

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 Special 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”). Mr. Rick Overgaard, Assistant Finance Director.

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.

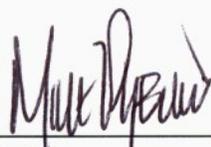
Motion Passed 6 to 0, with Boardmembers Coleman, Loessin and Knight absent.

ADJOURNMENT

Meeting was adjourned at 5:00 p.m.

Minutes approved as submitted and/or corrected this the 22ND day of June, A.D., 2015.

ATTEST:



MIKE PYBURN
TIRZ SECRETARY


KENNETH R. PHILLIPS
TIRZ CHAIRMAN