

**MINUTES OF THE BOARD OF DIRECTORS MEETING  
TAX INCREMENT REINVESTMENT ZONE NUMBER TWO / SHADOW CREEK RANCH  
CITY OF PEARLAND TEXAS  
SEPTEMBER 23, 2020 | 4:00 P.M.  
VIA WEBEX VIDEO/TELEPHONE CONFERENCE**

**I. CALL TO ORDER AND ROLL CALL**

Chair Fain called the meeting to order at 4:05 p.m. stating that Mr. Mueller would be the moderator of the meeting. Mr. Mueller introduced Ms. Humphries who advised that certain provisions of the Texas Open Meetings Act had been suspended by the Governor to make it possible to have a meeting via video and telephone conference. She provided instructions for participants to participate in the meeting.

Mr. Mueller announced the names of Directors noted as present to constitute a quorum as:

Chair	Herb Fain
Director	Buck Stevens
Director	Tommy King
Director	Ken Phillips
Director	Ali Hasanali
Director	Goeff Tonini (arrived after roll call)

Mr. Mueller announced participants from City Staff present as:  
Tom Reid, Mayor City of Pearland; Jon Branson, Deputy City Manager; Rhonda Daugherty, Assistant Director of City Finance; John McCarter, Interim Director of City Finance; Carla Campbell, Finance Department; Kristen Woolley, City Controller; Robert Upton, Director of City Engineering. From the Consulting Team: Lynne Humphries, Allen Boone Humphries Robinson LLP; Crystal Horn; McGrath & Co.; James Ross, LJA; David Patterson, ASW; Sue Darcy, Alan Mueller, and Jan Buehler, Marsh Darcy Partners.

**II. PUBLIC COMMENTS**

There were no comments.

**III. PURPOSE OF THE MEETING:**

**1. Consideration and Possible Action - Regarding the Regular Meeting Minutes of the October 28, 2019, Tax Increment Reinvestment Zone Number 2 (TIRZ No. 2) Board of Directors Meeting.**

A motion by Director Stevens to approve the Regular Meeting Minutes of October 28, 2019 as presented was seconded by Director Hasanali, and passed unanimously.

**2. Consideration and Possible Action - Financial Report for the period ending July 31, 2020 (unaudited).**

Ms. Daugherty reviewed the Income Statement through July 31, 2020 noting current date revenue total of \$32.2 million as compared to \$31.9 million last year, current tp date expenditures of \$11.2 million as compared to \$31.3 million last year including transfers out to the Development Authority of Pearland (DAP). The total fund balance was \$30.6 million for the period ending July 31, 2020. Director Hasanali asked if the pandemic has affected the revenue of the TIRZ. Ms. Daugherty replied that, since all the revenue for the TIRZ is property tax

revenue, the impact, if any, would not be seen until 2022 based on 2021 property values. A motion by Director Hasanali to approve the Financial Report as presented was seconded by Director King, and passed unanimously.

**3. Consideration and Possible Action - Investment Report for the Quarter Ending June 2020.**

Ms. Daugherty presented the Investment Report for the period ending June 30, 2020 noting the book value of \$27,641,106.68, with total interest earned of \$9,242.01. She reviewed the distribution and holdings reports, noting the total book value is \$21,809,744. Ms. Daugherty advised that the majority of the funds are invested in very short-term instruments including cash, the local government investment pool and money market funds.

A motion by Director Phillips to approve the Investment Report as presented was seconded by Director Tonini and passed unanimously.

**4. Consideration and Possible Action – 2019 Annual Report.**

Mr. Mueller presented the Annual Report for 2019 noting the standard format which covers the calendar year. He reviewed the updated description of the zone to include the 5<sup>th</sup> Plan Amendment, the value of the zone at \$2,680,529,893, the budget with added projects, the status of reimbursed and new LFAs, and outstanding DAP bond issues.

A motion by Director Hasanali to accept the 2019 Annual Report as presented was seconded by Director King, and passed unanimously.

**5. Consideration and Possible Action – Ratification of invoices authorized for payment by the Invoice Review Committee and approving invoices presented for payment.**

Mr. Mueller stated that the Invoice Review Committee (IRC) consists of Directors King and Fain who review consultants' invoices on a monthly basis. Reviewing the summary list of invoices, Mr. Mueller stated invoices 1-22 were reviewed and recommended by the IRC and paid by the City; invoices 23-24 were recent and had not been reviewed by the IRC; items 25-26 were LJA invoices from 2018, which had been misplaced, but were related to the completed LFA under Agenda Item #7. Discussion followed with all questions being answered satisfactorily.

A motion by Director Phillips that the action on invoices 1-22 of the Invoice Review Committee be ratified and invoices 23-26 be approved for payment was seconded by Director Hasanali, and passed unanimously.

**6. Consideration and Possible Action – New Letter Finance Agreements.**

**a. LFA 20-09-001 Shadow Creek Park Phase II**

Mr. Mueller reminded of the purpose of Letter Finance Agreements (LFA). Mr. Ross reviewed the proposed LFA for Shadow Creek Park Phase II, a part of the 4<sup>th</sup> TIRZ Plan Amendment, with a budget of \$9,720,000 when approved in 2018 and adjusted for inflation to \$10,179,283 in 2020 dollars, which will be the reimbursement cap. Discussion followed with all questions being answered satisfactorily.

A motion by Director Hasanali to adopt the LFA 20-09-001 document as presented was seconded by Director Tonini, and passed unanimously.

**7. Consideration and Possible Action – Completed Letter Finance Agreements.**

**a. LFA 14-06-002 KB Home Lone Star Inc.**

Mr. Mueller advised this LFA is at the end of the process with the project completed, LJA compiled information from the developer which was forwarded to McGrath & Co. to conduct the agreed upon procedures (AUP) review.. Ms. Horn reported that she had obtained detailed

support on eligible costs from LJA for LFA 14-06-002 and reviewed all developer payments and prior reimbursements from Brazoria-Fort Bend County MUD 1 (BFBCMUD 1) to verify all costs were eligible and had not been reimbursed by BFCMUD 1. Schedule A summarizes the costs eligible for reimbursement with interest calculated at 6.5% through September 23, 2020 in accordance with the LFA.

A motion by Director King to accept the auditor's AUP report for completed LFA 14-06-002 to document the eligible amount to be in line for reimbursement when funds are available was seconded by Director Phillips and passed unanimously.

**8. Discussion Item – Development Authority of Pearland Tax Increment Contract Revenue Bonds, Series 2020.**

Mr. Mueller advised this item is for information only with no action required. He reported the financial advisor for the DAP and City completed the annual analysis. In consideration of the short amount of time left in the Zone and the currently available increment, a DAP debt issue is not recommended this year.

**9. Consideration and Possible Action – Developer reimbursements from Development Authority of Pearland available surplus increment.**

Mr. Mueller described the procedure whereby increment is deposited into the TIRZ Fund as it is received, with the balance, subject to certain withholdings, transferred to the DAP Fund on August 15<sup>th</sup> of each year. Funds available in the DAP Fund are then utilized for debt service payments and developer reimbursements. He noted the amount in the TIRZ fund on August 15, 2020 was \$30,616,879 and, with holdbacks, the total of \$22,544,541.68 was transferred to the DAP Fund. After accounting for required DAP Fund withholdings and upcoming debt service payments, \$12,615,582 is available this year for direct developer reimbursements. Mr. Mueller advised that McGrath & Co. reviews the list of completed LFAs and applies the available funds accordingly. Ms. Horn stated that this report summarizes all past reimbursements and the current reimbursements from the DAP. The current reimbursement of \$12,615,582 will fund the remaining balance of LFA 06-10-001 and LFA 07-03-002 to Shadow Creek Retail, LP as well as a partial reimbursement of LFA 08-01-001 to the City of Pearland. Mr. Mueller addressed a request for clarification by Director Phillips of the line item for administrative fee correction.

A motion by Director Phillips to recommend to the DAP that disbursements be made in accordance with the McGrath report dated September 23, 2020 was seconded by Director Stevens and passed unanimously.

**10. Discussion Item – LFA and financial projection update.**

Mr. Mueller presented the summary of all approved and pending LFAs and their currently projected pending payoff schedule, noting the specifics of each column. He reviewed the TIRZ Fund and DAP Fund cash flow. Discussion ensued regarding current and future potential legislation with regard to all TIRZs.

**11. Discussion Item – City of Pearland projects update.**

Mr. Mueller stated that several public works projects were adopted in the revised project plan which Mr. Upton would review. Mr. Upton presented a visual update with description of each of nine projects and noted the total on the TIRZ Plan Amendment Summary of \$68,570,527.

**12. Discussion Item – Comments by Mayor Reid, TIRZ Board Members or TIRZ Consultants.**

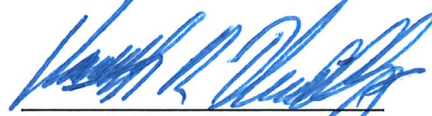
Mayor Reid acknowledged the history of the TIRZ and the progress going forward to 2029. Director Stevens suggested the possibility for a study regarding opportunities for the use of

TIRZ funds to develop a senior activity center. Chair Fain requested Mr. Mueller to work with Director Stevens to pursue the possibility of this project.

**IV. ADJOURN**

There being no further business, Director Tonini moved to adjourn at 5:25pm, which was seconded by Director Hasanali.

**APPROVED:**



Kenneth R. Phillips  
Chair, Board of Directors

**ATTEST:**



Ali Hasanali  
Secretary, Board of Directors

Minutes approved as submitted and/or amended on 02.04.2021