



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, OCTOBER 23, 2017 | 3:00 P.M.
CITY HALL ANNEX BUILDING | 3523 LIBERTY DRIVE
LARGE FINANCE CONFERENCE ROOM

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 September 26, 2016, Tax Increment Reinvestment Zone Number 2 (TIRZ No. 2) Board of Directors Meeting.
- 2. Consideration and Possible Action** – Regarding accepting the 2016 Annual Financial Report for the Fiscal Year ending September 30, 2016.
- 3. Consideration and Possible Action** – Regarding accepting the Financial Report for the period ending June 30, 2017.
- 4. Consideration and Possible Action** – Regarding adopting an Amended Investment Policy, Investment Strategy and Approved Brokers in accordance with Chapter 2256 of the Government Code (“Public Funds Investment Act”).
- 5. Consideration and Possible Action** – Regarding adopting the Investment Report for the Quarters Ending September 2016, December 2016, March 2017, and June 2017.
- 6. Consideration and Possible Action** – Regarding approving the 2016 Annual Report.
- 7. Consideration and Possible Action** – Regarding ratifying Invoices authorized for payment by the Invoice Review Committee and approving invoices presented for payment.
- 8. Consideration and Possible Action** – Regarding authorizing developer reimbursements from available surplus increment.
- 9. Consideration and Possible Action** – Regarding recommending issuance of Tax Increment Contract Revenue Bonds, Series 2017.
- 10. Consideration and Possible Action** – Regarding LFA #17-10-001 for CR 59 Improvements.

III. ADJOURN.

All agenda supporting documents are available at www.pearlandtx.gov



Sue Darcy, Marsh Darcy Partners, Inc.
On Behalf of the Board

In Accordance with the provisions of the Americans with Disabilities Act (ADA), persons in need of a special accommodation to participate in this proceeding shall, within three (3) days prior to any proceeding, contact the City Secretary's office at (281) 652-1840

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, SEPTEMBER 26, 2016, AT 5:15 P.M., IN THE COUNCIL CHAMBERS, CITY HALL, 3519 LIBERTY DRIVE, PEARLAND, TEXAS.

Vice Chairman Gary Cook called the meeting to order at 5:15 p.m. with the following present:

Chair	Kenneth R. Phillips
Vice Chair	Gary Cook
Boardmember	Tommy King
Boardmember	Herb Fain
Secretary	Mike Pyburn
Boardmember	Ali Hasanali
Boardmember	Larry Loessin

Absent: Boardmembers Coleman, and Knight

Others in attendance: Tom Reid Mayor City of Pearland, Cynthia Pearson, Director of Finance City, Rick Overgaard, Assistant Director of Finance City, Tom March Financial Analyst, Maria E. Rodriguez Deputy City Secretary, City Lynne Humphries Allen Boone Humphries Robinson LLP, Drew Pelter Shadow Creek Development.

CALL TO ORDER AND ROLL CALL

PURPOSE OF THE MEETING:

Board Action – Regarding The Approval of the Regular Meeting Minutes of the August 8, 2016, Tax Increment Reinvestment Zone Number 2 (TIRZ No. 2) Board of Directors Meeting. *TIRZ No. 2.*

Boardmember Pyburn made the motion, seconded by Boardmember Hasanali, to approve the Regular Meeting Minutes of August 8, 2016.

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

Voting “No” None.

Motion Passed 7 to 0, with Boardmembers Knight, and Coleman absent.

Board Action – Resolution No. RTIRZ 2016-01 – A Resolution of the Tax Increment Reinvestment Zone No. 2 (TIRZ), Ratifying Invoices that were paid from June 2016 through September 2016 and approving invoices for payment.

Rick Overgaard Assistant Finance Director City, stated this items is for the Board’s consideration and approval of a Resolution ratifying invoices already paid totaling \$7,142.72 and approving an invoice to be paid in the total amount of \$9,229.46.

Boardmember Phillips made the motion, seconded by Boardmember Hasanali, to ratify the previously approved expense by the invoice committee.

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

Voting “No” None.

Motion Passed 7 to 0, with Boardmembers Knight, and Coleman absent.

Boardmember Phillips made a motion seconded by Boardmember Pyburn to approve and pay the invoices that are due and payable at this time set forth in the exhibit to Resolution No. RTIRZ No. 01.

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

Voting “No” None.

Motion Passed 7 to 0, with Boardmembers Knight, and Coleman absent.

Board Discussion and Approval – To receive preliminary update on recapitulation of remaining Developer Reimbursements, and approve any Developer Reimbursement Audits for outstanding reimbursements, if any.

Lynne Humphries, stated the Board has requested a preliminary update on recapitulation of remaining Developer Reimbursements. As construction of these projects is completed, the engineer, auditor, and legal counsel review the construction projects and approve them for reimbursement. Once such approval is obtained, the projects are placed in line, waiting for reimbursement to be made as increment becomes available to either make cash reimbursement from the Zone’s funds or to issue bonds payable from Zone Increment Revenue. In accordance with all prior agreements between the Zone and the City of Pearland, priority is given to reimbursement of the Master Developer, Shadow Creek Ranch Development Company. After the Master Developer is reimbursed, further reimbursements are made in the order the projects are completed. Currently, the Zone auditor keeps a list of outstanding reimbursement due and it is a rough estimated amount

of \$43 million principal only, still owed. Should the TIRZ No. 2 Board decide to hire Sue Darcy as Zone Administrator they will create a list of reimbursements along with their name and place in line for payment. At this time no action is needed for this item there are no Developer Reimbursements for today.

Board Discussion and Approval – To receive report on terms of Directors, recognize appointment by Senator Larry Taylor of new Director to Position 1, and approve new Invoice Committee.

Part one of this item to receive report on terms of Directors, recognize appointment by Senator Larry Taylor of new Director to Position 1. No Action taken by the Board.

Boardmember Phillips part two of this item is to approve a new invoice Committee.

Lynne Humphries stated Director Herb Fain has volunteered to be on the Invoice Committee, and Director Mike Pyburn has decided to continue on the Invoice Committee.

Chairman Phillips asked all in favor for Director Herb Fain and Director Mike Pyburn to be on the New Invoice Committee.

Voting “Aye” Boardmembers, Phillips, King, Cook, Hasanali and Loessin

Voting “No” None.

Motion Passed 5 to 0, with Boardmembers Knight, and Coleman absent.
Abstention Fain and Pyburn.

Board Discussion and Approval – Discussion and update on Tax Increment Series 2016 Bonds.

Lynne Humphries stated this is just an update that the Development Authority of Pearland is considering a Bond issue in the estimated amount of \$11,910,000 private placement. Simultaneously once the Alvin ISD suspense funds are released the TIRZ No. 2 board will do a cash reimbursement. The Bond sale will be on October 10th.

Chairman Phillips stated the TIRZ is basically selling additional Bonds to keep up with their payments and fulfill obligations to the Developers and to the City.

Lynne Humphries stated these are not city bonds these are Special Bonds issued payable only from the TIRZ NO. 2.

Boardmember Hasanali requested an update on a being more aggressive with the investment portfolio.

Rick Overgaard stated the City has an account with TexSTAR Investments Pools which has a higher interest rate. The City transferred approximately 4 million dollars last week into that account which will show a jump in the interest rate.

Boardmember Loessin asked to review New Business No. 2, page 38 regarding the attorney rates being billed.

Lynne B. Humphries stated there is a discrepancy in the bill regarding the rate and a credit will be issued on the next bill which will include time for this meeting.

Board Discussion and Approval – Discuss and approve contract with Marsh Darcy Partners, Inc. to serve as Zone Administrator through December 31, 2017.

Lynn B. Humphries stated the normal role of the TIRZ attorneys is to give legal advice and review documents. In the past, Allen Boone Humphries Robinson has been performing these tasks, such as assistance with agenda review and preparation, the annual report, and the TIRZ reimbursements. Marsh Darcy Partners, Inc. is a firm that specializes in staying up with the TIRZ laws as they change to properly satisfy the TIRZ obligations and to make it as efficient as it can be. This contract provides for the Zone Administrator to undertake the role related to full administration and allow the attorneys to provide a more traditional review instead of taking the lead, which will result in a reduction of legal fees

Boardmember Cook stated he agrees Sue Darcy has a long history with the TIRZ and has done an outstanding job.

Discussion ensued Lynn B. Humphries and the Board regarding the City's growth and Marsh Darcy Partners, Inc. expertise on TIRZs. Marsh Darcy Partners, Inc. would be most efficient coming in only as needed to serve as Zone Administrator and help while the City gets up to speed with handling all of the finances of the TIRZ.

Boardmember Phillips stated he will be abstaining from this vote for the simple reason that he has known Sue Darcy for over 30 years, and has represented her in the past. He does not think it is appropriate to vote. However, he does give Ms. Darcy his highest recommendation.

Boardmember Pyburn made the motion to hire Marsh Darcy Partners, Inc. seconded by Boardmember King.

Voting "Aye" Boardmembers, King, Fain, Cook, Pyburn, Hasanali and Loessin

Voting "No" None.

Motion Passed 6 to 0, 1 Abstention Boardmember Phillips, and Boardmembers Knight, and Coleman absent.

Meeting was adjourned at 5:43 p.m.

Minutes approved as submitted and/or corrected this the ____th day of _____, A.D., 201_.

KENNETH R. PHILLIPS
CHAIR

ATTEST:

MIKE PYBURN
SECRETARY

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

AGENDA OF: 10/23/2017	ITEM NO.: 2
DATE SUBMITTED: 07/05/2017	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEW DATE:
SUBJECT: Acceptance the 2016 Annual Financial Report for the fiscal year ending September 30, 2016.	
EXHIBITS: 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, 2016.

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 acceptance of the the excerpt of the Fiscal Year 2016 Comprehensive Annual Financial Report as prepared by the accounting firm of Whitley Penn, L.L.P.

CITY OF PEARLAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Tax Increment Reinvestment Zone #2</u>
Assets				
Cash and cash equivalents	\$ 7,866,134	\$ 6,426,027	\$ 28,404,484	\$ 1,365,019
Investments	12,297,707	2,025,039	18,537,221	3,751,021
Receivables, net of allowance for uncollectibles	6,126,102	10,171,505	6,610,238	
Due from other funds	53,757			
Inventories	99,813			
Prepaid items	50,723			
Total Assets	<u>\$ 26,494,236</u>	<u>\$ 18,622,571</u>	<u>\$ 53,551,943</u>	<u>\$ 5,116,040</u>
Liabilities				
Accounts payable	\$ 2,760,163	\$ 277,677	\$ 3,155,476	\$ 9,419
Accrued expenditures	1,143,588	34,183	888,705	
Deposits	599,371			
Due to other funds				
Unearned revenue	574,356	1,934,750		
Total Liabilities	<u>5,077,478</u>	<u>2,246,610</u>	<u>4,044,181</u>	<u>9,419</u>
Deferred Inflows of Resources				
Unavailable revenue	497,272	8,099,541	3,955,614	
Total Deferred Inflows of Resources	<u>497,272</u>	<u>8,099,541</u>	<u>3,955,614</u>	
Fund Balances				
Non-spendable				
Inventories	99,813			
Prepaid items	50,723			
Restricted				
Debt service		8,276,420		
Capital improvements			45,552,148	
Community development programs				
Public safety				
Economic development				5,106,621
Assigned	3,993,907			
Unassigned	16,775,043			
Total Fund Balances	<u>20,919,486</u>	<u>8,276,420</u>	<u>45,552,148</u>	<u>5,106,621</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,494,236</u>	<u>\$ 18,622,571</u>	<u>\$ 53,551,943</u>	<u>\$ 5,116,040</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Tax Increment Reinvestment Zone #2</u>
Revenues				
Property taxes	\$ 14,607,848	\$ 31,366,717	\$	\$ 21,594,727
Sales and use taxes	20,013,626			
Franchise fees	6,919,239			
Licenses and permits	5,677,439			
Fines and forfeitures	2,802,425			
Charges for services	14,853,316			
Investment earnings	248,098	97,444	138,143	11,582
Intergovernmental			14,864,007	
Other	2,118,327	1,168,556	429,211	
Total Revenues	<u>67,240,318</u>	<u>32,632,717</u>	<u>15,431,361</u>	<u>21,606,309</u>
Expenditures				
Current:				
General government	10,099,131			
Public safety	36,579,470			
Public works	10,997,992		1,868,429	
Community services	3,826,274			
Parks and recreation	6,348,273			
Economic development				8,522,253
Debt Service:				
Principal	443,252	13,407,950		
Interest and other charges	36,931	12,297,281	417,215	
Capital outlay	2,799,304		27,977,895	
Intergovernmental		4,847,104		
Total Expenditures	<u>71,130,627</u>	<u>30,552,335</u>	<u>30,263,539</u>	<u>8,522,253</u>
Excess (deficiency) of revenues over expenditures	<u>(3,890,309)</u>	<u>2,080,382</u>	<u>(14,832,178)</u>	<u>13,084,056</u>
Other Financing Sources (Uses)				
Certificates of obligation issued			13,995,000	
Refunding bonds issued		27,080,000	16,405,000	
Payments to refunded bond escrow agent		(28,967,231)		
Premium on debt issued		2,245,323	2,305,693	
Capital leases	1,917,854			
Transfers in	4,111,521	804,331	8,126,298	
Transfers out	(2,573,817)		(967,844)	(12,926,181)
Total Other Financing Sources (Uses)	<u>3,455,558</u>	<u>1,162,423</u>	<u>39,864,147</u>	<u>(12,926,181)</u>
Net change in fund balances	(434,751)	3,242,805	25,031,969	157,875
Fund balances - beginning	<u>21,354,237</u>	<u>5,033,615</u>	<u>20,520,179</u>	<u>4,948,746</u>
Fund balances - ending	<u>\$ 20,919,486</u>	<u>\$ 8,276,420</u>	<u>\$ 45,552,148</u>	<u>\$ 5,106,621</u>

See Notes to Financial Statements.

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. Governmental Activity Debt (continued)

The City issued \$13,995,000 of Certificates of Obligation, Series 2016 dated June 21, 2016. Proceeds from the sale of the certificates will be used for (i) improvements to Orange Street; (ii) improvements to Centennial Park and SCR Trail; (iii) improvements and renovations to existing City facilities including Tom Reid Library, City Hall Complex, Orange Service Center and Fire Station #1; and (iv) professional services rendered in connection with the above listed projects.

The City issued \$10,210,000 of Permanent Improvement Refunding Bonds, Series 2015A dated November 18, 2015. Proceeds from the sale of the bonds will be used to refund certain outstanding obligations of the City and to pay the costs of issuance of the Bonds. The refunding is being undertaken to lower the City's debt service payments and will result in a present value savings to the City.

The City issued \$33,275,000 of Permanent Improvement Refunding Bonds, Series 2016A dated May 3, 2016. Proceeds from the sale of the bonds will be used (i) construction and improvement to City streets; (ii) construction and improvements to the City drainage system; (iii) construction and improvements to City parks; (iv) construction and improvements to City facilities; (v) to refund certain outstanding obligations of the City; and (vi) to pay the costs of issuance of the Bonds.

The City issued \$66,030,000 of Tax Increment Contract Revenue and Refunding Bonds Proceeds, Series 2015 dated November 5, 2015. Proceeds from the sale of the bonds were used to reimburse the developer \$19,575,000 for infrastructure within the TIRZ boundaries.

The City issued \$14,640,000 of Sales Tax Revenue Refunding Bonds, Series 2016 dated September 8, 2016. Proceeds from the sale of the certificates will be used for the purpose of current refunding portions of the Economic Development Corporation's outstanding Sales Tax Revenue and Refunding Bonds, Series 2005 and Sales Tax Revenue Bonds, Series 2006.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2016. 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.

	Balance September 30, 2015	Additions	(Reductions)	Balance September 30, 2016	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 245,865,000	\$ 43,485,000	\$ (26,485,000)	\$ 262,865,000	\$ 10,620,000
Certificates of obligation	50,030,000	13,995,000	(13,955,000)	50,070,000	2,790,000
Sales tax revenue bonds	15,265,000	14,640,000	(15,265,000)	14,640,000	890,000
Tax increment revenue bonds	61,695,000	66,030,000	(50,995,000)	76,730,000	5,260,000
Unamortized premium/(discount)	16,185,066	4,551,016	(1,942,776)	18,793,306	
Total bonds payable	389,040,066	142,701,016	(108,642,776)	423,098,306	19,560,000
Other liabilities:					
Obligations under capital leases	3,628,715	1,917,855	(1,317,520)	4,229,050	1,277,139
Compensated absences	5,804,207	3,309,837	(2,931,174)	6,182,870	1,077,550
Other post-employment benefits	2,515,987	238,140		2,754,127	
Total Governmental Activities	\$ 400,988,975	\$ 148,166,848	\$ (112,891,470)	\$ 436,264,353	\$ 21,914,689

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

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, 2016, is as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Pearland Economic Development Corporation				
Sales Tax Revenue Refunding Bonds, Series 2016	\$ 14,640,000	2030	2.36	\$ 14,640,000
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2013	9,150,000	2029	3.77	7,975,000
Tax Increment Revenue Bonds, Series 2014	8,060,000	2029	3.00	7,005,000
Tax Increment Revenue Bonds, Series 2015	66,030,000	2029	3.00	61,750,000
Total Component Unit Long-Term Debt				<u>\$ 91,370,000</u>

Current Year Refunding

The Contract Revenue and Refunding Bonds, Series 2015 were issued on November 12, 2015 in the amount of \$66,030,000 to refund outstanding obligations of the Development Authority in the amount of \$45,830,000, with the remainder to reimburse the developer for infrastructure within the TIRZ boundaries. The new bonds bear interest of 2.74% and are due in annual installments ranging from \$5,460,000 to \$6,045,000 through September 1, 2029. The refunding will save \$1.8 million over 14 years, or annual savings of about \$129,000 with a present value savings percent of 3.3%.

The Permanent Improvement Refunding Bonds, Series 2015A were issued on December 15, 2015 in the amount of \$10,210,000 to refund outstanding obligations of the City. The new bonds bear interest from 2.00% to 3.00% and are due in annual installments ranging from \$370,000 to \$2,215,000 through March 1, 2029. The refunding will save \$1.4 million over 13 years, or annual savings of about \$110,000 with a present value savings percent of 11.8%.

The Permanent Improvement and Refunding Bonds, Series 2016A were issued on June 2, 2016 in the amount of \$33,275,000 to refund outstanding obligations of the City in the amount of \$17,810,000, with the remainder for construction and improvements. The new bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from \$840,000 to \$7,335,000 through September 30, 2036. The refunding will save \$2.7 million over 16 years, or annual savings of about \$169,000 with a present value savings percent of 11.7%.

The Sales Tax Revenue Refunding Bonds, Series 2016 were issued on September 8, 2016 in the amount of \$14,640,000 to refund certain outstanding obligations of the Economic Development Corporation. The new bonds bear interest of 2.36% and are due in annual installments ranging from \$1,230,000 to \$1,260,000 through September 1, 2030. The refunding will save \$2.7 million over 14 years, or annual savings of about \$195,000 with a present value savings percent of 15.8%.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The annual requirements to amortize blended component unit revenue bonds outstanding at September 30, 2016, were as follows:

<u>Fiscal Year</u>	Governmental Activities			
	Sales Tax Revenue Bonds		Tax Increment Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 890,000	\$ 338,786	\$ 5,260,000	\$ 2,183,144
2018	905,000	324,500	5,405,000	2,035,158
2019	930,000	303,142	5,560,000	1,882,997
2020	955,000	281,194	5,315,000	1,726,437
2021	975,000	258,656	5,465,000	1,576,317
2022	1,000,000	235,646	5,620,000	1,421,885
2023	1,025,000	212,046	5,785,000	1,260,427
2024	1,055,000	187,856	5,945,000	1,096,254
2025	1,080,000	162,958	6,115,000	927,133
2026	1,105,000	137,470	6,290,000	752,790
2027	1,130,000	111,392	6,470,000	573,088
2028	1,165,000	84,724	6,655,000	387,840
2029	1,195,000	57,230	6,845,000	196,856
2030	1,230,000	29,028		
	<u>\$ 14,640,000</u>	<u>\$ 2,724,628</u>	<u>\$ 76,730,000</u>	<u>\$ 16,020,326</u>

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, 2016, 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, 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

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 74 through 75, and pension system supplementary information and other post-employment benefit supplementary information on page 76 through 78 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 March 17, 2017, 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.

Whitley Penn LLP

Houston, Texas
March 17, 2017

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

AGENDA OF: 10/23/2017	ITEM NO.: 3
DATE SUBMITTED: 7/18/2017	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEW DATE:
SUBJECT: Acceptance the Financial Report for the Period Ending June 30, 2017.	
EXHIBITS: 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 Income Statement) for the Tax Increment Reinvestment Zone for the nine month period ending June 30, 2017.

- Cash and Investments total \$17,882,154. This includes the Alvin ISD suspense fund of \$7,178,370. Of that amount, \$5,039,335.60 will be released in August 2017.
- Contributions through June total \$23,848,707, of which \$14,743,304 is from the City of Pearland and \$1,576,558 from Fort Bend County. In June, the TIRZ received \$5.9 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. The supplemental payment of \$1,646,306 was received in October 2016, which normally is received in September, so the TIRZ should receive another payment in September or October of 2017. Fiscal year to date expenses total \$11,099,219, of which \$9,435,714 are administration fees to the City.
- Fund equity as of June 30, 2017 is \$17,882,154, which includes \$7,178,370 in the suspense fund. The current available operating balance is \$10,703,783.

RECOMMENDED ACTION

Consideration and acceptance of June 2017 Financial Statements.



Balance Sheet

Through 06/30/17

Detail Listing

Include Rollup Account/Rollup to Base Account

Account	Account Description	Current YTD Balance	Prior Year YTD Total	Net Change	Change %
Fund Category Other					
Fund Type					
Fund 930 - TIRZ #2 Shadow Creek					
ASSETS					
1000	Cash				
1000.050	Cash AISD	7,178,370.31	9,950,770.17	(2,772,399.86)	(27.86)
1000.999	Cash Investment in Pooled Cash Fund	1,936,164.36	6,119,347.06	(4,183,182.70)	(68.36)
1000 - Cash Totals		\$9,114,534.67	\$16,070,117.23	(\$6,955,582.56)	(43.28%)
1030	Investments				
1030.040	Investments Investment Pool - TexStar	3,767,619.09	.00	3,767,619.09	+++
1030.050	Investments Investment Pool - Texas Class	5,000,000.00	.00	5,000,000.00	+++
1030 - Investments Totals		\$8,767,619.09	\$0.00	\$8,767,619.09	+++
ASSETS TOTALS		\$17,882,153.76	\$16,070,117.23	\$1,812,036.53	11.28%
FUND EQUITY					
2950	Fund Balance - Unassigned	5,106,620.62	4,948,746.33	157,874.29	3.19
FUND EQUITY TOTALS Prior to Current Year Changes		\$5,106,620.62	\$4,948,746.33	\$157,874.29	3.19%
	Prior Year Fund Equity Adjustment	.00			
	Fund Revenues	(23,874,751.64)			
	Fund Expenses	11,099,218.50			
FUND EQUITY TOTALS		\$17,882,153.76	\$4,948,746.33	\$12,933,407.43	261.35%
LIABILITIES AND FUND EQUITY TOTALS		\$17,882,153.76	\$4,948,746.33	\$12,933,407.43	261.35%
Fund	930 - TIRZ #2 Shadow Creek Totals	\$0.00	\$11,121,370.90	(\$11,121,370.90)	(100.00%)
	Fund Type Totals	\$0.00	\$11,121,370.90	(\$11,121,370.90)	(100.00%)
	Fund Category Other Totals	\$0.00	\$11,121,370.90	(\$11,121,370.90)	(100.00%)
	Grand Totals	\$0.00	\$11,121,370.90	(\$11,121,370.90)	(100.00%)



Income Statement

Through 06/30/17

Detail Listing

Include Rollup Account/Rollup to Base Account

Account	Account Description	Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget	Prior Year YTD Total
Fund Category Other							
Fund Type							
Fund 930 - TIRZ #2 Shadow Creek							
REVENUE							
Department 610 - TIRZ #2 Shadow Creek Ranch							
Division 100 - Administration							
3000	Property Taxes						
3000.050	Property Taxes TIRZ - City of Pearland	.00	273,964.22	14,743,303.57	(14,743,303.57)	+++	13,216,373.33
3000.060	Property Taxes TIRZ - Brazoria County	.00	.00	.00	.00	+++	.00
3000.070	Property Taxes TIRZ - Alvin ISD	.00	.00	5,882,539.61	(5,882,539.61)	+++	5,035,004.22
3000.080	Property Taxes TIRZ - Fort Bend County	.00	.00	1,576,557.94	(1,576,557.94)	+++	1,323,278.19
3000.090	Property Taxes TIRZ - Supplemental	.00	.00	1,646,305.50	(1,646,305.50)	+++	.00
	3000 - Property Taxes Totals	\$0.00	\$273,964.22	\$23,848,706.62	(\$23,848,706.62)	+++	\$19,574,655.74
3600	Interest Earnings						
3600.010	Interest Earnings Interest	.00	2,857.16	19,446.30	(19,446.30)	+++	2,749.62
3600.030	Interest Earnings AISD Interest	.00	884.95	6,598.72	(6,598.72)	+++	6,918.97
	3600 - Interest Earnings Totals	\$0.00	\$3,742.11	\$26,045.02	(\$26,045.02)	+++	\$9,668.59
	Division 100 - Administration Totals	\$0.00	\$277,706.33	\$23,874,751.64	(\$23,874,751.64)	+++	\$19,584,324.33
	Department 610 - TIRZ #2 Shadow Creek Ranch Totals	\$0.00	\$277,706.33	\$23,874,751.64	(\$23,874,751.64)	+++	\$19,584,324.33
	REVENUE TOTALS	\$0.00	\$277,706.33	\$23,874,751.64	(\$23,874,751.64)	+++	\$19,584,324.33
EXPENSE							
Department 610 - TIRZ #2 Shadow Creek Ranch							
Division 100 - Administration							
5400	Professional/Contractual Services						
5400.070	Professional/Contractual Services Legal Expense	.00	878.75	16,946.58	(16,946.58)	+++	1,590.00
5400.160	Professional/Contractual Services Miscellaneous	.00	45.00	252.13	(252.13)	+++	2,885.88
	5400 - Professional/Contractual Services Totals	\$0.00	\$923.75	\$17,198.71	(\$17,198.71)	+++	\$4,475.88
5420	Other Services						
5420.160	Other Services TIRZ Administration Fees	.00	175,337.10	9,435,714.29	(9,435,714.29)	+++	8,458,477.55
	5420 - Other Services Totals	\$0.00	\$175,337.10	\$9,435,714.29	(\$9,435,714.29)	+++	\$8,458,477.55
5650	Interfund Reimbursement	.00	.00	1,646,305.50	(1,646,305.50)	+++	.00



Income Statement

Through 06/30/17

Detail Listing

Include Rollup Account/Rollup to Base Account

Account	Account Description	Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget	Prior Year YTD Total
	Division 100 - Administration Totals	\$0.00	\$176,260.85	\$11,099,218.50	(\$11,099,218.50)	+++	\$8,462,953.43
	Department 610 - TIRZ #2 Shadow Creek Ranch Totals	\$0.00	\$176,260.85	\$11,099,218.50	(\$11,099,218.50)	+++	\$8,462,953.43
	EXPENSE TOTALS	\$0.00	\$176,260.85	\$11,099,218.50	(\$11,099,218.50)	+++	\$8,462,953.43
	Fund 930 - TIRZ #2 Shadow Creek Totals						
	REVENUE TOTALS	.00	277,706.33	23,874,751.64	(23,874,751.64)	+++	19,584,324.33
	EXPENSE TOTALS	.00	176,260.85	11,099,218.50	(11,099,218.50)	+++	8,462,953.43
	Fund 930 - TIRZ #2 Shadow Creek Net Gain (Loss)	\$0.00	\$101,445.48	\$12,775,533.14	\$12,775,533.14	+++	\$11,121,370.90

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

AGENDA OF:	10/23/2017	ITEM NO.:	4
DATE SUBMITTED:	07/05/2017	DEPT. OF ORIGIN:	Finance
PREPARED BY:	Rick Overgaard	PRESENTOR:	Rick Overgaard
REVIEWED BY:		REVIEW DATE:	
SUBJECT: Adoption of an Amended Investment Policy, Investment Strategy and Approved Brokers In Accordance with Chapter 2256 of the Government Code ("Public Funds Investment Act").			
EXHIBITS: Investment Policy Strategy Broker/Dealer List			
FUNDING:			
	<input type="checkbox"/> Grant	<input type="checkbox"/> Developer/Other	<input type="checkbox"/> Cash Opns
<input type="checkbox"/> Bonds To Be Sold	<input type="checkbox"/> Bonds- Sold	<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 one proposed change allowing the TIRZ to invest in investment pools that include commercial paper as authorized by the PFIA. Commercial paper is allowed under the PFIA and in an effort to increase yield we would like to move funds from our low yielding sweep account to a higher yielding pool.

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 City Council 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 City can do business. The Investment Officer can only do business with those businesses as approved. The TIRZ investment

policy states that “the City on behalf of the TIRZ will prepare a Request of Investments Services every two years at a minimum...” In June 2015, the City sent out requests for proposals. The City currently has eight approved brokers attached as Exhibit C. The City will send out RFP’s next year in 2017.

The City’s investment committee met on August 24, 2016 and concur on the recommendations.

FINANCIAL INFORMATION

N/A

RECOMMENDED ACTION

Consideration and acceptance of the TIRZ’s Investment Policy, Investment Strategy, and Approved Broker/Dealers.

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
Revised August 2015

Revised August 2016

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GLOSSARY

ATTACHMENT A – Broker/Dealer Certification

ATTACHMENT B – Approved List of Broker/Dealers

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 8 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 including funds that invest in commercial paper and as further defined in Sections 2256.013 and 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, ~~excluding~~~~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 of 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.

Up to ten 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(l)).

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
Wells Fargo Bank
CastleOak Securites
Gilford Securities
SAMCO Securities
Oppenheimer & Co.

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
Wells Fargo Securities
CastleOak Securities
Gilford Securities
SAMCO Securities
Oppenheimer & Co.

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
PEARLAND, TEXAS**

AGENDA OF: 10/23/2017	ITEM NO.: 5
DATE SUBMITTED: 07/24/2017	REPRESENTING: City of Pearland
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEW DATE:
SUBJECT: Acceptance of the Investment Report for the Quarters Ending September 2016, December 2016, March 2017, and June 2017.	
EXHIBITS: 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 September 30, 2016, December 31, 2016, March 31, 2017, and June 30, 2017. Highlights are:

	Sep-16	Dec-16	Mar-17	Jun-17
● Beginning Book Value	\$ 16,070,117	\$ 5,116,040	\$ 8,004,486	\$ 14,813,610
● Ending Book Value	\$ 5,116,040	\$ 8,004,486	\$ 14,813,610	\$ 17,886,794
● Increase/(Decrease) in Portfolio	\$ (10,954,078)	\$ 2,888,446	\$ 6,809,124	\$ 3,073,184
● Interest Earned for Quarter	\$ 1,914	\$ 6,803	\$ 8,218	\$ 15,664
● Weighted Average Maturity	1 Day	1 Day	1 Day	1 Day
● Rate of Return at Quarter End	0.31%	0.28%	0.24%	0.57%
● Average Rate of Return for Quarter	0.09%	0.31%	0.24%	0.37%
● Average One Year T-Bill Benchmark for Quarter	0.56%	0.76%	0.89%	1.12%
● Portfolio Composition:				
Cash	1%	37%	46%	11%
Money Market	25%	17%	29%	40%
Investment Pool	73%	47%	25%	49%

Decrease in portfolio from June 2016 to Sept 2016 represents release of Alvin ISD suspense funds 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 2017. Yield on portfolio has been increasing and in June 2017 was .37%. This increase is due to the addition of investing funds in a couple investment pools with higher yields.

RECOMMENDED ACTION

Consideration and acceptance of the September 2016, December 2016, March 2017 and June 2017 Quarterly Investment Reports.

SEPTEMBER

2016

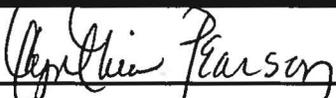
**Tax Increment Reinvestment Zone No. 2
Quarterly Investment Report
June 30, 2016 to September 30, 2016**



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
7/31/2016	17,888,636.29	17,888,636.29	0.00	0.04	0.51	598.10	1
8/31/2016	5,114,238.65	5,114,238.65	0.00	0.03	0.57	200.37	1
9/30/2016	5,116,039.63	5,116,039.63	0.00	0.31	0.59	1,115.12	1
Total / Average	9,372,971.52	9,372,971.52	0.00	0.09	0.56	1,913.59	1

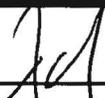




 Cynthia Pearson, Director of Finance

11/30/16

 Date



 Rick Overgaard, Assistant Director of Finance

11/5/16

 Date



 Carrie Ditta, Accounting Supervisor

10/28/16

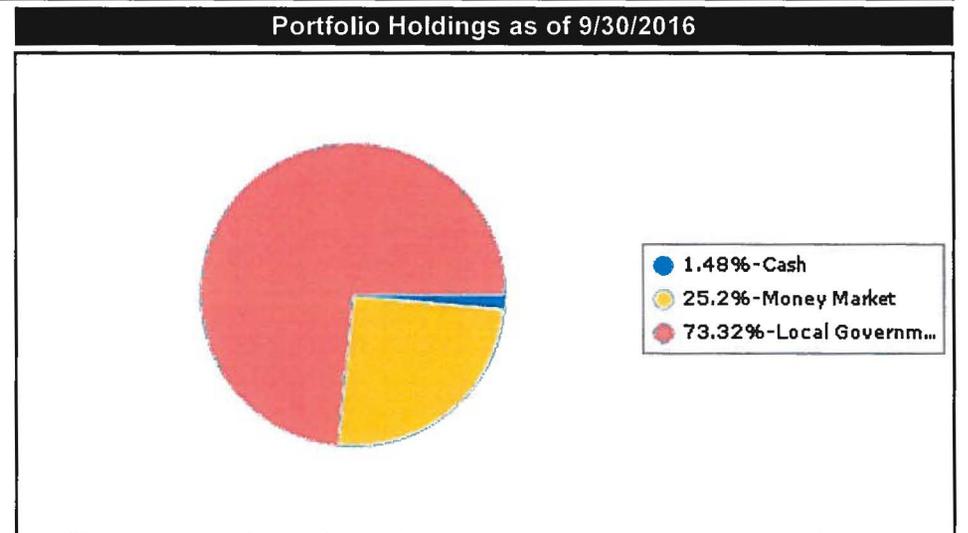
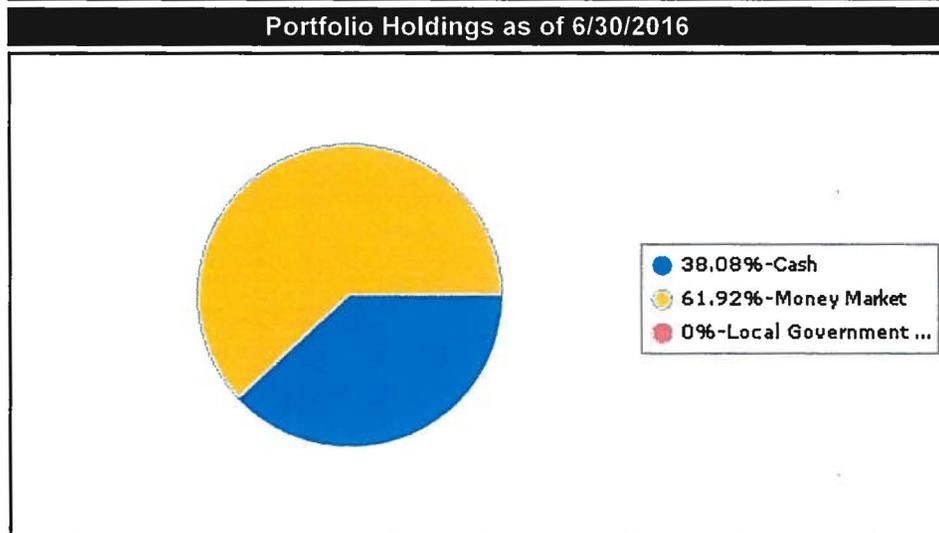
 Date



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

Begin Date: 6/30/2016, End Date: 9/30/2016

Security Type Allocation				
Security Type	Book Value 6/30/2016	% of Portfolio 6/30/2016	Book Value 9/30/2016	% of Portfolio 9/30/2016
Cash	6,119,347.06	38.08	75,622.04	1.48
Money Market	9,950,770.17	61.92	1,289,396.98	25.20
Local Government Investment Pool	0.00	0.00	3,751,020.61	73.32
Total / Average	16,070,117.23	100.00	5,116,039.63	100.00

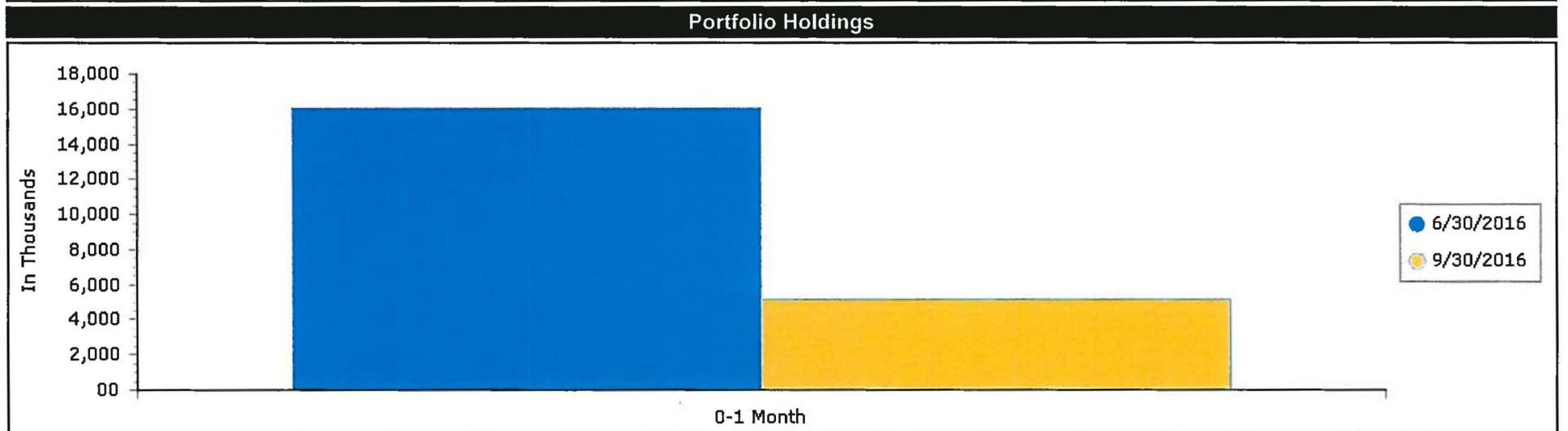




City of Pearland Distribution by Maturity Range - Book Value Report Group: TIRZ II

Begin Date: 6/30/2016, End Date: 9/30/2016

Maturity Range Allocation				
Maturity Range	Book Value 6/30/2016	% of Portfolio 6/30/2016	Book Value 9/30/2016	% of Portfolio 9/30/2016
0-1 Month	16,070,117.23	100.00	5,116,039.63	100.00
Total / Average	16,070,117.23	100.00	5,116,039.63	100.00



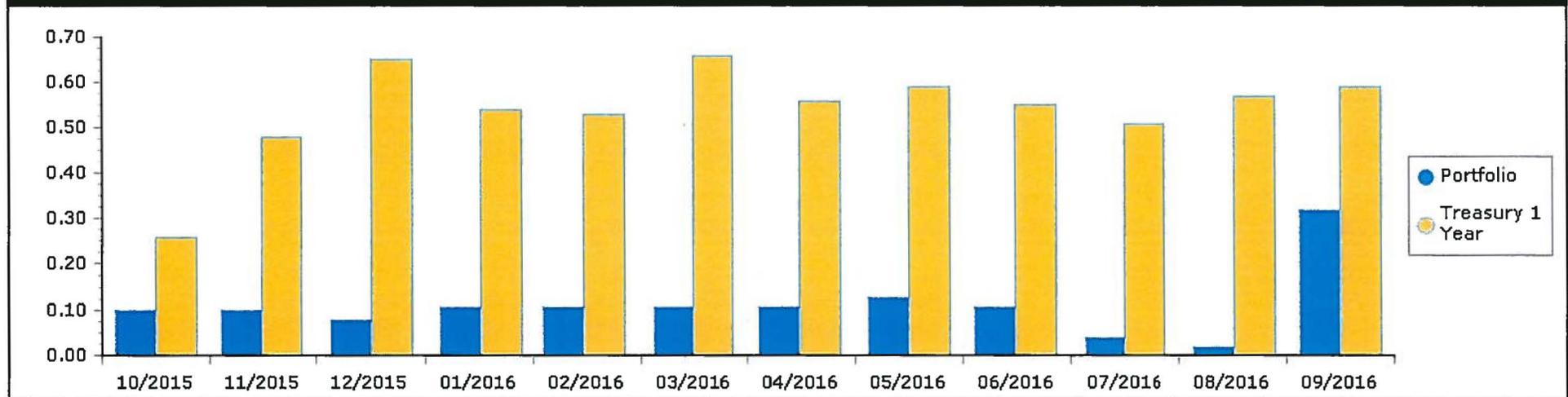


City of Pearland Total Rate of Return - Book Value by Month Report Group: TIRZ II

Begin Date: 10/31/2015, End Date: 9/30/2016

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
10/31/2015	4,952,937.45	421.30	0.00	421.30	5,027,218.90	0.01	0.10	0.26
11/30/2015	5,088,813.15	427.60	0.00	427.60	5,160,705.30	0.01	0.10	0.48
12/31/2015	5,224,038.53	424.17	0.00	424.17	6,446,766.81	0.01	0.08	0.65
1/31/2016	7,454,143.68	913.28	0.00	913.28	9,917,387.57	0.01	0.11	0.54
2/29/2016	11,946,854.65	1,078.56	0.00	1,078.56	12,225,687.03	0.01	0.11	0.53
3/31/2016	12,487,009.14	1,166.51	0.00	1,166.51	13,243,519.38	0.01	0.11	0.66
4/30/2016	13,867,694.33	1,723.19	0.00	1,723.19	18,345,089.51	0.01	0.11	0.56
5/31/2016	22,264,533.49	2,024.91	0.00	2,024.91	18,832,368.27	0.01	0.13	0.59
6/30/2016	16,007,904.18	1,489.08	0.00	1,489.08	16,040,290.30	0.01	0.11	0.55
7/31/2016	16,070,117.23	598.10	0.00	598.10	17,067,041.63	0.00	0.04	0.51
8/31/2016	17,888,636.29	200.37	0.00	200.37	10,883,211.57	0.00	0.02	0.57
9/30/2016	5,114,238.65	1,115.12	0.00	1,115.12	4,189,604.44	0.03	0.32	0.59

Annualized TRR-BV





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

Date: 9/30/2016

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	75,622.04	100.00	75,622.04	1.48%	None	1
WFSWEEP	75,622.04	0.04	75,622.04	0.04		0.00	None	0
			75,622.04		75,622.04	1.48%		1
Sub Total Cash	75,622.04	0.04	75,622.04	0.04		0.00		0
Local Government Investment Pool								
TexSTAR LGIP		9/22/2016	3,751,020.61	100.00	3,751,020.61	73.32%	S&P-AAA	1
02000-11110	3,751,020.61	0.41	3,751,020.61	0.41		0.00	None	0
			3,751,020.61		3,751,020.61	73.32%		1
Sub Total Local Government Investment Pool	3,751,020.61	0.41	3,751,020.61	0.41		0.00		0
Money Market								
Wells Fargo MM		5/30/2006	1,289,396.98	100.00	1,289,396.98	25.2%	None	1
WF7843	1,289,396.98	0.03	1,289,396.98	0.03		0.00	None	0
			1,289,396.98		1,289,396.98	25.2%		1
Sub Total Money Market	1,289,396.98	0.03	1,289,396.98	0.03		0.00		0
			5,116,039.63		5,116,039.63	100.00%		1
TOTAL PORTFOLIO	5,116,039.63	0.31	5,116,039.63	0.31		0.00		0



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

Date: 9/30/2016

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
930: TIRZ II Shadow Creek								
TexSTAR LGIP		9/22/2016	3,751,020.61	100.00	3,751,020.61	73.32%	S&P-AAA	1
02000-11110	3,751,020.61	0.41	3,751,020.61	0.41		0.00	None	0
Wells Fargo MM		5/30/2006	1,289,396.98	100.00	1,289,396.98	25.2%	None	1
WF7843	1,289,396.98	0.03	1,289,396.98	0.03		0.00	None	0
Wells Fargo Sweep Cash		5/31/2006	75,622.04	100.00	75,622.04	1.48%	None	1
WFSWEEP	75,622.04	0.04	75,622.04	0.04		0.00	None	0
Sub Total 930: TIRZ II Shadow Creek	5,116,039.63	0.31	5,116,039.63	0.31	5,116,039.63	100%	0.00	1
TOTAL PORTFOLIO	5,116,039.63	0.31	5,116,039.63	0.31	5,116,039.63	100.00%	0.00	1

Pledged Collateral Reconciliation Report September 30, 2016

Bank	Account Number	Account Name	Amount
Wells Fargo	807-1613395	Credit Card Account	-
Wells Fargo	001-3042841	Sweep Account	84,167,068.20
Wells Fargo	7169195455	False Alarm Reduction Program	278,390.67
Wells Fargo	818-4567843	Alvin ISD	1,039,396.98
Wells Fargo	179-0121790	EMS Payments	-
Wells Fargo	280-7409871	Health Claims	<u>334,620.16</u>
Total of Bank Balances			\$ 85,819,476.01
Pledged Collateral for City			217,706,890.53
FDIC Insurance			<u>250,000.00</u>
			\$ 217,956,890.53
Over (Under) Collateralized			\$ 132,137,414.52
Total % Collateralized			254.0%

Bank	Account Number	Account Name	Amount
Wells Fargo	100-7284258	Development Authority	<u>6,638,925.41</u>
Total of Bank Balances			\$ 6,638,925.41
Pledged Collateral for DAP			7,255,328.11
FDIC Insurance			<u>250,000.00</u>
			\$ 7,505,328.11
Over (Under) Collateralized			\$ 866,402.70
Total % Collateralized			113.1%
Total % Collateralized			243.9%
Status			Collateralized

DECEMBER

2016

**Tax Increment Reinvestment Zone No. 2
Quarterly Investment Report
September 30, 2016 to December 31, 2016**



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
10/31/2016	4,866,259.35	4,866,259.35	0.00	0.34	0.66	1,404.04	1
11/30/2016	5,407,147.62	5,407,147.62	0.00	0.33	0.74	3,759.43	1
12/31/2016	8,004,486.02	8,004,486.02	0.00	0.28	0.87	1,639.67	1
Total / Average	6,092,631.00	6,092,631.00	0.00	0.31	0.76	6,803.14	1

Cynthia Pearson
Cynthia Pearson, Director of Finance
Date

Rick Overgaard
Rick Overgaard, Assistant Director of Finance
Date 1/30/17

Carrie Ditta
Carrie Ditta, Accounting Supervisor
Date 1-25-17



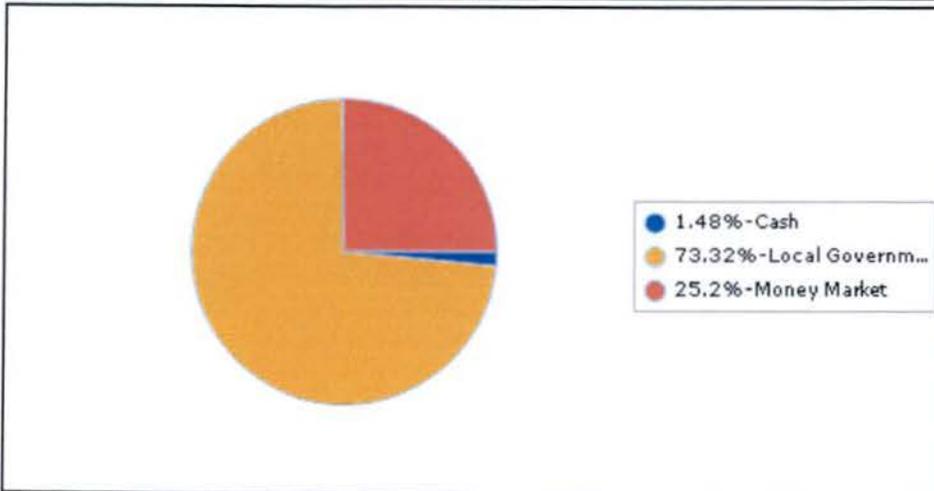
City of Pearland Distribution by Security Type - Book Value Report Group: TIRZ II

Begin Date: 9/30/2016, End Date: 12/31/2016

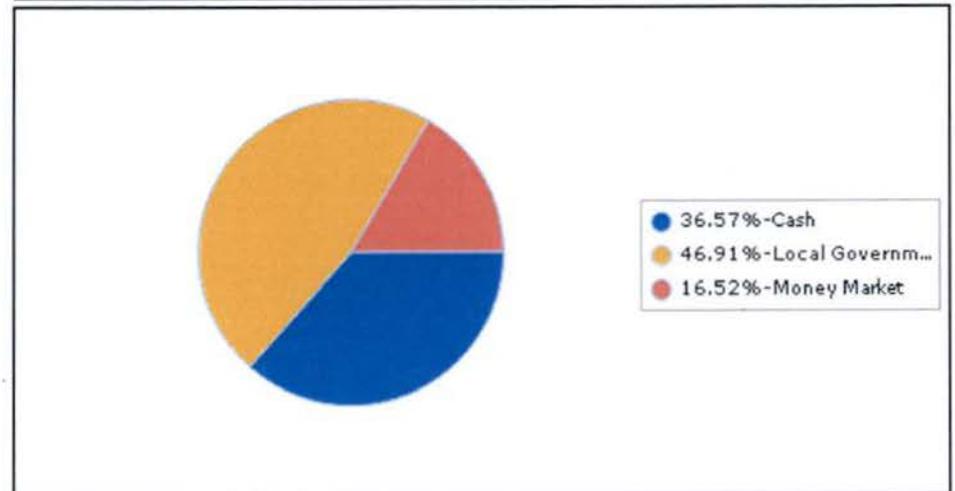
Security Type Allocation

Security Type	Book Value 9/30/2016	% of Portfolio 9/30/2016	Book Value 12/31/2016	% of Portfolio 12/31/2016
Cash	75,622.04	1.48	2,926,891.84	36.57
Local Government Investment Pool	3,751,020.61	73.32	3,754,999.57	46.91
Money Market	1,289,396.98	25.20	1,322,594.61	16.52
Total / Average	5,116,039.63	100.00	8,004,486.02	100.00

Portfolio Holdings as of 9/30/2016



Portfolio Holdings as of 12/31/2016





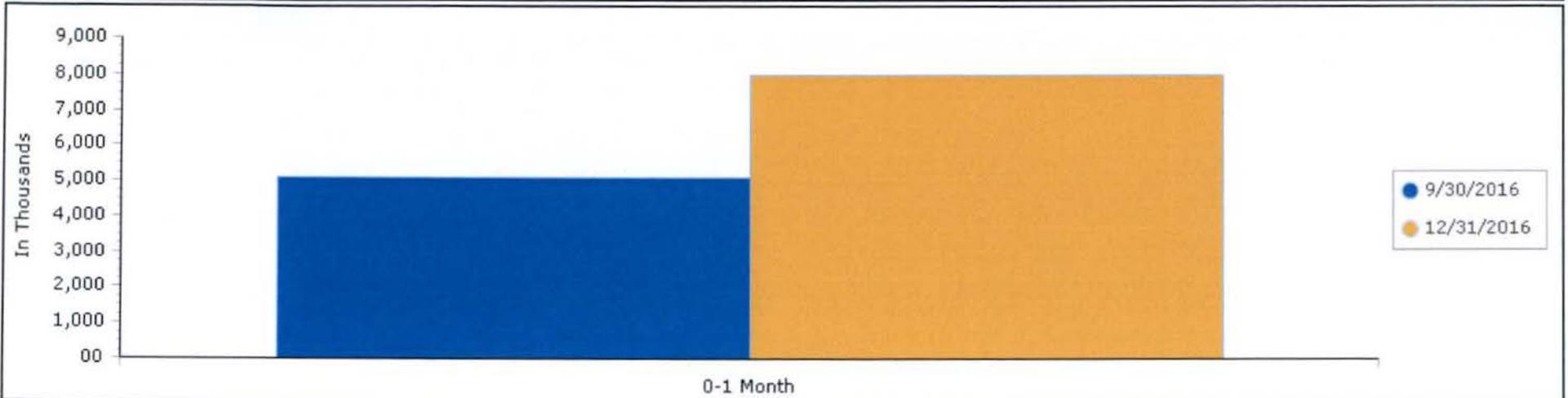
City of Pearland Distribution by Maturity Range - Book Value Report Group: TIRZ II

Begin Date: 9/30/2016, End Date: 12/31/2016

Maturity Range Allocation

Maturity Range	Book Value 9/30/2016	% of Portfolio 9/30/2016	Book Value 12/31/2016	% of Portfolio 12/31/2016
0-1 Month	5,116,039.63	100.00	8,004,486.02	100.00
Total / Average	5,116,039.63	100.00	8,004,486.02	100.00

Portfolio Holdings



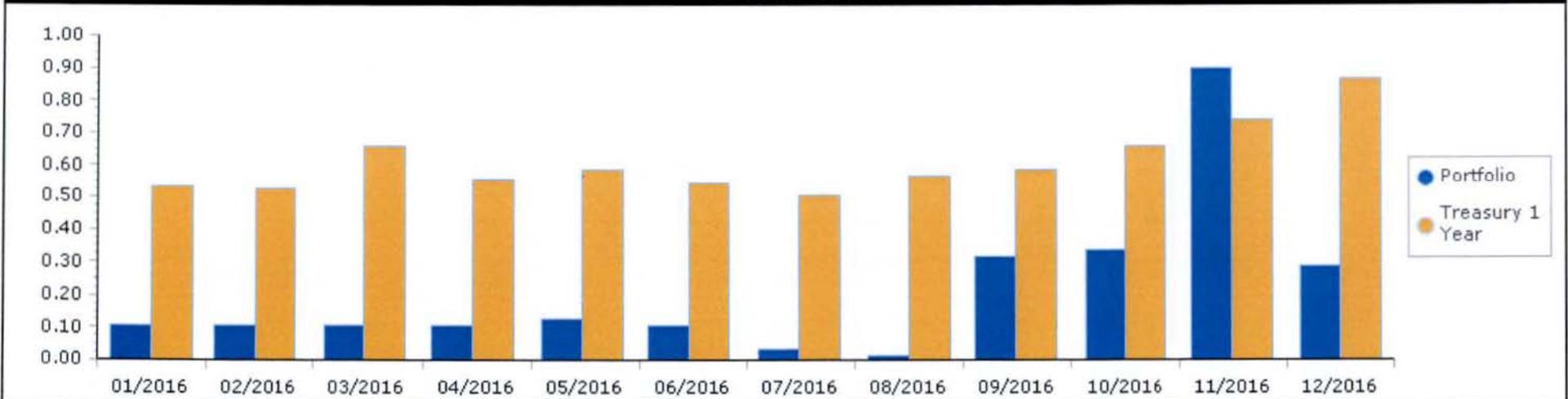


City of Pearland Total Rate of Return - Book Value by Month Report Group: TIRZ II

Begin Date: 1/31/2016, End Date: 12/31/2016

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
1/31/2016	7,454,143.68	913.28	0.00	913.28	9,917,387.57	0.01	0.11	0.54
2/29/2016	11,946,854.65	1,078.56	0.00	1,078.56	12,225,687.03	0.01	0.11	0.53
3/31/2016	12,487,009.14	1,166.51	0.00	1,166.51	13,243,519.38	0.01	0.11	0.66
4/30/2016	13,867,694.33	1,723.19	0.00	1,723.19	18,345,089.51	0.01	0.11	0.56
5/31/2016	22,264,533.49	2,024.91	0.00	2,024.91	18,832,368.27	0.01	0.13	0.59
6/30/2016	16,007,904.18	1,489.08	0.00	1,489.08	16,040,290.30	0.01	0.11	0.55
7/31/2016	16,070,117.23	598.10	0.00	598.10	17,067,041.63	0.00	0.04	0.51
8/31/2016	17,888,636.29	200.37	0.00	200.37	10,883,211.57	0.00	0.02	0.57
9/30/2016	5,114,238.65	1,115.12	0.00	1,115.12	4,189,604.44	0.03	0.32	0.59
10/31/2016	5,116,039.63	1,404.04	0.00	1,404.04	4,978,293.39	0.03	0.34	0.66
11/30/2016	4,866,259.35	3,759.43	0.00	3,759.43	5,027,728.06	0.07	0.90	0.74
12/31/2016	5,407,147.62	1,639.67	0.00	1,639.67	6,830,595.31	0.02	0.29	0.87

Annualized TRR-BV





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

Date: 12/31/2016

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	2,926,891.84	100.00	2,926,891.84	36.57%	None	1
WFSWEEP	2,926,891.84	0.09	2,926,891.84	0.09		0.00	None	0
			2,926,891.84		2,926,891.84	36.57%		1
Sub Total Cash	2,926,891.84	0.09	2,926,891.84	0.09		0.00		0
Local Government Investment Pool								
TexSTAR LGIP		9/22/2016	3,754,999.57	100.00	3,754,999.57	46.91%	S&P-AAA	1
02000-11110	3,754,999.57	0.48	3,754,999.57	0.48		0.00	None	0
			3,754,999.57		3,754,999.57	46.91%		1
Sub Total Local Government Investment Pool	3,754,999.57	0.48	3,754,999.57	0.48		0.00		0
Money Market								
Wells Fargo MM		5/30/2006	1,322,594.61	100.00	1,322,594.61	16.52%	None	1
WF7843	1,322,594.61	0.15	1,322,594.61	0.15		0.00	None	0
			1,322,594.61		1,322,594.61	16.52%		1
Sub Total Money Market	1,322,594.61	0.15	1,322,594.61	0.15		0.00		0
TOTAL PORTFOLIO	8,004,486.02	0.28	8,004,486.02	0.28		100.00%		1



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

Date: 12/31/2016

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
930: TIRZ II Shadow Creek								
TexSTAR LGIP		9/22/2016	3,754,999.57	100.00	3,754,999.57	46.91%	S&P-AAA	1
02000-11110	3,754,999.57	0.48	3,754,999.57	0.48		0.00	None	0
Wells Fargo MM		5/30/2006	1,322,594.61	100.00	1,322,594.61	16.52%	None	1
WF7843	1,322,594.61	0.15	1,322,594.61	0.15		0.00	None	0
Wells Fargo Sweep Cash		5/31/2006	2,926,891.84	100.00	2,926,891.84	36.57%	None	1
WFSWEEP	2,926,891.84	0.09	2,926,891.84	0.09		0.00	None	0
			8,004,486.02		8,004,486.02	100%		1
Sub Total 930: TIRZ II Shadow Creek	8,004,486.02	0.28	8,004,486.02	0.28		0.00		0
			8,004,486.02		8,004,486.02	100.00%		1
TOTAL PORTFOLIO	8,004,486.02	0.28	8,004,486.02	0.28		0.00		0

Pledged Collateral Reconciliation Report December 31, 2016

Bank	Account Number	Account Name	Amount
Wells Fargo	807-1613395	Credit Card Account	-
Wells Fargo	001-3042841	Sweep Account	94,610,933.84
Wells Fargo	7169195455	False Alarm Reduction Program	279,438.98
Wells Fargo	818-4567843	Alvin ISD	1,322,594.61
Wells Fargo	179-0121790	EMS Payments	-
Wells Fargo	280-7409871	Health Claims	230,352.77
Wells Fargo	3542574094	Escrow W&S Revenue Bonds, Series B	10,843,949.20
Wells Fargo	3542574102	Escrow W&S Revenue Bonds, Series C	<u>49,101,233.51</u>
Total of Bank Balances			\$ 156,388,502.91
Pledged Collateral for City			202,574,594.82
FDIC Insurance			<u>500,000.00</u>
			\$ 203,074,594.82
Over (Under) Collateralized			\$ 46,686,091.91
Total % Collateralized			129.9%

Bank	Account Number	Account Name	Amount
Wells Fargo	100-7284258	Development Authority	<u>1,013,222.28</u>
Total of Bank Balances			\$ 1,013,222.28
Pledged Collateral for DAP			866,707.24
FDIC Insurance			<u>250,000.00</u>
			\$ 1,116,707.24
Over (Under) Collateralized			\$ 103,484.96
Total % Collateralized			110.2%
Total % Collateralized			129.7%
Status			Collateralized

MARCH

2017

**Tax Increment Reinvestment Zone No. 2
Quarterly Investment Report
December 31, 2016 to March 31, 2017**



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
1/31/2017	12,598,074.46	12,598,074.46	0.00	0.25	0.83	2,469.84	1
2/28/2017	13,172,381.39	13,172,381.39	0.00	0.24	0.82	2,599.05	1
3/31/2017	14,813,609.81	14,813,609.81	0.00	0.24	1.01	3,148.73	1
Total / Average	13,528,021.89	13,528,021.89	0.00	0.24	0.89	8,217.62	1

Cynthia Pearson
Cynthia Pearson, Director of Finance

4/24/17
Date

Rick Overgaard
Rick Overgaard, Assistant Director of Finance

4/21/17
Date

Carrie Ditta
Carrie Ditta, Accounting Supervisor

4-18-17
Date

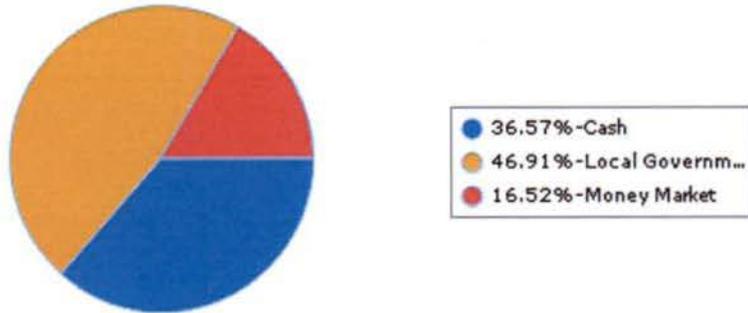


City of Pearland Distribution by Security Type - Book Value Report Group: TIRZ II

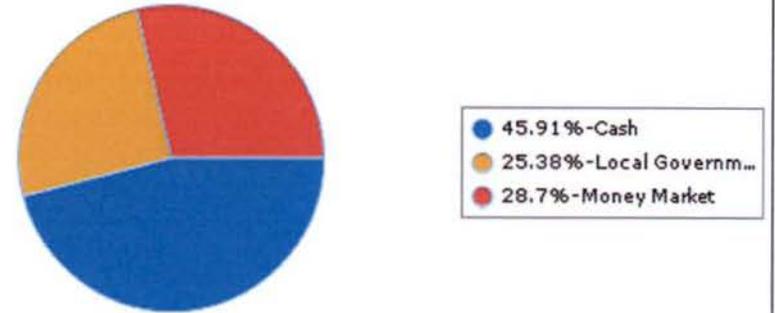
Begin Date: 12/31/2016, End Date: 3/31/2017

Security Type Allocation				
Security Type	Book Value 12/31/2016	% of Portfolio 12/31/2016	Book Value 3/31/2017	% of Portfolio 3/31/2017
Cash	2,926,891.84	36.57	6,801,213.55	45.91
Local Government Investment Pool	3,754,999.57	46.91	3,760,333.95	25.38
Money Market	1,322,594.61	16.52	4,252,062.31	28.70
Total / Average	8,004,486.02	100.00	14,813,609.81	100.00

Portfolio Holdings as of 12/31/2016



Portfolio Holdings as of 3/31/2017





City of Pearland

Distribution by Maturity Range - Book Value

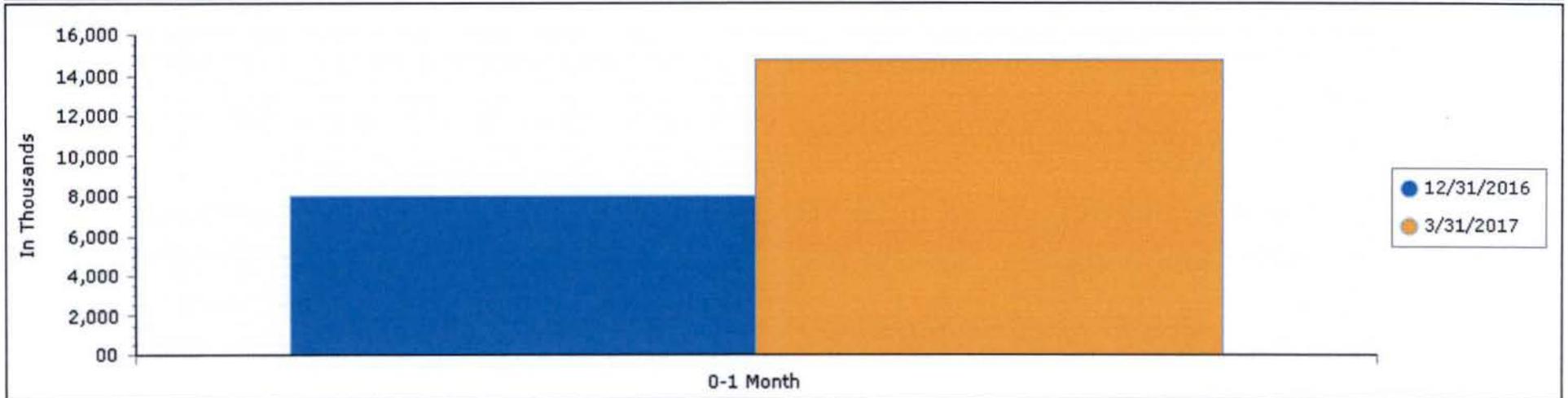
Report Group: TIRZ II

Begin Date: 12/31/2016, End Date: 3/31/2017

Maturity Range Allocation

Maturity Range	Book Value 12/31/2016	% of Portfolio 12/31/2016	Book Value 3/31/2017	% of Portfolio 3/31/2017
0-1 Month	8,004,486.02	100.00	14,813,609.81	100.00
Total / Average	8,004,486.02	100.00	14,813,609.81	100.00

Portfolio Holdings



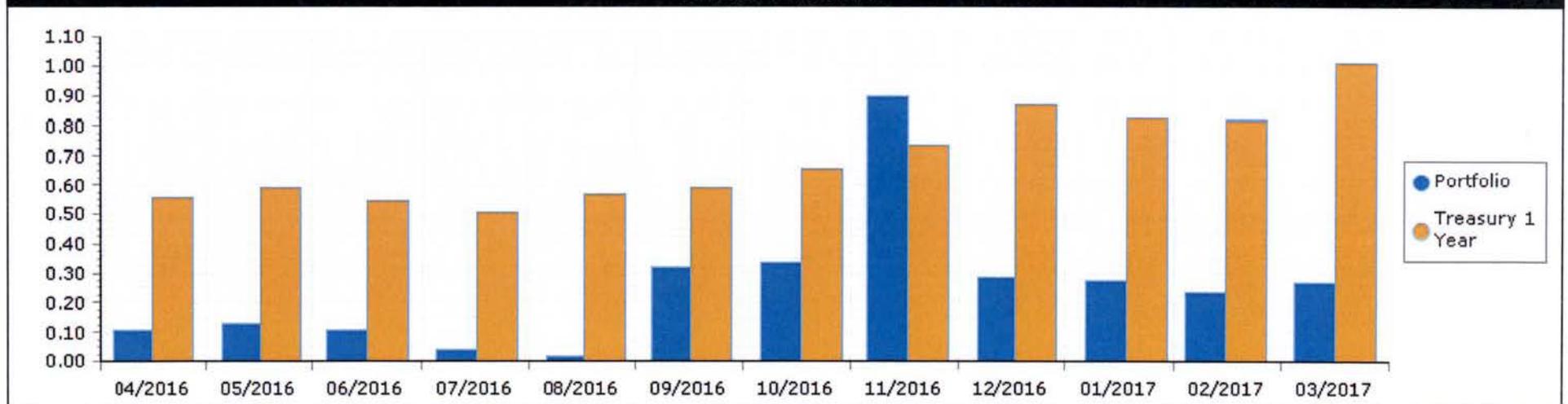


City of Pearland Total Rate of Return - Book Value by Month Report Group: TIRZ II

Begin Date: 4/30/2016, End Date: 3/31/2017

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
4/30/2016	13,867,694.33	1,723.19	0.00	1,723.19	18,345,089.51	0.01	0.11	0.56
5/31/2016	22,264,533.49	2,024.91	0.00	2,024.91	18,832,368.27	0.01	0.13	0.59
6/30/2016	16,007,904.18	1,489.08	0.00	1,489.08	16,040,290.30	0.01	0.11	0.55
7/31/2016	16,070,117.23	598.10	0.00	598.10	17,067,041.63	0.00	0.04	0.51
8/31/2016	17,888,636.29	200.37	0.00	200.37	10,883,211.57	0.00	0.02	0.57
9/30/2016	5,114,238.65	1,115.12	0.00	1,115.12	4,189,604.44	0.03	0.32	0.59
10/31/2016	5,116,039.63	1,404.04	0.00	1,404.04	4,978,293.39	0.03	0.34	0.66
11/30/2016	4,866,259.35	3,759.43	0.00	3,759.43	5,027,728.06	0.07	0.90	0.74
12/31/2016	5,407,147.62	1,639.67	0.00	1,639.67	6,830,595.31	0.02	0.29	0.87
1/31/2017	8,004,486.02	2,469.84	0.00	2,469.84	10,522,196.22	0.02	0.28	0.83
2/28/2017	12,598,074.46	2,599.05	0.00	2,599.05	12,883,928.40	0.02	0.24	0.82
3/31/2017	13,172,381.39	3,148.73	0.00	3,148.73	14,070,683.16	0.02	0.27	1.01

Annualized TRR-BV





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

Date: 3/31/2017

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	6,801,213.55	100.00	6,801,213.55	45.91%	None	1
WFSWEEP	6,801,213.55	0.09	6,801,213.55	0.09		0.00	None	0
			6,801,213.55		6,801,213.55	45.91%		1
Sub Total Cash	6,801,213.55	0.09	6,801,213.55	0.09		0.00		0
Local Government Investment Pool								
TexSTAR LGIP		9/22/2016	3,760,333.95	100.00	3,760,333.95	25.38%	S&P-AAA	1
02000-11110	3,760,333.95	0.63	3,760,333.95	0.63		0.00	None	0
			3,760,333.95		3,760,333.95	25.38%		1
Sub Total Local Government Investment Pool	3,760,333.95	0.63	3,760,333.95	0.63		0.00		0
Money Market								
Wells Fargo MM		5/30/2006	4,252,062.31	100.00	4,252,062.31	28.7%	None	1
WF7843	4,252,062.31	0.15	4,252,062.31	0.15		0.00	None	0
			4,252,062.31		4,252,062.31	28.7%		1
Sub Total Money Market	4,252,062.31	0.15	4,252,062.31	0.15		0.00		0
			14,813,609.81		14,813,609.81	100.00%		1
TOTAL PORTFOLIO	14,813,609.81	0.24	14,813,609.81	0.24		0.00		0

JUNE

2017

**Tax Increment Reinvestment Zone No. 2
Quarterly Investment Report
March 31, 2017 to June 30, 2017**



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
4/30/2017	14,840,627.28	14,840,627.28	0.00	0.27	1.04	3,314.24	1
5/31/2017	17,780,663.28	17,780,663.28	0.00	0.26	1.12	3,967.91	1
6/30/2017	17,886,793.78	17,886,793.78	0.00	0.57	1.20	8,382.13	1
Total / Average	16,836,028.11	16,836,028.11	0.00	0.37	1.12	15,664.28	1

Cynthia Pearson
Cynthia Pearson, Director of Finance

7/24/17
Date

Rick Overgaard
Rick Overgaard, Assistant Director of Finance

7/24/17
Date

Carrie Ditta
Carrie Ditta, Accounting Supervisor

7/24/17
Date



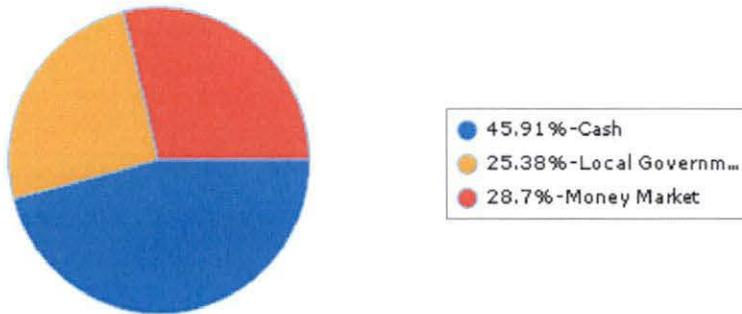
City of Pearland Distribution by Security Type - Book Value Report Group: TIRZ II

Begin Date: 3/31/2017, End Date: 6/30/2017

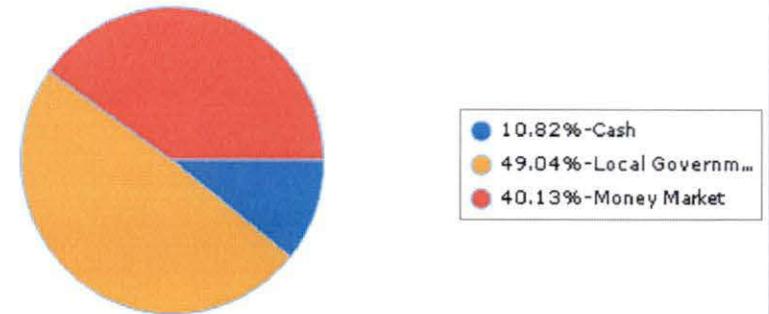
Security Type Allocation

Security Type	Book Value 3/31/2017	% of Portfolio 3/31/2017	Book Value 6/30/2017	% of Portfolio 6/30/2017
Cash	6,801,213.55	45.91	1,936,164.36	10.82
Local Government Investment Pool	3,760,333.95	25.38	8,772,259.11	49.04
Money Market	4,252,062.31	28.70	7,178,370.31	40.13
Total / Average	14,813,609.81	100.00	17,886,793.78	100.00

Portfolio Holdings as of 3/31/2017



Portfolio Holdings as of 6/30/2017





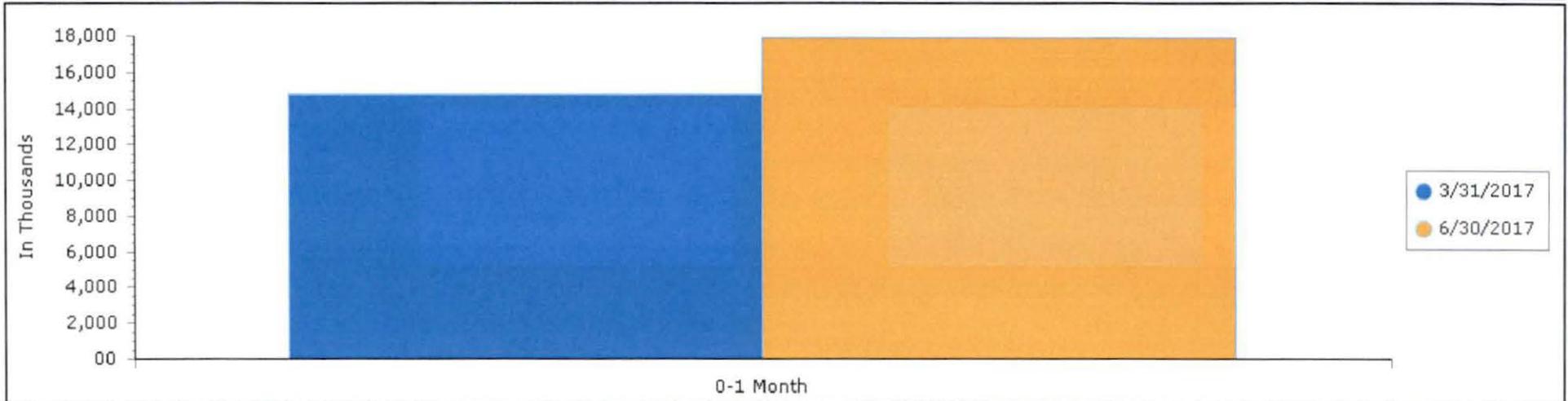
City of Pearland
Distribution by Maturity Range - Book Value
Report Group: TIRZ II

Begin Date: 3/31/2017, End Date: 6/30/2017

Maturity Range Allocation

Maturity Range	Book Value 3/31/2017	% of Portfolio 3/31/2017	Book Value 6/30/2017	% of Portfolio 6/30/2017
0-1 Month	14,813,609.81	100.00	17,886,793.78	100.00
Total / Average	14,813,609.81	100.00	17,886,793.78	100.00

Portfolio Holdings

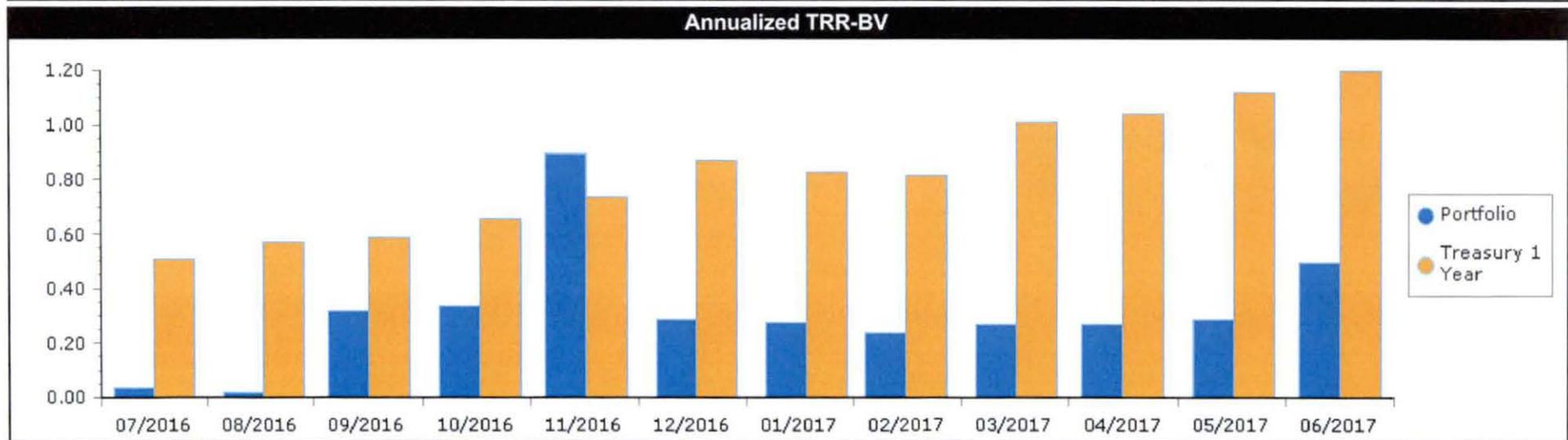




City of Pearland
Total Rate of Return - Book Value by Month
Report Group: TIRZ II

Begin Date: 7/31/2016, End Date: 6/30/2017

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
7/31/2016	16,070,117.23	598.10	0.00	598.10	17,067,041.63	0.00	0.04	0.51
8/31/2016	17,888,636.29	200.37	0.00	200.37	10,883,211.57	0.00	0.02	0.57
9/30/2016	5,114,238.65	1,115.12	0.00	1,115.12	4,189,604.44	0.03	0.32	0.59
10/31/2016	5,116,039.63	1,404.04	0.00	1,404.04	4,978,293.39	0.03	0.34	0.66
11/30/2016	4,866,259.35	3,759.43	0.00	3,759.43	5,027,728.06	0.07	0.90	0.74
12/31/2016	5,407,147.62	1,639.67	0.00	1,639.67	6,830,595.31	0.02	0.29	0.87
1/31/2017	8,004,486.02	2,469.84	0.00	2,469.84	10,522,196.22	0.02	0.28	0.83
2/28/2017	12,598,074.46	2,599.05	0.00	2,599.05	12,883,928.40	0.02	0.24	0.82
3/31/2017	13,172,381.39	3,148.73	0.00	3,148.73	14,070,683.16	0.02	0.27	1.01
4/30/2017	14,813,609.81	3,314.24	0.00	3,314.24	14,826,251.53	0.02	0.27	1.04
5/31/2017	14,840,627.28	3,967.91	0.00	3,967.91	16,450,729.14	0.02	0.29	1.12
6/30/2017	17,780,663.28	8,382.13	0.00	8,382.13	20,166,129.08	0.04	0.50	1.20





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

Date: 6/30/2017

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	1,936,164.36	100.00	1,936,164.36	10.82%	None	1
WFSWEEP	1,936,164.36	0.09	1,936,164.36	0.09		0.00	None	0
			1,936,164.36		1,936,164.36	10.82%		1
Sub Total Cash	1,936,164.36	0.09	1,936,164.36	0.09		0.00		0
Local Government Investment Pool								
Texas Class LGIP		6/1/2017	5,004,640.02	100.00	5,004,640.02	27.98%	None	1
TX-01-0615-0001	5,004,640.02	1.13	5,004,640.02	1.13		0.00	None	0
TexSTAR LGIP		9/22/2016	3,767,619.09	100.00	3,767,619.09	21.06%	S&P-AAA	1
02000-11110	3,767,619.09	0.86	3,767,619.09	0.86		0.00	None	0
			8,772,259.11		8,772,259.11	49.04%		1
Sub Total Local Government Investment Pool	8,772,259.11	1.02	8,772,259.11	1.02		0.00		0
Money Market								
Wells Fargo MM		5/30/2006	7,178,370.31	100.00	7,178,370.31	40.13%	None	1
WF7843	7,178,370.31	0.15	7,178,370.31	0.15		0.00	None	0
			7,178,370.31		7,178,370.31	40.13%		1
Sub Total Money Market	7,178,370.31	0.15	7,178,370.31	0.15		0.00		0
			17,886,793.78		17,886,793.78	100.00%		1
TOTAL PORTFOLIO	17,886,793.78	0.57	17,886,793.78	0.57		0.00		0

Pledged Collateral Reconciliation Report June 30, 2017

Bank	Account Number	Account Name	Amount
Wells Fargo	807-1613395	Credit Card Account	-
Wells Fargo	001-3042841	Sweep Account	31,543,763.84
Wells Fargo	7169195455	False Alarm Reduction Program	282,025.68
Wells Fargo	818-4567843	Alvin ISD	7,178,370.31
Wells Fargo	179-0121790	EMS Payments	-
Wells Fargo	280-7409871	Health Claims	219,056.82
Wells Fargo	3542574094	Escrow W&S Revenue Bonds, Series B	10,846,369.30
Wells Fargo	3542574102	Escrow W&S Revenue Bonds, Series C	5,106,603.95
Wells Fargo	4827855883	Choice IV with Interest-Public Funds	11,763,233.16
Wells Fargo	4827855875	Choice IV with Interest-Public Funds	<u>10,002,416.73</u>
Total of Bank Balances			\$ 76,941,839.79
Pledged Collateral for City			102,686,430.62
FDIC Insurance			<u>500,000.00</u>
			\$ 103,186,430.62
Over (Under) Collateralized			\$ 26,244,590.83
Total % Collateralized			134.1%

Bank	Account Number	Account Name	Amount
Wells Fargo	100-7284258	Development Authority	<u>926,809.26</u>
Total of Bank Balances			\$ 926,809.26
Pledged Collateral for DAP			766,939.24
FDIC Insurance			<u>250,000.00</u>
			\$ 1,016,939.24
Over (Under) Collateralized			\$ 90,129.98
Total % Collateralized			109.7%
Total % Collateralized			133.8%
Status			Collateralized

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

AGENDA OF: 10/23/2017	ITEM NO.: 6
DATE SUBMITTED: 07/06/2017	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Rick Overgaard	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEW DATE:
SUBJECT: Approval of the 2016 Annual Report.	
EXHIBITS: TIRZ 2016 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.

For 2015, the capture appraised value in the Zone was \$2,201,426,092 and tax increment received from the participating entities was \$22.7 million for 2016 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 \$184 million in reimbursements, of which \$110 million has been reimbursed along with \$51 million in interest.

Pursuant to State law, attached for consideration is the Pearland Tax Increment Reinvestment Zone 2016 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 2016 Annual Report with the board. The report will be presented to City Council on August , 2017 and to be filed/presented to the other participating entities.

RECOMMENDED ACTION

Consideration and approval of the TIRZ 2016 Annual Report.

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



**ANNUAL REPORT
2016**

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Exhibit 2: Amended Zone Boundary Map.....	16

COMPLIANCE

Texas Tax Code Section 311.016 (a):

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

CITY OF PEARLAND, TEXAS CITY COUNCIL

2016 Council Members

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

City Staff

City Manager	Clay Pearson
Director of Finance	Cynthia Pearson

REINVESTMENT ZONE NUMBER TWO CITY OF PEARLAND, TEXAS

BOARD OF DIRECTORS

2016 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 2016

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 seventeenth 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 2016 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, 2016.

TABLE B**Base Market Value by Jurisdiction (1)**

Taxing Entity	Base Year	Base Value	2016 Value (2)	Change
Original Zone	1998			
City of Pearland		7,172,980	2,080,713,121	2,073,540,141
Brazoria County		4,143,160	1,658,475,059	1,654,331,899
Fort Bend County		3,029,820	400,977,985	397,948,165
Alvin ISD		4,143,160	1,589,456,059	1,585,312,899
1st Plan Amendment	2006			
City of Pearland		4,381,680	132,267,631	127,885,951
Brazoria County		3,354,830	89,713,308	86,358,478
Fort Bend County		1,026,850	24,724,312	23,697,462
2nd Plan Amendment (3)	2006			
3rd Plan Amendment (4)	2006			

(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, 2016.

(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 - Current Year and Prior Five Years (1)**

Year	2011	2012	2013	2014	2015	2016
City of Pearland Revenue	\$ 8,349,033	\$ 10,280,251	\$ 10,459,326	\$ 12,326,867	\$ 10,624,549	\$ 14,362,791
Rebate to City for Administrative Costs (2)	\$ (5,233,446)	\$ (6,514,331)	\$ (6,677,117)	\$ (7,865,023)	\$ (6,803,968)	\$ (9,192,187)
Brazoria County Revenue	\$ 1,449,043	\$ 1,486,826	\$ 1,499,782	\$ 1,527,826	\$ 1,674,994	\$ 1,809,824
Alvin ISD Revenue (3)	\$ 3,927,965	\$ 4,112,895	\$ 4,160,862	\$ 4,167,334	\$ 4,933,323	\$ 5,159,693
Other Revenue	\$ 9,859	\$ 2,532,291	\$ 1,310,196	\$ 1,348,416	\$ 1,476,931	\$ 1,663,842
Fort Bend County Revenue	\$ 435,863	\$ 432,546	\$ 505,394	\$ 725,795	\$ 929,041	\$ 1,339,271
Expenditures for Zone Administration	\$ (40,196)	\$ (16,767)	\$ (24,122)	\$ (16,427)	\$ (22,208)	\$ (19,986)
Transfers to Development Authority	\$(10,381,230)	\$(12,016,051)	\$(10,997,930)	\$(11,494,978)	\$(12,666,896)	\$(14,572,487)
Fund Balance (4)	\$ 1,989,003	\$ 2,127,904	\$ 2,332,457	\$ 2,999,404	\$ 2,510,500	\$ 3,784,026

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

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

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

(4) In addition to fund balance, as of 12/31/16, AISD had \$1,322,594.61 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. In 2016, Letter Financing Agreement (Project #16-08-01) was approved by the Board. The proposed improvements total \$2,075,106 (1999 dollars) for design, construction, and contingency for a roadway to serve the Reserve at Shadow Creek

During calendar year 2016 Shadow Creek Ranch reported approximately 322 home sales and 195 closings. These additions bring the total number of homes in the Zone to 6,494 as of December 31, 2016. Also, major construction during 2016 included Healthsouth Hospital, neighborhood retail centers on Broadway and Kingsley, Shipra school, Kid City, Brookstone apartments, Avion apartments, Shadow Creek sports complex, and Watercrest adult living.

City Funded Improvements:

- There were no City funded projects in 2016.

TxDOT Funded Improvements:

- There were no TxDOT funded projects in 2016.

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, 2009, 2013, 2014, and 2015. In 2016, the Development Authority and the City approved the issuance of \$12,320,000 in Increment Contract Revenue and Refunding Bonds, Series 2016.

**TABLE E
Development Authority of Pearland Outstanding Debt as of December 31, 2016**

Tax increment Contract Revenue Bonds	Principal Amount Issued	Principal Amount Outstanding	Total Debt Service Outstanding
Series 2013	\$9,150,000	\$7,975,000	\$10,381,014
Series 2014	\$8,060,000	\$7,005,000	\$8,374,248
Series 2015	\$66,030,000	\$61,750,000	\$73,995,060
Series 2016	\$12,320,000	\$12,320,000	\$14,301,407
Total	\$95,560,000	\$89,050,000	\$107,051,729

In addition to developer reimbursements made via the sale of bonds, the DAP has also made payments from cash reserves. In 2016 the DAP made direct payments to the developer totaling \$7,271,305. Total direct payments as of the end of 2016 for the DAP is \$62,103,165, 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 2016.

TABLE F
Letter Finance Agreements Approved for Reimbursement

Letter Finance Agreement (LFA)	LFA Date	LFA Amount (1)	Reimbursements Through 2016 (2)
Creation Costs	6/19/2000	\$ 900,000	\$ 1,235,408
LFA 99-11-001 (Entry)	11/8/1999	919,150 *	1,220,281
LFA 00-01-001 (V1P1A)	2/21/2000	6,524,629	5,243,529
LFA 00-10-002 (V1P1B)	10/9/2000	10,318,290	10,593,290
LFA 01-04-001 (V1P1B)	8/23/2001	1,967,061	805,884
LFA 03-10-004 (Kingsley Drive, Phase 3)	10/7/2003	3,529,173	2,791,877
LFA 04-07-006 (Traffic Signal Shadow Creek PKWY/Kingsley)	7/13/2004	287,788	293,578
LFA 04-07-007 (Parks and Trails Grading and Infrastructure)	7/13/2004	1,007,256	877,201
LFA 03-10-001 (Remaining Village 2, Phase 2 Improvements)	10/7/2003	7,554,654	8,493,040
LFA 04-07-002 (Fire/Police Station Land Cost)	7/13/2004	408,668	555,954
LFA 02-08-001 (Village 1 and Village 2 Phase 2 Improvements)	8/6/2002	4,727,516	6,029,532
LFA 01-11-002 (Additional Village 1 and Village 2 Improvements)	11/12/2001	24,509,430	33,055,576
LFA 03-10-002 (Village 3, Phase 1 and 2 Improvements)	10/7/2003	7,809,950	11,734,369
LFA 06-03-001 (Elementary School #2 Site)	3/27/2006	1,687,801	1,886,601
LFA 06-08-002 (Library Site)	8/28/2006	481,569	557,100
LFA 04-07-003 (Regional Nature Park)	7/13/2004	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	12,811,167
LFA 04-07-004 (Village 3, Phase 4 Improvements)	07/13/04	8,204,999	13,624,832
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	10,329,448
LFA 06-01-002 (Additional Village 4 Improvements)	01/31/06	9,392,437	14,607,061
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)	3/12/2007	1,271,499	-
LFA 08-05-001 (Broadway to FM 521)	5/5/2008	9,482,989	-
LFA 08-05-002 (Broadway Landscape - Northside)	5/5/2008	1,158,218 *	-
LFA 08-01-001 (Broadway Improvements) City of Pearland	1/15/2008	8,449,086	-
LFA 10-06-001 (Discovery Bay Extension to SH288)	6/7/2010	912,908	-
LFA 10-06-002 (SCH-4 Site)	6/7/2010	2,530,620	-
LFA 10-06-003 (SCH-5 Site)	6/7/2010	4,935,370	-
LFA 13-06-001 (SCH-3 Site)	6/24/2013	2,382,379	-
LFA 12-06-001 (Village 7, Phase 1)	6/11/2012	10,571,086	-
		\$ 184,265,431	\$ 161,222,965

(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, 2016, 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, 2016, the area encompassed by the Zone had a total appraised value of \$2,080,713,121. As a result, the total captured appraised value (net base year value and exemptions) on the tax roll as of January 1, 2016, was \$2,073,540,141 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, 2016, the total appraised value was \$132,267,631. As a result, the total captured appraised value on the roll as of January 1, 2016, was \$127,885,951. 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.

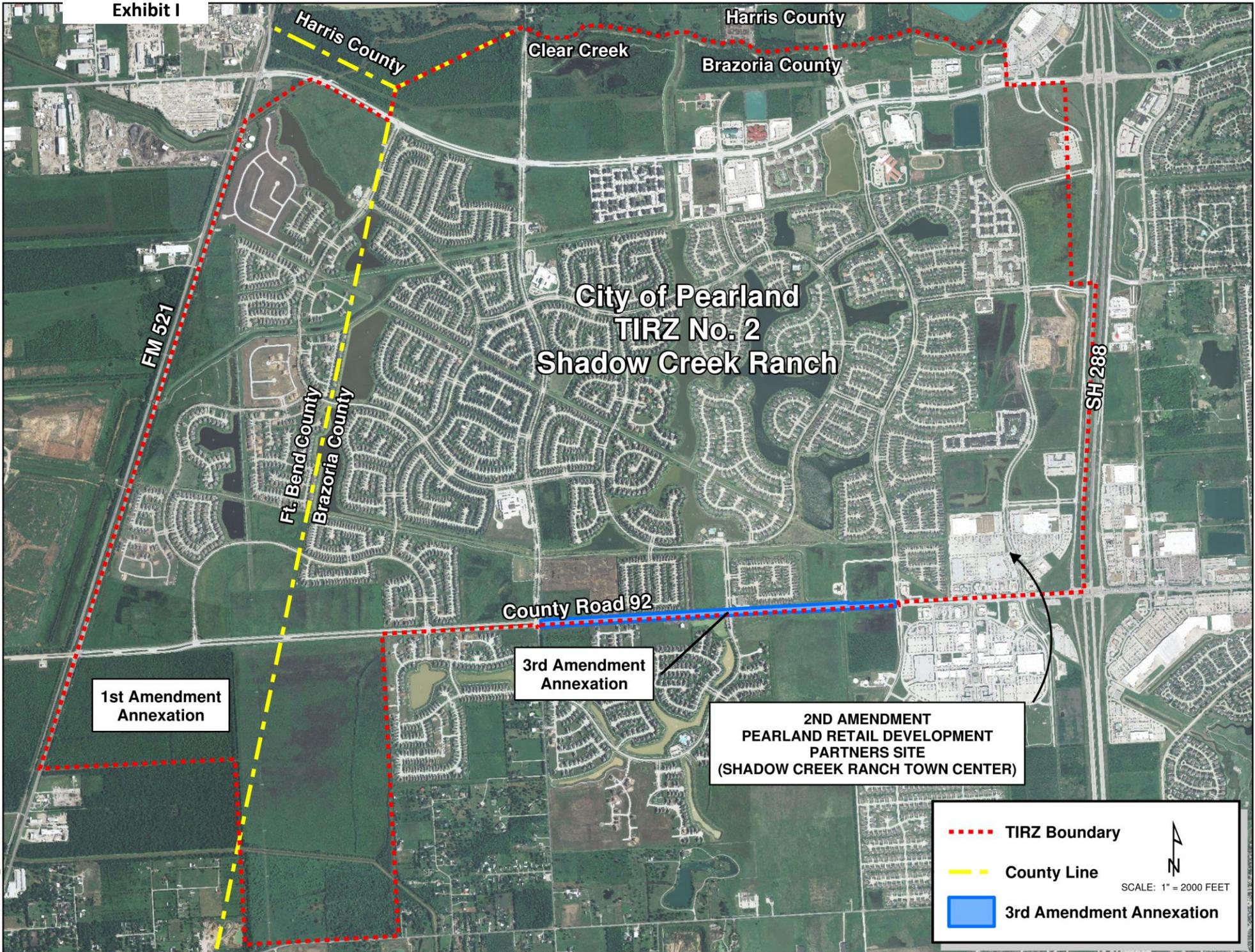
5. The information provided in this section is in accordance with §311.016 (a) (5) of the Texas Tax Code, which requires inclusion of the captured appraised value shared by the municipality and other taxing units, the total amount of tax increments received, and any additional information necessary to 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, 2016, the total captured appraised value in the TIRZ was \$2,201,426,092 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**

**2016 ANNUAL REPORT
EXHIBITS**





TIRZ 2 - ORIGINAL BOUNDARY

1ST AMENDMENT ANNEXATION

PEARLAND RETAIL DEVELOPMENT PARTNERS SITE

Exhibit 2

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

AGENDA OF: 10/23/2017	ITEM NO.: 7
DATE SUBMITTED: 10/9/2017	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Marsh Darcy Partners	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEW DATE:
SUBJECT: Ratification of invoices authorized for payment by the Invoice Review Committee and approval invoices presented for payment	
EXHIBITS Summary of Invoices Copy of Invoices	
EXPENDITURE REQUIRED: 10,571.62 AMOUNT AVAILABLE: Yes ACCOUNT NO.: N/A	AMOUNT BUDGETED: Yes 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

The invoice review committee has reviewed and recommended payment of invoices totaling \$9,871.62. An additional invoice was received after committee review in the amount of \$700, for a total expenditure of \$10,571.62.

RECOMMENDED ACTION

Ratify invoices authorized for payment by the Invoice Review Committee and approve additional invoice presented for payment.

PEARLAND TIRZ #2
 APPROVAL OF INVOICES FOR PAYMENT
 9/30/2017

EXHIBIT A

<u>VENDOR</u>	<u>INVOICE NUMBER</u>	<u>INVOICE DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
<u>Approved by Invoice Review Committee</u>				
Assessments of the Southwest	5932	7/31/2016	Prepare estimated value	\$ 200.00
Errand Runner	1387	9/14/2016	TIRZ package delivery	\$ 116.63
Errand Runner	1392	10/31/2016	TIRZ package delivery	\$ 87.13
Fed Ex	5-509-26533	8/11/2016	TIRZ package delivery	\$ 93.80
Fed Ex	5-561-39256	9/29/2016	TIRZ package delivery	\$ 72.92
LJA Engineering	201505688	6/18/2015	TIRZ Coordination	\$ 2,604.95
LJA Engineering	201607592	8/5/2016	TIRZ Coordination	\$ 1,201.75
LJA Engineering	201608831	9/2/2016	TIRZ Coordination	\$ 121.94
Marsh Darcy Partners	2330	12/1/2016	LFA Research Project	\$ 2,523.75
Marsh Darcy Partners	2378	1/1/2017	LFA Research Project	\$ 302.50
Marsh Darcy Partners	2426	4/1/2017	Prepare annual report	\$ 1,785.00
<u>Marsh Darcy Partners</u>	<u>2444</u>	<u>5/1/2017</u>	<u>TIRZ Administration</u>	<u>\$ 761.25</u>
Subtotal				\$ 9,871.62
<u>Invoices Received Subsequent to Committee Approval</u>				
Assessments of the Southwest	6816	10/4/2017	CAD research and prepare estimated value	\$ 700.00
<u>Total</u>				\$ 10,571.62

Invoices Attached

V# 9016

V# 9016

Assessments of the Southwest, Inc.

Assessments of the Southwest, Inc.
P.O. Box 1368
Friendswood, TX 77549-1368

(281)482-0216
aswmail@aswtax.com

RECEIVED
FINANCE DEPARTMENT

2016 JUL -5 PM 1:49

Invoice

Date	Invoice #
07/01/2016	5932
Terms	Due Date
Net 30	07/31/2016

Bill To
City of Pearland TIRZ 2 c/o Claire Bogard 3519 Liberty Drive Pearland, TX 77581

Amount Due	Enclosed
\$200.00	

Please detach top portion and return with your payment.

Activity	Quantity	Rate	Amount
• TIRZ 2 - Estimated Value as of January 1, 2016	1	200.00	200.00
Total			\$200.00

RECEIVED
FINANCE DEPARTMENT
2016 JUL 23 PM 1:40

7.6.16

Approved:		Date:
Acct#	Project#	Amt.
Acct#	Project#	Amt.

V# 3699

ERRAND RUNNER

Invoice No. 1387

5401 Ryan Acres
Pearland, Texas 77584
Ph. 281-793-9669

INVOICE

Customer

Name	<u>City Hall - City Council</u>	Date	<u>9/14/2016</u>
Address	<u>3519 Liberty</u>	Order No.	<u> </u>
City	<u>Pearland</u> State <u>TX</u> Zip <u>77581</u>	Rep	<u>Young Loring</u>
Phone	<u>281-652-1651</u>		

Qty/Hrs	Description	Unit Price	Total
2.5	Delivery of 6 TIRZ pkgs. on 8/4 (p/u 5:30)	\$33.65	\$84.13
	50 miles at \$.65/mile	\$0.65	\$32.50
<i>930-610-100.5400.160</i>			
Sub Total			\$116.63
TOTAL			\$116.63

Payment Details	
<input type="checkbox"/>	Cash
<input type="checkbox"/>	Check/# <u> </u>
Name	<u>August Billing</u>

PLEASE MAKE CHECKS PAYABLE TO:
DEE HILL/ERRAND RUNNER

Thank you for using our services!

V#3699

ERRAND RUNNER

Invoice No. 1392

5401 Ryan Acres
Pearland, Texas 77584
Ph. 281-793-9669

INVOICE

Customer

Name	<u>City Hall - City Council-TIRZ</u>	Date	<u>10/31/2016</u>
Address	<u>3519 Liberty</u>	Order No.	<u></u>
City	<u>Pearland</u> State <u>TX</u> Zip <u>77581</u>	Rep	<u>Young Lorfing</u>
Phone	<u>281-652-1651</u>		

Qty/Hrs	Description	Unit Price	Total
2.5	Delivery of 7 TIRZ pkgs. on 9/23 (p/u 10am)	\$21.85	\$54.63
	50 miles at \$.65/mile	\$0.65	\$32.50
Sub Total			\$87.13
TOTAL			\$87.13

DUE TO DAY
930-610-100-5700.60
Ad 12/8/16

Payment Details	
<input type="checkbox"/>	Cash
<input type="checkbox"/>	Check/# _____
Name	<u>September Billing</u>

PLEASE MAKE CHECKS PAYABLE TO:
DEE HILL/ERRAND RUNNER

Thank you for using our services!

Rick Overgaard

From: Jmpyburn1 <jmpyburn1@aol.com>
Sent: Friday, December 02, 2016 8:17 AM
To: Rick Overgaard; herbfain@att.net
Cc: Cynthia Pearson; Tom March
Subject: Re: TIRZ Invoice Approval

Rick,

You have my authorization to pay these invoices.

Thank you,

Mike Pyburn
Almeda Water Well Service
jmpyburn1@aol.com
281-489-9355

-----Original Message-----

From: Rick Overgaard <ROvergaard@pearlandtx.gov>
To: 'jmpyburn1@aol.com' <jmpyburn1@aol.com>; 'herbfain@att.net' <herbfain@att.net>
Cc: Cynthia Pearson <capearson@pearlandtx.gov>; Tom March <tmarch@pearlandtx.gov>
Sent: Thu, Dec 1, 2016 1:20 pm
Subject: TIRZ Invoice Approval

Mr. Pyburn and Mr. Fain,

Attached are a couple of invoices that are for the TIRZ 2 that I need approval on so we can pay. If you can just reply back with an approval I will process the payments. Thank you.

Rick Overgaard
Assistant Director of Finance | Finance
City of Pearland | 3519 Liberty Drive | Pearland,
TX 77581
P: 281.652.1771
pearlandtx.gov

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TIRZ

FedEx Billing Online

Tracking ID Details

[Back](#)

Tracking ID Summary

[Help Hide](#)

Billing Information

Tracking ID no.	804117671222
Invoice no.	5-509-26533
Account no.	1176-4278-0
Ship date	08/04/2016
Invoice date	08/11/2016
Due date	08/26/2016
Tracking ID Balance due	\$93.90
Status	Past Due

Messages

Package Delivered to Recipient Address - Release A [Read More..](#)
 Distance Based Pricing, Zone 6
 Fuel Surcharge - FedEx has applied a fuel surcharg [Read More..](#)

[View Invoice History](#)

[View signature proof of delivery](#)

Transaction Details

[Help Hide](#)

Sender Information

CITY OF PEARLAND
 3519 LIBERTY DR
 PEARLAND TX 77581-5416
 US

Recipient Information

GARY COOK
 -
 8 LUCKY STAR
 PARK CITY UT 84060
 US

Shipment Details

Ship date	08/04/2016
Payment type	Shipper
Service type	FedEx First Overnight

Charges

Transportation Charge	83.96
Declared Value Charge	0.00
Fuel Surcharge	2.29

Zone	06
Package type	FedEx Pak
Weight	1.00 lbs
Pieces	1
Meter No.	
Declared value	\$10.00

Original Reference

Customer reference no.	NO REFERENCE INFORMATION
Department no.	
Reference #2	
Reference #3	

Proof of Delivery

Delivery date	08/05/2016 10:50
Service area code	A5
Signed by	see above

[View signature proof of delivery](#)

FedEx Billing Online

Courier Pickup Charge	4.00
Residential Delivery	3.65
Weekday Delivery	0.00
Total charges	\$93.90

[Enter promo code](#)

Updated Reference [Edit](#)

Customer reference no.	
Department no.	
Reference #2	
Reference #3	

Cost Allocation Reference [Edit](#)

Cost allocation	
Shipment Notes	

[Back](#)



V#101

FedEx Billing Online

Tracking ID Details

[Back](#)

Tracking ID Summary

[Help Hide](#)

Billing Information

Tracking ID no. [< Prev](#) [Next >](#)
 Invoice no. 5-561-39256
 Account no. 1176-4278-0
 Ship date 09/23/2016
 Invoice date 09/29/2016
 Due date 10/14/2016
Tracking ID Balance due \$72.92
 Status Open

Messages

Distance Based Pricing, Zone 6
 Fuel Surcharge - FedEx has applied a fuel surcharg [Read More..](#)

[View Invoice History](#)
[View signature proof of delivery](#)

Transaction Details

[Help Hide](#)

Sender Information

BECKY BOWERY
 CITY OF PEARLAND
 3519 LIBERTY DR
 PEARLAND TX 77581-5416
 US

Recipient Information

GARY COOK
 -
 1060 W CHARLESTON BLVD STE 1//
 LAS VEGAS NV 89135
 US

Shipment Details

Ship date 09/23/2016
 Payment type Shipper
 Service type FedEx Priority Overnight
 Zone 06
 Package type Customer Packaging
 Weight 2.00 lbs
 Pieces 1
 Meter No.
 Declared value \$0.00

Charges

Transportation Charge	63.32
Fuel Surcharge	1.35
Courier Pickup Charge	4.00
Weekday Delivery	0.00
Direct Signature	4.25
Total charges	\$72.92

[Enter promo code](#)

Original Reference

Customer reference no. NO REFERENCE INFORMATION
 Department no.
 Reference #2
 Reference #3

Updated Reference [Edit](#)

Customer reference no.
 Department no.
 Reference #2
 Reference #3

Proof of Delivery

Delivery date 09/26/2016 09:40
 Service area code A1
 Signed by M.ROSE

Cost Allocation Reference [Edit](#)

Cost allocation
 Shipment Notes

[View signature proof of delivery](#)

[Back](#)

V#2731

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 18, 2015
Project No: 1546-0000
Invoice No: 201505688

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

For Services Rendered Through 6/12/2015

Phase 010 - Coordination (TIRZ)

Engineering Services

	Billed Hours	Billing Rate	Current Billing	
CADD Technician				
Dimas, Omar	15.00	49.73	\$745.95	
Department Head				
Ross, James	13.00	143.00	\$1,859.00	
	28.00		\$2,604.95	
Total Labor				\$2,604.95
		Total This Phase		\$2,604.95
		Total Amount Due		\$2,604.95

Approved By: James Ross
James Ross

930-610-100.5440.160

Billing Backup

Thursday, June 18, 2015

LJA Engineering, Inc.

Invoice 201505688 Dated 06/12/15

11:41 AM

Project 1546-0000

Project 1546-0000

Phase 010 - Coordination (TIRZ)

Engineering Services

			Billed Hours	Billing Rate	Current Billing
CADD Technician					
828	Dimas, Omar	6/1/2015	8.00	49.73	\$397.84
TIRZ LFA # 12-06-001					
828	Dimas, Omar	6/2/2015	2.00	49.73	\$99.46
TIRZ LFA # 12-06-001					
828	Dimas, Omar	6/3/2015	1.00	49.73	\$49.73
TIRZ LFA # 12-06-001					
828	Dimas, Omar	6/8/2015	1.00	49.73	\$49.73
LFA_12-06-001					
828	Dimas, Omar	6/10/2015	1.00	49.73	\$49.73
LFA_12-06-001					
828	Dimas, Omar	6/11/2015	2.00	49.73	\$99.46
LFA_12-06-001					
Department Head					
091	Ross, James	6/1/2015	4.00	143.00	\$572.00
LFA 12-06-001 Reimbursement Submittal					
091	Ross, James	6/2/2015	1.50	143.00	\$214.50
LFA 12-06-001 Reimbursement Submittal					
091	Ross, James	6/3/2015	3.00	143.00	\$429.00
LFA 12-06-001 Reimbursement Submittal					
091	Ross, James	6/8/2015	2.00	143.00	\$286.00
Back-up documentation for LFA 12-06-001					
091	Ross, James	6/9/2015	2.50	143.00	\$357.50
Back-up documentation for LFA 12-06-001					
			28.00		\$2,604.95
Total Labor					\$2,604.95
Total This Phase					\$2,604.95
Total Amount Due					\$2,604.95

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

August 05, 2016
 Project No: 1546-0000
 Invoice No: 201607592

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

For Services Rendered Through 7/29/2016

Phase 010 - Coordination (TIRZ)

Engineering Services

	Billed Hours	Billing Rate	Current Billing
Department Head			
Ross, James	8.00	143.00	\$1,144.00
	8.00		\$1,144.00
Total Labor			\$1,144.00
		Total This Phase	\$1,144.00

Phase 101 - Maps & Exhibits

Engineering Services

	Billed Hours	Billing Rate	Current Billing
Clerical			
Wiley, Ebony	.75	77.00	\$57.75
	.75		\$57.75
Total Labor			\$57.75
		Total This Phase	\$57.75

Total Amount Due \$1,201.75

930-610-100.5400.160

CITY OF PEARLAND
 PURCHASING DEPARTMENT
 16 AUG 11 PM 2:46

Approved By: James Ross
 James Ross

Approved:		Date:
Acct#	Project#	Amt.
Acct#	Project#	Amt.

Billing Backup

Friday, August 05, 2016

LJA Engineering, Inc.

Invoice 201607592 Dated 07/29/16

10:02 AM

Project 1546-0000

Project 1546-0000

Phase 010 - Coordination (TIRZ)

Engineering Services

			Billed Hours	Billing Rate	Current Billing
	Department Head				
91	Ross, James	7/5/2016	1.50	143.00	\$214.50
					New TIRZ LFA for thoroughfare in Reserve at Shadow Creek
91	Ross, James	7/7/2016	1.50	143.00	\$214.50
					New TIRZ LFA for thoroughfare in Reserve at Shadow Creek
91	Ross, James	7/19/2016	2.50	143.00	\$357.50
					New TIRZ LFA for thoroughfare in Reserve at Shadow Creek
91	Ross, James	7/21/2016	2.50	143.00	\$357.50
					New TIRZ LFA for thoroughfare in Reserve at Shadow Creek
			8.00		\$1,144.00
Total Labor					\$1,144.00
Total This Phase					\$1,144.00

Phase 101 - Maps & Exhibits

Engineering Services

			Billed Hours	Billing Rate	Current Billing
	Clerical				
970	Wiley, Ebony	7/20/2016	.75	77.00	\$57.75
			.75		\$57.75
Total Labor					\$57.75
Total This Phase					\$57.75
Total Amount Due					\$1,201.75

V#2731

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

September 02, 2016
Project No: 1546-0000
Invoice No: 201608831

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

For Services Rendered Through 8/26/2016

Phase 010 - Coordination (TIRZ)

Engineering Services

	Billed Hours	Billing Rate	Current Billing	
Grad Engineer I				
Dimas, Omar	1.50	81.29	\$121.94	
	1.50		\$121.94	
Total Labor				\$121.94
		Total This Phase		\$121.94
		Total Amount Due		\$121.94

Approved By: James Ross
James Ross

Arnae *9.6.16*

Approved:		Date:
Acct#	Project#	Amt.
Acct#	Project#	Amt.

RECEIVED
FINANCE DEPARTMENT
2016 SEP -6 PM 1:42

Billing Backup

Thursday, September 01, 2016

LJA Engineering, Inc.

Invoice 201608831 Dated 08/26/16

10:56 AM

Project 1546-0000

Project 1546-0000

Phase 010 - Coordination (TIRZ)

Engineering Services

		Billed Hours	Billing Rate	Current Billing
Grad Engineer I				
828 Dimas, Omar	8/3/2016	1.50	81.29	\$121.94
	LFA # 14-06-002	1.50		\$121.94
Total Labor				\$121.94
Total This Phase				\$121.94
Total Amount Due				\$121.94

V# 10302



Invoice

Marsh Darcy Partners, Inc.
8955 Katy Freeway, Suite 215
Houston, Texas 77024

Invoice # : 2330
Date: 12/1/2016

Bill To:

City of Pearland
Attn: Cynthia Pearson
3519 Liberty Dr.
Pearland, TX 77581

Terms: Due on receipt

Item	Description	#	Rate	Date	Amount
Sue Darcy	Conv/ Mark McGrath re: status of LFA tracking list; discuss issues and resouce documents re: same w/ Alan Mueller; draft document request to City staff.	1	215.00	10/4/2016	215.00
Sue Darcy	Follow up w/ Cynthia Pearson re: documents for review; conv/ Lynne Humphries re: same; coordinate document production with Tracie Brownlee at ABHR.	0.5	215.00	10/24/2016	107.50
Sue Darcy	Review documents provided by ABHR; relay instructions for filing same to Jan Buehler. Update Alan Mueller on receipt of same.	0.25	215.00	10/27/2016	53.75
Sue Darcy	Discuss LFA review process and format w/ Alan Mueller: follow up with Young Lorfing on board minutes request.	0.5	215.00	11/8/2016	107.50
Sue Darcy	Discuss status of LFA review and list provided by city mgr w/ Alan Mueller; discuss other resources for confirming approved LFA's; conv/ Lynne Humphries re: data sources and expected spreadsheet output.	0.75	215.00	11/10/2016	161.25
Sue Darcy	Conv/ Alan Mueller to convey additional issues related to LFA review for addition to spreadsheet, per conv/ w/ Lynne Humphries.	0.25	215.00	11/11/2016	53.75
Sue Darcy	Review and acknowledge receipt of minutes from 2007-2011 from City Secretary; review same and follow up w/ Alan Mueller re: content and cross-reference to LFA list.	0.5	215.00	11/14/2016	107.50

Thank you for your business.

Total Due

Phone #	Fax:	Web Site
(713) 647-9880	(713) 647-6448	www.marshdarcypartners.com

Marsh Darcy Partners, Inc.
8955 Katy Freeway, Suite 215
Houston, Texas 77024

Invoice # : 2330
Date: 12/1/2016

Bill To:

City of Pearland
Attn: Cynthia Pearson
3519 Liberty Dr.
Pearland, TX 77581

Terms: Due on receipt

Item	Description	#	Rate	Date	Amount
Sue Darcy	Review and respond to emails from ABHR re: status of board appointments; research city website, creation ordinance, conv/ Young Lorfing, etc. Draft response to ABHR re: current board positions and terms; update Clay Pearson re: same via voice mail.	1	215.00	11/16/2016	215.00
Sue Darcy	Review and discuss additions to LFP list w/ Alan Mueller; conf/call w/ Mark McGrath re: same and issues for preparation of comprehensive; update Lynne Humphries re: same.	1	215.00	11/18/2016	215.00
Alan Mueller	Project coordination with Sue Darcy	0.25	195.00	11/8/2016	48.75
Alan Mueller	Review minutes, agendas, and annual reports and compile list of undocumented LFAs	2.75	195.00	11/11/2016	536.25
Alan Mueller	Review additional meeting minutes provided by City	0.5	195.00	11/14/2016	97.50
Alan Mueller	Review data from James Ross; update LFA inventory; conference call with Mark McGrath and Sue Darcy	1	195.00	11/18/2016	195.00
Alan Mueller	Receive, review, and transmit updated LFA list to City	0.75	195.00	11/22/2016	146.25
Alan Mueller	Respond to questions and coordinate with Mark McGrath	0.25	195.00	11/23/2016	48.75
Alan Mueller	Update LFA summary list per Clay Pearson request and transmit to group	1	195.00	11/23/2016	195.00
Jan Buehler	Assist Sue Darcy: download Dropbox 11 files to appropriate project folders.	0.25	80.00	10/27/2016	20.00

Thank you for your business.

Total Due **\$2,523.75**

Phone #	Fax:	Web Site
(713) 647-9880	(713) 647-6448	www.marshdarcypartners.com

✓ # 10302



Invoice

Marsh Darcy Partners, Inc.
8955 Katy Freeway, Suite 215
Houston, Texas 77024

Invoice # : 2378
Date: 1/1/2017

Bill To:

City of Pearland
Attn: Cynthia Pearson
3519 Liberty Dr.
Pearland, TX 77581

Terms: Due on receipt

Item	Description	#	Rate	Date	Amount
Sue Darcy	Review and respond to various emails re: LFA compilation; follow up w/ Alan Mueller re: same.	0.25	215.00	12/1/2016	53.75
Sue Darcy	Review and monitor various emails re: interest accrued on audited LFA's.	0.25	215.00	12/13/2016	53.75
Alan Mueller	Research and respond to question from the city manager and final coordination	0.5	195.00	12/12/2016	97.50
Alan Mueller	Research and respond to question from the city manager and final coordination	0.5	195.00	12/16/2016	97.50

Thank you for your business.

Total Due **\$302.50**

Phone #	Fax:	Web Site
(713) 647-9880	(713) 647-6448	www.marshdarcypartners.com

Marsh Darcy Partners, Inc.
8955 Katy Freeway, Suite 215
Houston, Texas 77024

Invoice #: 2426
Date: 4/1/2017

Bill To:

City of Pearland
Attn: Cynthia Pearson
3519 Liberty Dr.
Pearland, TX 77581

Terms: Due on receipt

Item	Description	#	Rate	Date	Amount
Sue Darcy	Review and comment on draft list of data sets for Annual Report; discuss same w/ Alan Mueller.	0.5	215.00	3/6/2017	107.50
Sue Darcy	Conv/ Alan Mueller re: reports and data needs from BCTO and status of draft annual report; review and monitor emails re: same to BCTO	0.5	215.00	3/21/2017	107.50
Sue Darcy	Review TIRZ increment summary for 2016 from Ro'Vin Garrett w/ BCTO, relay comments to Alan Mueller re: same.	0.5	215.00	3/30/2017	107.50
Alan Mueller	Review 2015 annual report; compile data needs for 2016 annual report	1.25	195.00	3/6/2017	243.75
Alan Mueller	Request data from Shadow Creek Ranch developer; begin data review	0.5	195.00	3/7/2017	97.50
Alan Mueller	Work on 2016 TIRZ annual report	4	195.00	3/17/2017	780.00
Alan Mueller	Meeting with Finance staff and follow up with tax assessor	0.75	195.00	3/21/2017	146.25
Alan Mueller	Work on annual report updates per 3/21/17 meeting	0.5	195.00	3/24/2017	97.50
Alan Mueller	Coordination with tax assessor and initial review of valuation data	0.25	195.00	3/28/2017	48.75
Alan Mueller	Coordination with tax assessor and initial review of valuation data	0.25	195.00	3/30/2017	48.75

Thank you for your business.

Total Due \$1,785.00

Phone #	Fax:	Web Site
(713) 647-9880	(713) 647-6448	www.marshdarcypartners.com

Marsh Darcy Partners, Inc.
8955 Katy Freeway, Suite 215
Houston, Texas 77024

Invoice #: 2444
Date: 5/1/2017

Bill To:

City of Pearland
Attn: Cynthia Pearson
3519 Liberty Dr.
Pearland, TX 77581

Terms: Due on receipt

Item	Description	#	Rate	Date	Amount
Sue Darcy	Discuss issues related increment allocation per jurisdiction and various plan amendments w/ Alan Mueller; research file re: same.	0.5	215.00	4/7/2017	107.50
Sue Darcy	Review and discuss w/ Alan issues related to value of Ft. Bend Co. area in 1st Plan amendment; research file re: same.	0.5	215.00	4/13/2017	107.50
Sue Darcy	Conv/ Lynne Humphries re: press inquiry to interview board members; conv/ Ken Phillips re: same, and review Mr. Phillips follow up response.	0.5	215.00	4/26/2017	107.50
Alan Mueller	Evaluate value data from tax assessor; respond with questions	1	195.00	4/3/2017	195.00
Alan Mueller	Correspondence with tax office; review and interpret value data provided by tax office; correspondence with City	1.25	195.00	4/7/2017	243.75

C. Pearson
5/1/2017

Thank you for your business.

Total Due **\$761.25**

Phone #	Fax:	Web Site
(713) 647-9880	(713) 647-6448	www.marshdarcypartners.com

**ARRIVED AFTER
COMMITTEE APPROVAL**

Assessments of the Southwest, Inc.

Assessments of the Southwest, Inc.
 P.O. Box 1368
 Friendswood, TX 77549-1368

(281)482-0216
 aswmail@aswtax.com

Invoice

Date	Invoice #
10/04/2017	6816
Terms	Due Date
Net 30	11/03/2017

Bill To
City of Pearland - TIRZ 2 c/o Marsh Darcy 8955 Katy Freeway, Suite 215 Houston, TX 77024

Amount Due	Enclosed
\$700.00	

Please detach top portion and return with your payment.

Activity	Quantity	Rate	Amount
• CAD recaps and accumulate data	5	100.00	500.00
• Reimburse Payment to Appraisal District - Estimate of Value as of July 1, 2017	1	200.00	200.00
Total			\$700.00

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

AGENDA OF: 10/23/2017	ITEM NO.: 8
DATE SUBMITTED: 10/9/2017	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Marsh Darcy Partners	PRESENTOR: Rick Overgaard
REVIEWED BY:	REVIEW DATE:
SUBJECT: Authorize developer reimbursement from available surplus increment	
EXHIBITS: Calculation of available excess increment	
EXPENDITURE REQUIRED: \$5,985,000	AMOUNT BUDGETED: Yes
AMOUNT AVAILABLE: Yes	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

Annually, the TIRZ/Development Authority account is analyzed to determine if excess funds have accumulated that may be utilized to reimburse outstanding developer advances. The analysis for this year is attached, showing that \$5,985,000 is available for reimbursements.

Per the Master Developer Agreement, the Master Developer (Shadow Creek Ranch Development Company, LP) is entitled to be fully reimbursed before any sub-developers are reimbursed. As of the most recent summary of outstanding Letter Finance Agreements, dated December 31, 2016, Shadow Creek Ranch Development Company has remaining unreimbursed project costs of \$21,279,657 plus accrued interest through December 31, 2016, of \$11,564,514 for a total outstanding balance as of December 31, 2016, of \$32,844,171. Therefore, the entire reimbursement of \$5,985,000 will be applied to outstanding Shadow Creek Ranch Development Company Letter Finance Agreements.

RECOMMENDED ACTION

Authorize developer reimbursement from available surplus increment to be paid to Shadow Creek Ranch Development Company, LP



Balance Sheet

Through 09/30/17

Detail Listing

Include Rollup Account/Rollup to Base Account

Account	Account Description	Current YTD Balance	Prior Year Total Actual	Net Change	Change %
Fund Category	Other				
Fund Type					
Fund	920 - Development Authority				
	ASSETS				
1000	Cash				
1000.030	Cash DAP Wells Fargo	6,996,234.02	6,638,925.41	357,308.61	5.38
1000.060	Cash DAP Regions Bank Debt Service	1,155,323.50	1,096,230.58	59,092.92	5.39
	1000 - Cash Totals	\$8,151,557.52	\$7,735,155.99	\$416,401.53	5.38%
	ASSETS TOTALS	\$8,151,557.52	\$7,735,155.99	\$416,401.53	5.38%
	FUND EQUITY				
2950	Fund Balance - Unassigned	7,735,155.99	7,735,155.99	.00	.00
	FUND EQUITY TOTALS Prior to Current Year Changes	\$7,735,155.99	\$7,735,155.99	\$0.00	0.00%
	Prior Year Fund Equity Adjustment	.00			
	Fund Revenues	(28,007,783.12)			
	Fund Expenses	27,591,381.59			
	FUND EQUITY TOTALS	\$8,151,557.52	\$7,735,155.99	\$416,401.53	5.38%
	LIABILITIES AND FUND EQUITY TOTALS	\$8,151,557.52	\$7,735,155.99	\$416,401.53	5.38%
	Fund 920 - Development Authority Totals	\$0.00	\$0.00	\$0.00	+++
	Fund Type Totals	\$0.00	\$0.00	\$0.00	+++
	Fund Category Other Totals	\$0.00	\$0.00	\$0.00	+++
	Grand Totals	\$0.00	\$0.00	\$0.00	+++

Cash Analysis for Reimbursement

Cash and Cash Equivalents	\$	6,996,234.02
Plus Wire from Regions		-
Total Monies Available		6,996,234.02
Less:		
DS Reserve		1,000,000.00
Operating Costs		10,000.00
Total Funds to be Held		1,010,000.00
Monies Available for Cash Reimbursement		5,986,234.02
Cash Developer Reimbursement	\$	5,985,000.00

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

AGENDA OF: 10/23/2017	ITEM NO.: 9
DATE SUBMITTED: 10/9/2017	DEPARTMENT OF ORIGIN: BOK
PREPARED BY: Marsh Darcy Partners	PRESENTOR: John Robuck
REVIEWED BY:	REVIEW DATE:
SUBJECT: Recommendation of issuance of Tax Increment Contract Revenue Bonds, Series 2017	
EXHIBITS: BOK Financial Securities, Inc. Bond Analysis and Recommendation	
EXPENDITURE REQUIRED: NA AMOUNT AVAILABLE: NA ACCOUNT NO.: N/A	AMOUNT BUDGETED: NA 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

BOK Financial Securities, Inc., the City's financial advisor, has prepared an analysis and recommendation for Tax Increment Contract Revenue Bonds, Series 2017. The analysis indicates that bonds in the principal amount of \$8,305,000 are supportable given the current value within the TIRZ and other relevant financial factors. The bonds will be issued by the Development Authority of Pearland upon affirmative recommendation by the TIRZ Board.

The net proceeds of the Bonds will be utilized for developer reimbursements. Per the Master Developer Agreement, the Master Developer (Shadow Creek Ranch Development Company, LP) is entitled to be fully reimbursed before any sub-developers are reimbursed. As of the most recent summary of outstanding Letter Finance Agreements, dated December 31, 2016, Shadow Creek Ranch Development Company has remaining unreimbursed project costs of \$21,279,657 plus accrued interest through December 31, 2016, of \$11,564,514 for a total outstanding balance as of December 31, 2016, of \$32,844,171. After applying the direct cash reimbursement from the prior agenda item, the eligible outstanding reimbursements exceed the projected net proceeds of the Bonds; therefore, the entire net proceeds of the Bonds will be applied to outstanding Shadow Creek Ranch Development Company Letter Finance Agreements.

RECOMMENDED ACTION

Approve recommendation regarding issuance of Tax Increment Contract Revenue Bonds, Series 2017



Development Authority of Pearland

**Overview and Schedule of Events for:
\$8,305,000* Tax Increment Contract Revenue Bonds, Series 2017**

October 23, 2017

* Preliminary, subject to change.

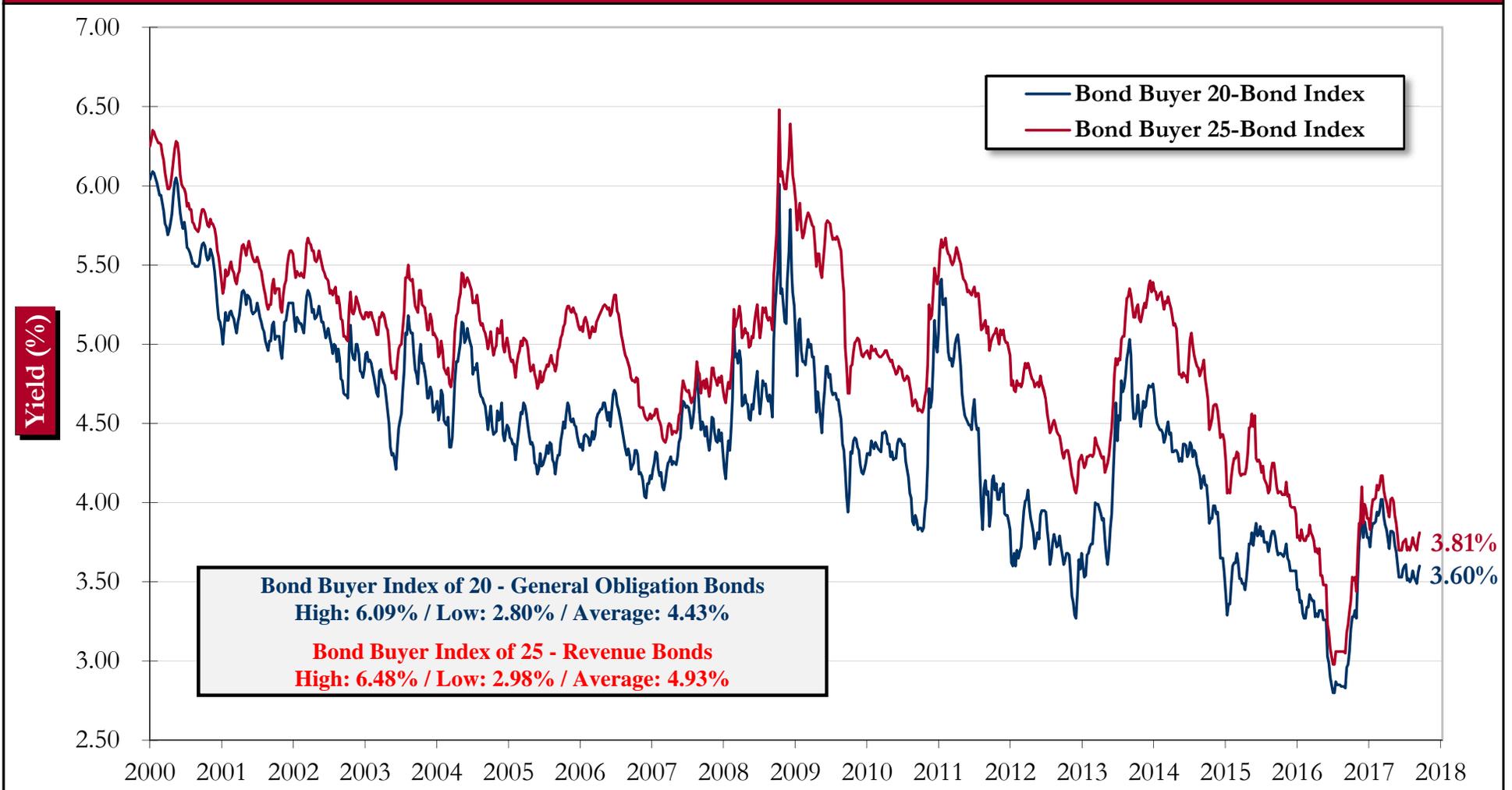
Securities, insurance and advisory services offered through BOK Financial Securities, Inc., member FINRA/SIPC and a subsidiary of BOK Financial Corporation. Services may be offered under our trade name, BOK Financial Advisors.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE



Current Market Review

The Bond Buyer Index January 1, 2000 To The Present



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+".



Estimated Sources and Uses of Funds

Private Placement (Market Indication)

Development Authority of Pearland

\$8,305,000* Tax Increment Contract Revenue Bonds, Series 2017

Principal Amount of the Bonds:		\$8,305,000 *
Less: Expenses:		(187,000)
Co-Bond Counsel (<i>Andrews Kurth LLP</i>)	\$55,000	
Co-Bond Counsel (<i>ABHR LLP</i>)	55,000	
Financial Advisor (<i>BOK Financial Securities, Inc.</i>)	51,320	
Attorney General Fee	8,305	
Trustee Fees and Expenses (<i>Regions Bank</i>)	12,000	
Bank Counsel	3,500	
MAC Assessment Fee	1,231	
Miscellaneous	645	
Total Proceeds (Developer Reimbursement):		<u>\$8,118,000</u>

"All Cost" True Interest Rate (a):	3.130%
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Average Life:	6.762 Years
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Sale Date: November 13, 2017
Delivery Date: December 12, 2017

* Preliminary, subject to change.
(a) Includes transaction costs.



Estimated Debt Service Requirements

Private Placement (Market Indication)

Fiscal Year Ending (9/30)	Current Total Debt Service	Plus: The Series 2017 Bonds			Total Debt Service
		Principal*	Interest (a)	Total	
2017	\$7,985,427				\$7,985,427
2018	8,721,447	\$380,000	\$185,248	\$565,248	9,286,695
2019	8,721,753	675,000	217,938	892,938	9,614,690
2020	8,162,216	640,000	199,375	839,375	9,001,591
2021	8,162,116	660,000	181,775	841,775	9,003,891
2022	8,162,260	675,000	163,625	838,625	9,000,885
2023	8,159,934	695,000	145,063	840,063	8,999,997
2024	8,164,560	710,000	125,950	835,950	9,000,510
2025	8,163,572	730,000	106,425	836,425	8,999,997
2026	8,161,918	755,000	86,350	841,350	9,003,268
2027	8,164,461	770,000	65,588	835,588	9,000,049
2028	8,160,903	795,000	44,413	839,413	9,000,315
2029	8,161,165	820,000	22,550	842,550	9,003,715
Totals	\$107,051,729	\$8,305,000	\$1,544,298	\$9,849,298	\$116,901,026

* Preliminary, subject to change. Generates \$8,129,000 in proceeds to the Authority.

(a) Interest estimated at 2.75% based on an indication rate as of September 26, 2017. For illustrative purposes only.



Bond Issue Parameters and Coverage Requirements

For Fiscal Year 2018 - Based on Certified Appraised Values as of January 1, 2017
For Years 2019 – 2029 – Based on Estimated Appraised Values as of July 1, 2017

City of Pearland

Brazoria County

Fort Bend County

Year Ending	City of Pearland			Brazoria County			Fort Bend County			Total Collections	Coverage 125%	DAP Current Debt	Plus: \$8,305,000 Series 2017(a)	Total Debt Requirements	
	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections						
			Estimated Value: \$2,718,537,867			Estimated Value: \$2,212,510,950			Estimated Value: \$506,026,917						
			1998 Base Year Value: (7,172,980)			1998 Base Year Value: (4,143,160)			1998 Base Year Value: (3,029,820)						
			Est. Captured Value: \$2,711,364,887			Est. Captured Value: \$2,208,367,790			Est. Captured Value: \$502,997,097						
2017	36%	0.255000	\$6,015,899	38%	0.135900	\$2,431,418			0.468075	\$2,061,428	\$10,508,745	\$8,406,996	\$7,985,427	0	\$7,985,427
2018	36%	0.255000	6,668,120	38%	0.135900	2,659,802			0.468075	2,281,394	11,609,317	9,287,454	8,721,447	\$565,248	9,286,695
2019	36%	0.255000	6,775,701	38%	0.135900	2,941,148	2019-2028	0.312050	2,307,316	12,024,165	9,619,332	8,721,753	892,938	892,938	9,614,690
2020	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,162,216	839,375	839,375	9,001,591
2021	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,162,116	841,775	841,775	9,003,891
2022	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,162,260	838,625	838,625	9,000,885
2023	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,159,934	840,063	840,063	8,999,997
2024	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,164,560	835,950	835,950	9,000,510
2025	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,163,572	836,425	836,425	8,999,997
2026	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,161,918	841,350	841,350	9,003,268
2027	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,164,461	835,588	835,588	9,000,049
2028	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,160,903	839,413	839,413	9,000,315
2029	36%	0.255000	6,775,701	38%	0.135900	2,941,148		0.312050	1,538,210	11,255,060	9,004,048	8,161,165	842,550	842,550	9,003,715
Total:											\$107,051,729	\$9,849,298	\$116,901,026		

(a) Interest estimated at 2.75%, for illustrative purposes only. Generates \$8,118,000 in Developer Reimbursements. Collection rate of 98%. Appraised value estimates provided by Assessments of the Southwest.



Tentative Schedule of Events

\$8,305,000*

Tax Increment Contract Revenue Bonds, Series 2017

October - 2017						
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	31				

November - 2017						
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		

December - 2017						
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, October 17 th	Prepare Private Placement Bid Form / Term Sheet	BOKF, ABHR, AK, DAP
Monday, October 23 rd	DAP Meeting to Review Schedule of Events	BOKF, DAP
Tuesday, October 24 th	Distribute Private Placement Bid Form / Term Sheet	BOKF, ABHR, AK, DAP
Friday, November 10 th	Private Placement Bids Due	BOKF
Monday, November 13 th	DAP Board Approves Sale (Bond Pricing) City Council Meeting to Approve Sale	BOKF, ABHR, AK, DAP
Tuesday, December 12 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.

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

October 23, 2017

518SCR, Ltd.
9000 Gulf Freeway, 3rd Floor
Houston, TX 77017
Attn: Mr. Rick Hale

Re: Financing for TIRZ Improvements: County Road 59 Improvements; TIRZ
Project No. 17-10-001

Dear Mr. Hale:

518SCR, Ltd. ("518SCR") is a Sub-Developer within Reinvestment Zone No. 2, City of Pearland, Texas (the "Zone"). The Zone and CCAC have determined to proceed with the design and construction of the following TIRZ Improvements to be reimbursed in the future:

County Road 59 Improvements; TIRZ Project No. 17-10-001

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. 518SCR has agreed to pre-finance the design and construction of the TIRZ Improvements to be reimbursed in accordance with this letter 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 518SCR. A copy of the TIRZ Project Implementation and Reimbursement Process is attached.

The Zone's Engineer has determined that the budget (2006 dollars) established in the Zone's Project Plan and Reinvestment Zone Financing Plan, as amended, for the above described TIRZ Improvements is \$1,091,520 plus "developer interest" calculated per the Zone's Project Plan and Reinvestment Zone Financing Plan. The Zone is not obligated to reimburse 518SCR for any amount in excess of that budgeted amount plus "developer interest."

This agreement was duly authorized at a meeting of the Board of Directors of the Zone held on the 23rd day of October, 2017.

Very truly yours,

REINVESTMENT ZONE NO. TWO, CITY OF
PEARLAND, TEXAS

By: _____
Chair, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

AGREED TO AND ACCEPTED THIS ____ DAY OF _____, 2017.

518SCR, LTD., a Texas limited partnership

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

By: _____
Name: Richard C. Hale
Title: Senior Vice President

TIRZ Project Implementation and Reimbursement Process

To begin the process of planning, design, construction and reimbursement under the TIRZ Plan, the TIRZ and the Developer/Sub-developer will sign a reimbursement agreement that establishes the extent of TIRZ Improvements (the "Project") and the terms and conditions under which the Project will be eligible for reimbursement. The reimbursement agreement, once executed, shall constitute the approval by the TIRZ for the Developer/Sub-developer to proceed with construction of the Project.

The reimbursement agreement will establish: (1) the quantitative and qualitative aspects and character of the Project, (2) the maximum costs to be reimbursed for the Project, (3) a checklist of requirements for implementing and completing the Project for reimbursement, and (4) the procedures for the review of the Project for the purposes of the TIRZ approving reimbursement of the Project costs once construction is completed (5) the incremental assessed valuation criteria which must be achieved before reimbursements may commence.

The maximum costs to be reimbursed to the Developer/Sub-developer for the Project shall be established in the reimbursement agreement, based on the TIRZ Engineer's determination of the scope of TIRZ capital improvements that are consistent with the TIRZ Plan in the development of the Developer/Sub-developer's development area.

The quantitative and qualitative aspects and character of the Project shall be as depicted in the Project and Financing Plan, the PUD, the Development Agreement, Shadow Creek Ranch Design Guidelines and other, related documents made available to the Developer/Sub-developer. These shall establish the over-all intent of the development for Shadow Creek Ranch TIRZ, including those portions of the master plan improvements constituting the Project to be undertaken by the Developer/Sub-developer under the reimbursement agreement.

The procedures for the design and construction of the Project shall be as follows:

1. Prior to commencing construction, the Developer/Sub-developer shall prepare all necessary plans and specifications which shall be approved by all regulatory authorities having jurisdiction;
2. Developer/Sub-developer shall bid all contracts in accordance with Texas competitive bidding laws for public improvements and in accordance with any requirement of the City and in full compliance with the rules and regulations of any local, regional, state or federal agencies having jurisdiction, and shall comply with all policies of the City as they may be in effect from time to time;
3. Developer/Sub-developer shall construct the project in accordance with all local and state law for construction of public improvements;

4. Developer/Sub-developer shall obtain inspections and approvals in accordance with all of the City of Pearland's processes and procedures, and with the processes and procedures of any authority or agency having jurisdiction; the Developer/ Sub-developer shall be responsible for any City of Pearland or other agency review and/or inspection fees.
5. Developer/Sub-developer shall obtain inspections and approvals from Shadow Creek Ranch Maintenance Association (SCRMA); and
6. Developer/Sub-developer shall submit documentation demonstrating that the Project was completed in accordance with the terms of the reimbursement agreement as substantially set out in the check list specified below.

The checklist of requirements for TIRZ reimbursement and completing the Project include but are not limited to the following:

- Recorded Plat
- Approved Plans and Specifications
- City of Pearland-approved form of Contract for Construction
- Bid Notice/Bid Advertisement Affidavits
- Bid Tabulation
- Recommendation of Award
- Payment, Performance and Maintenance Bonds
- Insurance Certificates
- Executed Contract for Construction
- Notice To Proceed
- Testing and Inspection Reports
- Certified Pay Applications
- Approved Change Orders
- Certificates of Completion
- Letters of Acceptance (incl. City of Pearland)
- Consent of Surety for Final Payment
- Contractors' Unconditional Release of Liens
- Signed Record Drawings

For all TIRZ Improvements included in the Plan, the completed documentation shall be submitted to the TIRZ Administrator and shall be reviewed for compliance with the reimbursement agreement by the TIRZ Engineer and the TIRZ Auditor (the "TIRZ Consultants"). The TIRZ Auditor will confirm with any Municipal Utility District ("MUD") in which a Project is located that the Developer/Sub-Developer is not being reimbursed for the Project by the MUD. All TIRZ Consultants' costs associated with the review of the Developer/ Sub-developer reimbursement review documentation shall be paid by the Developer/Sub-developer upon the

submittal of the reimbursement package. The TIRZ Consultants will review the documentation to verify that the costs for the Project are eligible for TIRZ reimbursement under the terms and conditions specified in the reimbursement agreement.

Once the review of the submitted package is complete, the TIRZ Consultants shall make a recommendation to the TIRZ Board in conformance with the reimbursement agreement. When approved, the Project reimbursement costs will be logged for priority of reimbursement as established by the reimbursement approval date and the Project and Financing Plan. If appropriate, the TIRZ Board will recommend to the City to reimburse the Developer/Sub-developer when increment from the Project becomes available.



2929 Briarpark Drive, Suite 600, Houston, Texas 77042
t 713.953.5200 f 713.953.5026 LJA.com TBPE F-1386 TBPLS 10110501

October 23, 2017

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

Re: Project # 17-10-001, CR 59 Improvements
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 \$1,091,520 (2006 dollars), which includes construction cost, design cost, and contingency for CR 59 Improvements 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,

A handwritten signature in blue ink, appearing to read 'James D. Ross'.

James D. Ross, PE
Vice President

JDR/ew

Attachments

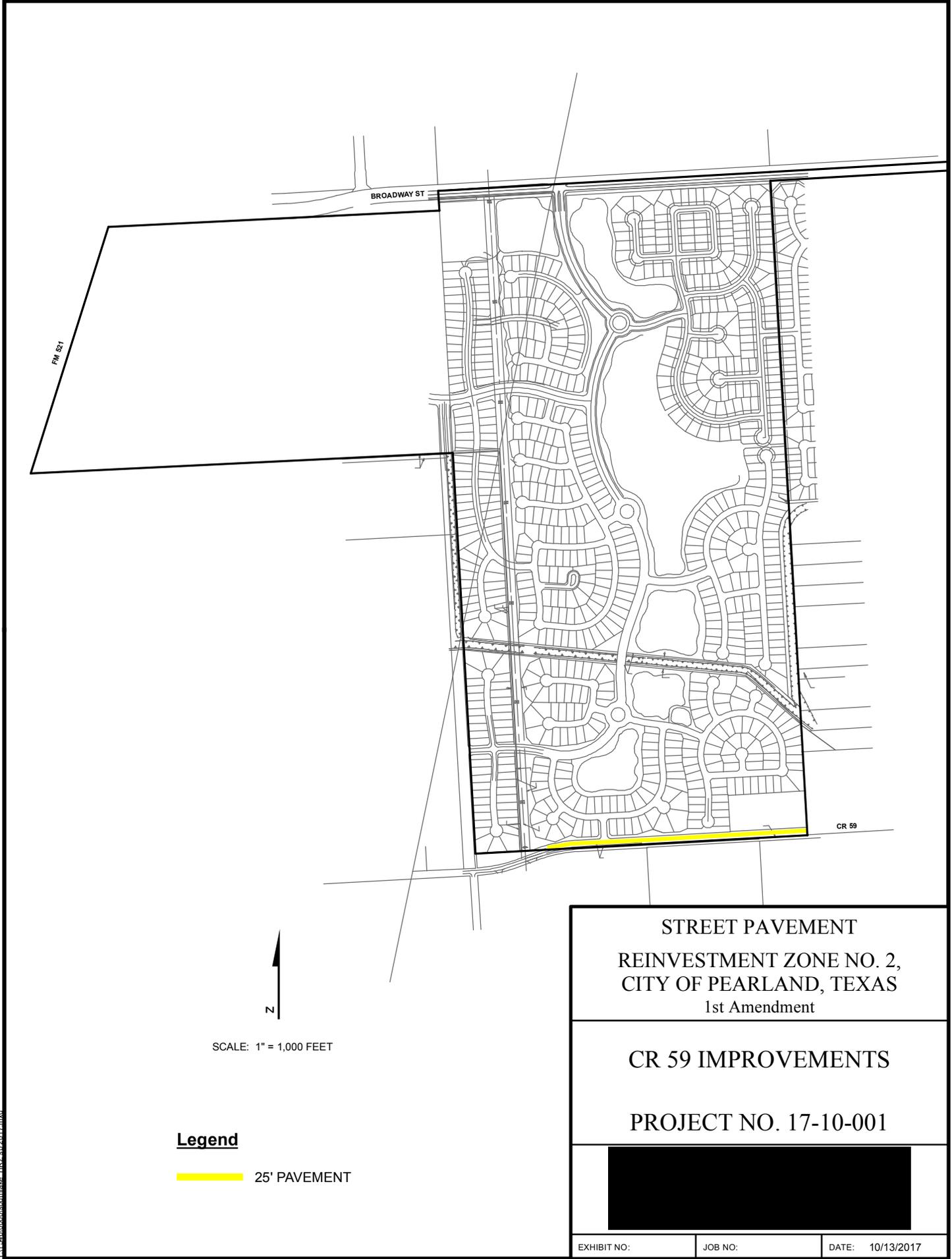
Copy: Ms. Lynne B. Humphries – Allen Boone Humphries Robinson LLP
Mr. Rick Hale – 518SCR, LTD.
Mr. Taylor Gunn – Perry Homes
Mr. Clay Pearson – City of Pearland, Texas

**Reinvestment Zone No. 2, City of Pearland, Texas - 1st Amendment
Budget for TIRZ Improvements
Letter Finance Agreement**

Project Number: 17-10-001
Project Name: CR 59 Improvements
Developer: 518SCR, Ltd.
Date of Meeting: October 23, 2017

ENR Index Jan. 2006 - 7660
ENR Index Jan. 2017 - 10532
Adjustment - 37.49%

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. 17-10-001 CR 59 Improvements		Total Funds Available for Future TIRZ Projects (2006 Dollars)
					Recommended for approval on Oct. 23, 2017	TIRZ Budget %	
INFRASTRUCTURE							
Streets							
Pavement	\$ 1,634,000	\$ 419,131	\$ 2,771,000	\$ (1,556,131)	\$ 520,000	31.82%	\$ (2,076,131)
Lighting	\$ 125,900	\$ 11,109	\$ 90,000	\$ 24,791	\$ 20,000	15.89%	\$ 4,791
Water System	\$ 363,000	\$ -	\$ 519,000	\$ (156,000)	\$ -	0.00%	\$ (156,000)
Wastewater System	\$ 1,029,000	\$ -	\$ 913,250	\$ 115,750	\$ -	0.00%	\$ 115,750
Storm Sewer System	\$ 1,649,000	\$ -	\$ 1,923,250	\$ (274,250)	\$ 248,000	15.04%	\$ (522,250)
Lakes & Channels	\$ 5,625,600	\$ 1,127,179	\$ 3,685,216	\$ 813,205	\$ -	0.00%	\$ 813,205
Land Cost	\$ 6,675,000	\$ 282,663	\$ 2,575,000	\$ 3,817,337	\$ -	0.00%	\$ 3,817,337
Landscaping (Includes contingencies and eng.)	\$ 5,573,025	\$ 1,624,750	\$ 2,742,000	\$ 1,206,275	\$ 100,000	1.79%	\$ 1,106,275
Major Infrastructure							
F.M. 518 Improvements	\$ 6,485,600	\$ 3,147,147	\$ -	\$ 3,338,453	\$ -	0.00%	\$ 3,338,453
Traffic Signals	\$ 550,000	\$ 630,347	\$ -	\$ (80,347)	\$ -	0.00%	\$ (80,347)
Contingencies & Engineering							
Contingencies (10%)	\$ 1,733,620	\$ -	\$ 981,172	\$ 752,448	\$ 76,800	4.43%	\$ 675,648
Engineering (15%)	\$ 2,860,473	\$ 1,859,369	\$ 1,618,933	\$ (617,829)	\$ 126,720	4.43%	\$ (744,549)
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	\$ 9,237,313	\$ 17,818,821	\$ 7,418,084	\$ 1,091,520	3.17%	\$ 6,326,564
Annexation Cost	\$ 250,000	\$ 96,925	\$ -	\$ 153,075	\$ -	0.00%	\$ 153,075
TOTAL	\$ 34,724,218	\$ 9,334,239	\$ 17,818,821	\$ 7,571,158	\$ 1,091,520	3.14%	\$ 6,479,638



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

CR 59 IMPROVEMENTS

PROJECT NO. 17-10-001



Legend

 25' PAVEMENT

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SCALE: 1" = 1,000 FEET

Legend

 DRAINAGE IMPROVEMENTS

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

CR 59 IMPROVEMENTS

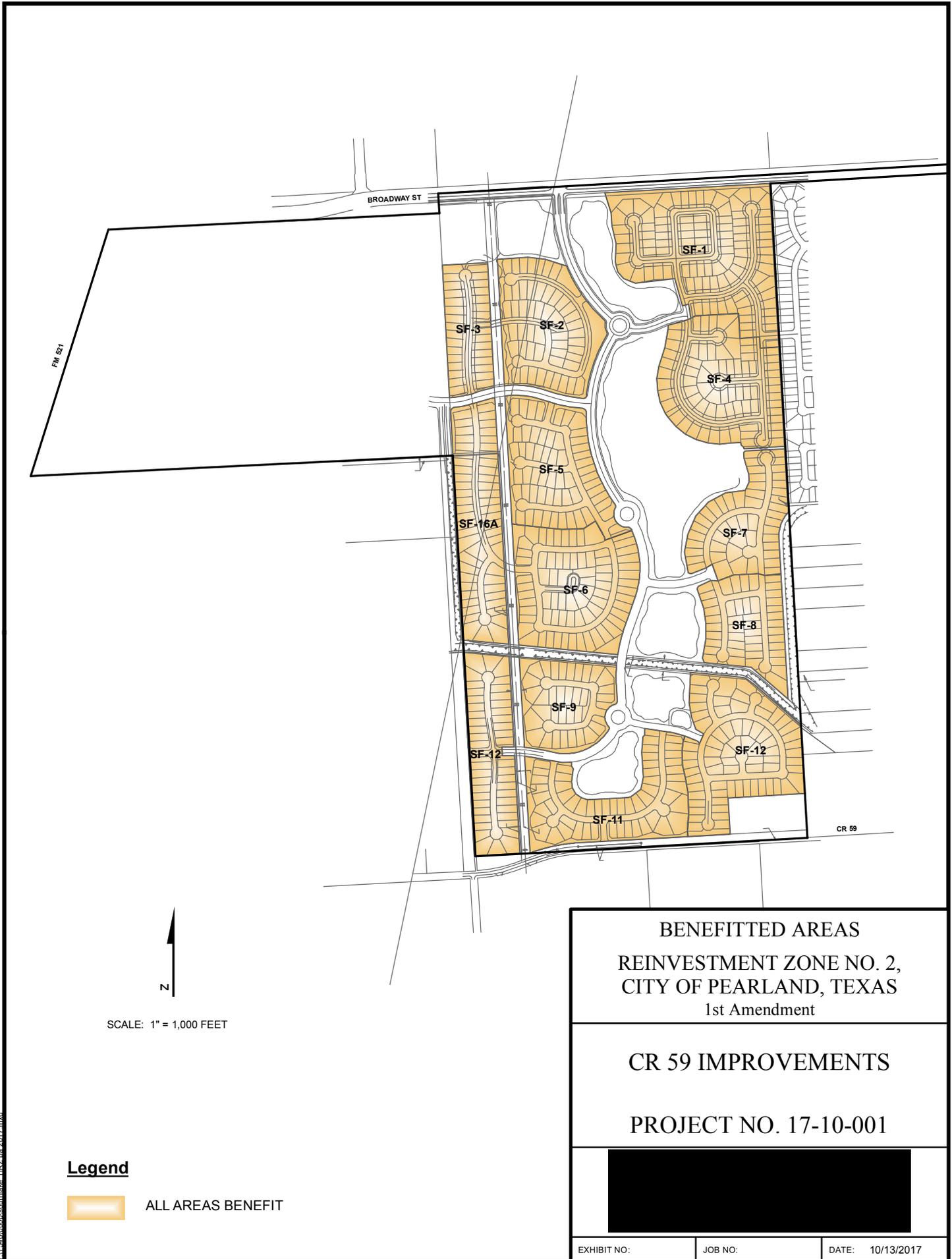
PROJECT NO. 17-10-001



2929 Briarpark Drive, Suite 500, Houston, Texas 77042
 Phone 713.953.5200 TBP# F-1366
 Fax 713.953.5026 TBP# 10110501
 LJA.com

EXHIBIT NO:	JOB NO:	DATE: 10/13/2017
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FM 521

BROADWAY ST



SCALE: 1" = 1,000 FEET

Legend



ALL AREAS BENEFIT

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

CR 59 IMPROVEMENTS

PROJECT NO. 17-10-001



EXHIBIT NO:	JOB NO:	DATE: 10/13/2017
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