

Thursday, August 21, 2014

The Honorable Mayor, Mayor Pro-Tem and City Council:

We are pleased to present the annual budget for fiscal year 2014-15 to the Pflugerville City Council to serve as the foundation for all anticipated income, expenses, and short-term obligations for the Pflugerville Community Development Corporation (PCDC) in the coming year.

PCDC Revenue

Sales Tax - PCDC contributions to the local economy are evidenced by a 14% increase in annual sales tax in the City of Pflugerville through the same period last year. Two PCDC projects locating in June 2014 contribute to continued growth in 2015: Hawaiian Falls, a destination entertainment venue, and Lauren Concrete, the largest concrete mix company in Central Texas. These two new projects, among others, support our projected 15% increase in sales tax revenues or \$412,759 over the 2014 budget estimate. Sales tax is 72% of ordinary income, and 50% of total revenue.

Other Income - Other income is anticipated from the \$500,000 Hawaiian Falls Reimbursement, a short-term loan advanced to the company during construction in 2013-14. The second income stream is the first \$100,000 derived from 1.5% sales tax revenues (City + PCDC) also from the Hawaiian Falls project per an agreement with the City of Pflugerville. Finally, the PCDC entered into a pre-lease agreement with 130 Commerce Center, LLC in 2012 on 60,000 square feet in the first 120,000 square foot building located at 130 Commerce Center and sublet the pre-leased space to Tracking Point. The 5-year sublease generates another \$605,000 in revenue for 2015. A ground lease contract with Tracking Point is planned for release in 2015, so related revenue of \$111,897 was eliminated in 2015.

Land Sales - Net land sales income of \$2 million is projected at the 130 Commerce Center. Following loan retirement, net land sales include a guaranteed payment of \$1.4 million from FedEx upon the City's approval of infrastructure in October and projected net sales revenues from Marriott - \$282,600, Project Olympus - \$623,125, Project Jersey - \$1,306,800. Given the guaranteed \$1.4 million, the remaining \$600,000 is expected from one of three pending sales to achieve this conservative projection.

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PCDC Expenditures

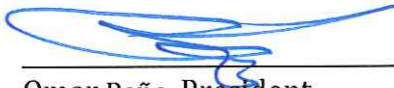
The fiscal year 2015 budgeted expense for operations and maintenance of \$5.463 million is slightly more than a 2% increase over the projected 2014 fiscal year expenses.

Administration accounts for a 9.4% of the 2015 budget and includes two new full-time positions and one new expanded position. An administrative assistant and a development services coordinator are added to support programming. Additionally, one existing position is expanded from Operations Manager to include Business Retention and Expansion to better serve local businesses in the community. Economic development projects are the largest portion of expense, accounting for 40% of all expenditures. These expenditures are estimated based on contract agreements and are subject to clients meeting criteria. A 6.5% increase in marketing over 2014 budget allows for increased efforts to recruit both industry and office users to fulfill obligations for existing and potential pre-lease agreements with developers.

PCDC Debt Service

A full disclosure of all existing debt schedules and bond payments to the City of Pflugerville is included in Exhibit A. There are three bond debt related projects: Pfluger Farm Lane, 130 Commerce Center / Impact Way and the Renewable Energy Park – 130 Commerce Center Improvements. Loan related projects include Tracking Point – tenant improvements, land loan refinance for 130 Commerce Center, and the Hawaiian Falls capital investment and land.

We look forward to working with the City of Pflugerville to achieve common goals of economic prosperity for our business owners and citizens.



Omar Peña, President



Floyd Akers, Executive Director