	7,041,254	955,000	168,300	1,123,300	8,164,554
2025	7,042,133	980,000	142,038	1,122,038	8,164,170
2026	7,042,790	1,005,000	115,088	1,120,088	8,162,877
2027	7,043,088	1,030,000	87,450	1,117,450	8,160,538
2028	7,042,840	1,060,000	59,125	1,119,125	8,161,965
2029	7,041,856	1,090,000	29,975	1,119,975	8,161,831
Totals	\$99,886,981	\$11,910,000	\$2,396,400	\$14,306,400	\$114,193,381

* Preliminary, subject to change. Generates \$11,722,500 in proceeds to the Authority.

(a) Interest estimated at 2.75% based on an indication rate as of September 13, 2016. For illustrative purposes only.



Development Authority of Pearland

Debt Service Requirements: Bond Issue Parameters and Coverage Requirements For Fiscal Year 2017 - Based on Certified Appraised Values as of January 1, 2016 For Years 2018 – 2029 – Based on Estimated Appraised Values as of July 1, 2016

City of Pearland

Brazoria County

Fort Bend County

Estimated Value:	\$2,629,902,934	Estimated Value:	\$1,903,297,299	Estimated Value:	\$475,465,311
1998 Base Year Value:	(7,172,980)	1998 Base Year Value:	(4,143,160)	1998 Base Year Value:	(3,029,820)
Est. Captured Value:	\$2,622,729,954	Est. Captured Value:	\$1,899,154,139	Est. Captured Value:	\$472,435,491

Year Ending 9/30	City of Pearland			Brazoria County			Fort Bend County			Total Collections	Coverage 125%	DAP Current Debt	Plus: \$11,910,000 Series 2016 (a)	Total Debt Requirements	
	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections						
2016	36%	0.255000	5,196,569	38%	0.135900	2,076,460		0.468075	1,652,214	8,925,243	7,140,195	7,136,659		7,136,659	
2017	36%	0.255000	5,715,104	38%	0.135900	2,309,847		0.468075	1,958,356	9,983,308	7,986,646	7,443,144	540,200	7,983,344	
2018	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.468075	2,100,785	10,906,251	8,725,001	7,440,158	1,284,825	8,724,983	
2019	36%	0.255000	6,353,563	38%	0.135900	2,451,903	2019-2028	0.312050	2,100,785	10,906,251	8,725,001	7,442,997	1,278,288	8,721,284	
2020	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,041,437	1,121,200	8,162,637	
2021	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,041,317	1,122,688	8,164,005	
2022	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,041,885	1,118,488	8,160,372	
2023	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,045,427	1,118,738	8,164,165	
2024	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,041,254	1,123,300	8,164,554	
2025	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,042,133	1,122,038	8,164,170	
2026	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,042,790	1,120,088	8,162,877	
2027	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,043,088	1,117,450	8,160,538	
2028	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,042,840	1,119,125	8,161,965	
2029	36%	0.255000	6,353,563	38%	0.135900	2,451,903		0.312050	1,400,523	10,205,989	8,164,792	7,041,856	1,119,975	8,161,831	
Total:											\$99,886,981	\$14,306,400	\$114,193,381		

(a) Generates \$11,722,500 in proceeds to the Authority. Based on an estimated rate of 2.75%.
Collection rate of 95%. Appraised value estimates provided by Assessments of the Southwest.

Average Annual: 8,156,670



Development Authority of Pearland

Tentative Schedule of Events

\$11,910,000*

Tax Increment Contract Revenue Bonds, Series 2016

September - 2016						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

October - 2016						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

November - 2016						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

<u>Date</u>	<u>Action</u>	<u>Role</u>
Tuesday, September 20 th	Prepare Private Placement Bid Form / Term Sheet	BOKF, ABHR, AK, DAP
Monday, September 26 th	DAP Meeting to Review Schedule of Events	BOKF, DAP
Tuesday, September 27 th	Distribute Private Placement Bid Form / Term Sheet	BOKF, ABHR, AK, DAP
Friday, October 7 th	Private Placement Bids Due	BOKF
Monday, October 10 th	DAP Board Approves Sale (Bond Pricing) City Council Meeting to Approve Sale	BOKF, ABHR, AK, DAP
Tuesday, November 15 th	Bond Closing	BOKF, ABHR, AK, DAP

PARTICIPANTS

DAP – Development Authority of Pearland
 BOKF – BOK Financial Securities, Inc.
 ABHR – Allen Boone Humphries Robinson LLP
 AK – Andrews Kurth LLP

* Preliminary, subject to change.