

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 22, 2015, 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
Boardmember	Herb Fain
Boardmember	Ali Hasanali
Boardmember	Jo Knight
Boardmember	Larry Loessin

Absent: Boardmembers Coleman, Davis, and Pyburn

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; Maria E. Rodriguez Deputy City Secretary City of Pearland; Taylor Gunn Perry Homes, Lynne Humphries 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 23, 2014, 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 Regular Meeting Minutes of June 23, 2014.

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

Voting “No” None.

Motion Passed 5 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Boardmember Loessin abstained due to being absent from the meeting of June 23, 2014.

Board Action – Resolution No. RTIRZ- 2015-02 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ #2), accepting the 2014 Annual Financial Report for the Fiscal Year ending September 30, 2014. *Mr. Rick Overgaard, Assistant Finance Director.*

Boardmember Knight made the motion, seconded by Boardmember Phillips, to approve Resolution No. RTIRZ-2015-02.

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 TIRZ No. 2, which is considered a blended unit of the primary government, is included in the audit for the fiscal year ending September 30, 2014. *Mr. Rick Overgaard, Assistant Finance Director.*

Discussion ensued between Boardmember Loessin and Claire Bogard City of Pearland Finance Director regarding if the bond issues could be refinanced at a lower interest rate.

Lynne Humphries with Allen, Boone, Humphries, Robinson LLP stated Contract Revenue Bonds are paid by contracts with participating entities who pay over their tax revenue. They are not secured by property of the City or the District.

Boardmember Phillips stated refinancing the bonds even with costs of today's rate the District will see a substantial interest savings over a period of time.

Lynne Humphries with Allen, Boone, Humphries, Robinson LLP stated a Savings Report was done at the time of the Bond issue that had to be produced for the Attorney General as part of the transcript that was approved. It is filed with the City's records.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Board Action – Resolution No. RTIRZ-2015-03 – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ #2), adopting an Amended Investment Policy, Investment Strategy and approved brokers in accordance with Chapter 2256 of the government code ("Public Funds Investment Act"). *Mr. Rick Overgaard, Assistant Finance Director.*

Boardmember Loessin made the motion, seconded by Boardmember Phillips, to approve Resolution No. RTIRZ-2015-03.

Rick Overgaard City of Pearland Assistant Finance Director stated the Public Funds Investment Act (PFIA) requires the governing body to review its investment policy, investment strategies, and approve broker/dealers not less than annually. At this time the Investment Policy contains no changes this year. He further stated it is required to send an RFP every two years.

Lynne Humphries with Allen, Boone, Humphries, Robinson LLP stated in Section 1 of Resolution No. RTIRZ 2015-03 should be read in its entirety, that the TIRZ has complied with the requirements of the Public Funds Investment Act and the Investment Policy. There are no changes to the Investment Policy. Otherwise it states the modified Investment Policy is attached.

Resolution No. RTIRZ 2015-03

Section 1. That the TIRZ has complied with the requirements of the Public Funds Investment Act and the Investment Policy. **There are no changes to the Investment Policy**, Invest Strategy and approved Brokers are attached hereto as Exhibit "A", Exhibit "B" and Exhibit "C" and are hereby adopted effective immediately.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Board Action – Resolution No. RTIRZ - 2015-04 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ #2), the Financial Report for the period ending May 31, 2015. *Ms. Claire Bogard, Finance Director.*

Boardmember Hasanali made the motion, seconded by Boardmember Phillips, to approve Resolution No. RTIRZ- 2015-04.

Claire Bogard City of Pearland Finance Director provided the Board with the following overview of the financial statements (Balance Sheet, Statement of Revenues and Expenditures) for the Tax Increment Reinvestment Zone for the eight month period ending May 31, 2015. She stated cash and investments total \$14,265,467. This includes the Alvin Independent School District 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 Independent School District, which must be held in the suspense fund for a year, and Brazoria County's contribution will be received in August. 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 \$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. She further stated \$5.6 million will be released from the Alvin Independent School District suspense fund of \$9,082,394.

Discussion ensued between Boardmembers and Claire Bogard City of Pearland Finance Director regarding a payment to the City of Pearland and a payment to the Development Authority.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Board Action – Resolution No. RTIRZ- 2015-05 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ #2), accepting the investment report for the quarters ending June 2014, September 2014, December 2014 and March 2015. *Mr. Rick Overgaard, Assistant Finance Director.*

Boardmember Phillips made the motion, seconded by Boardmember Cook, to approve Resolution No. RTIRZ- 2015-05.

Rick Overgaard City of Pearland Assistant Finance Director stated a decrease in portfolio from June 2014 to Sept 2014 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. 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.

Discussion ensued between Boardmembers and Claire Bogard City of Pearland Finance Director regarding the loss on interest earnings that have been made up by lower interest rates on the debt.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Board Action – Resolution No. RTIRZ - 2015-06 – A Resolution of The Tax Increment Reinvestment Zone No. 2 (TIRZ #2), Ratifying Invoices that were paid from May 2014 through June 2015 and approving invoices for payment. *Mr. Rick Overgaard, Assistant Finance Director.*

Boardmember Loessin made the motion, seconded by Boardmember Fain, to approve Resolution No. RTIRZ- 2015-06.

Rick Overgaard City of Pearland Assistant Finance Director stated since the last meeting in June 2014, the invoices review committee has reviewed and approved for payment invoices totaling \$14,421.15. 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.

Discussion ensued between Boardmembers and Rick Overgaard City of Pearland Assistant Finance Director regarding the general expenditures that were paid out this time last year.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Board Action – Resolution No. RTIRZ - 2015-07 – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ #2), approving the 2014 Annual Report. *Ms. Claire Bogard, Finance Director.*

Boardmember Cook made the motion, seconded by Boardmember Hasanali, to approve Resolution No. RTIRZ- 2015-07.

Claire Bogard City of Pearland Finance Director stated 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 interlocal agreements, with property tax increment from each being deposited into the Zone.

Discussion ensued between Boardmembers and Lynne Humphries with Allen, Boone, Humphries, Robinson, LLP regarding the consideration of Fort Bend County's request purposing extending participation of the expansion of Farm Rd 521 through the TIRZ, and the City needing a formal written request or proposal from Fort Bend County.

Discussion ensued between Boardmembers and Claire Bogard City of Pearland Finance Director regarding the tax increment and base market value.

Boardmember Cook made a motion, seconded by Boardmember Phillips to remove LFA 12-06-001 (Village 7, Phase 1) from Table F, Letter Finance Agreements Approved for Reimbursement subject to it being approved on the next Agenda Item.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Lynne Humphries with Allen, Boone, Humphries, Robinson LLP stated she would recommend redoing the chart for next year to be less confusing. She stated she would get with Claire Bogard Director of Finance regarding a different format.

Chair Phillips called for the vote on the original motion as amended.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Board Action – Resolution No. RTIRZ- 2015-08 – A Resolution of the Board of Directors of the Tax Increment Reinvestment Zone No. 2 (TIRZ #2), approving reimbursement of completed Letter of Financing Agreement 12-06-001 with 518 SCR Ltd. *Mr. Rick Overgaard, Assistant Finance Director.*

Boardmember Cook made the motion, seconded by Boardmember Hasanali, to approve Resolution No. RTIRZ- 2015-08.

McGrath & Co., PLLC Auditor, provided an overview of the Reinvestment Report regarding the LFA 12-06-001 (Village 7, Phase 1). The supporting documentation has been received and reviewed to support the amount of actual costs. The actual cost is \$3,767,158, the interest being calculated at the agreed amount of 6.5 percent \$544,659, for a total reimbursement of \$4,311,817. Said amount of interest will change once the actual date of reimbursement is known.

Lynne Humphries with Allen, Boone, Humphries, Robinson, LLP stated one of the things an auditor does when doing an audit is to confirm any amounts that might have been paid by the Municipal Utility Districts so there is never double dipping. That is one of the reasons the amount of the actual reimbursement is so much less than the Approved LFA.

Voting "Aye" Boardmembers Knight, Hasanali, Fain, Cook, Loessin and Phillips.

Voting "No" None.

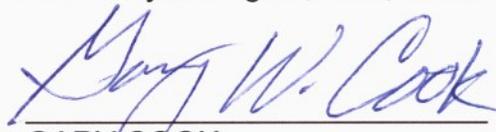
Motion Passed 6 to 0, with Boardmembers Coleman, Davis, and Pyburn absent.

Claire Bogard City of Pearland Director of Finance announced her retirement and stated she has enjoyed working with everyone.

ADJOURNMENT

Meeting was adjourned at 5:00 p.m.

Minutes approved as submitted and/or corrected this the 8th day of August, A.D., 2016.



GARY COOK
VICE CHAIR

ATTEST:



MIKE PYBURN
SECRETARY

