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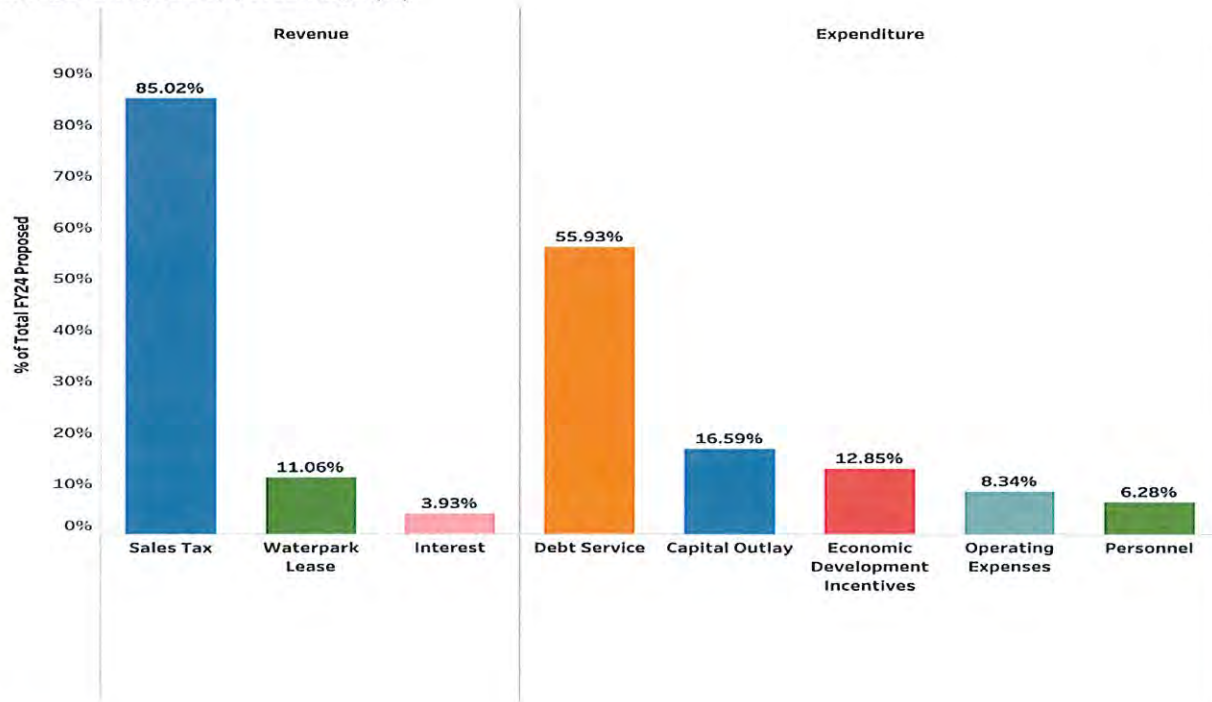
August 16, 2023

The Honorable Mayor, Mayor Pro-Tem, and City Council
 City of Pflugerville, Texas

Dear Mayor Gonzales, Mayor Pro-Tem Weiss and Members of the Council:

We are pleased to present the Pflugerville Community Development Corporation (PCDC) proposed annual budget for Fiscal Year 2024 to the Pflugerville City Council. This budget serves as the foundation for all anticipated revenues, expenses, and obligations while still maintaining a required minimum fund balance. PCDC’s financial plan was reviewed by the City Manager and the City Director of Finance, and a subcommittee of PCDC board members prior to the PCDC Budget Work Session and final approval during a Regular meeting on August 16, 2023. The board and staff were guided by the Comprehensive Economic Development Strategic Plan 2.0 (CEDs) adopted in January 2020. The PCDC FY24 packet includes the FY24 Proposed Budget Summary and Incentives and Obligations Report. Additionally, we are including the Investment Policy, Budget and Reserve Policy, and the associated approved Resolution required annually per the PCDC Bylaws.

Budget analyses by percentage (%)



PCDC Revenue

Sales Tax Revenue is budgeted at \$9,584,018 based on a 3% increase over the FY23 projected of \$9,304,872. Income from the Typhoon Texas Lease is budgeted at \$1,246,704. Interest income is budgeted at \$442,568 for FY24, bringing total income to \$11,273,290.

In May of 2022, the PCDC board of directors voted to update our investment policy to include an investment consulting company for purposes of high yield investment portfolio.

PCDC Expenditures

Personnel Costs \$738,770 comprising (6.28%) of FY24 annual budgeted expenditures for six full-time positions plus 3% merit.

Operating Expenses \$980,804 accounts for 8.34 % of the total PCDC expenditures and includes programming costs for Business Pfirst, marketing, business retention and recruitment, workforce education, and all associated events. In addition, it includes operating expenses for overhead and other administrative costs.

Economic Development Incentive expenditures total \$1,536,000 which represents 13% of the total proposed budget. Expenditures include 13 Economic Development Performance Agreements (EDPA) totalling \$886,000 for one new and seven ongoing incentive contracts eligible for funding in FY24. Community Engagement and Workforce Education grants total \$650,000, and are included in this budget line item.

Capital Outlay Expenditures account for \$1,950,000 or 17% of the total annual expenditures. This includes \$1,200,000 for road improvement projects and \$750,000 for land development costs associated with the PCDC 17.7 acres procured in FY23.

Debt Service is the largest component of PCDC's FY24 expenditures amounting to \$6,574,000, representing 55.53% of the total budgeted expenditures for the City of Pflugerville certificates of obligation and the PCDC Hancock Whitney bank loan. The bond payments include the Pflugger Farm Lane Series 2013, 130 Commerce Impact Way Series 2014, Renewable Energy Park Series 2009A, Helios Way extension and a new bond payment for the City of Pflugerville's multi-generational recreation center. The PCDC Hancock Whitney Loan payment is \$1,777,049 for the water park.

Minimum Fund Balance

The PCDC continues budgeting for an annual minimum fund balance to meet the requirements of the PCDC Fund Balance and Budget Policy to include 25 percent of all expenses. This year, the minimum fund balance is \$2,945,099.

Ending Fund Balance

The budget deficit of -\$507,106 will be funded from the reserves. The Ending Fund balance FY24 is \$17,412,090 which represents 148% of PCDC FY24 total annual expenditures.

We look forward to working with the City of Pflugerville to achieve common goals of economic prosperity for our business owners and citizens with a special focus on our Vision Statement:

Pflugerville is a thriving job center in Central Texas – built on core values of inclusion, family, exemplary education and purposeful investment in the community.

Respectfully,

Dennis Spencer, President

Amy Madison, Executive Director

PCDC FY 24 Proposed Budget Summary

Revenue /Expenditure Item		FY 22	FY 23	FY23	FY24
		Actuals	Amended	Projected	Proposed
Beginning fund balance	Beginning fund balance	16,441,926	17,900,072	19,598,465	17,919,196
	Total	16,441,926	17,900,072	19,598,465	17,919,196
Revenue	Sales Tax	9,025,150	10,104,000	9,304,872	9,584,018
	Waterpark Lease	1,298,218	1,246,704	1,246,704	1,246,704
	Interest	129,542	80,000	680,494	442,568
	Total	10,452,910	11,430,704	11,232,070	11,273,290
Expenditure	Personnel	611,325	713,480	713,480	738,770
	Operating Expenses	672,035	1,054,413	905,820	980,804
	Economic Development Incentives	906,364	1,371,000	1,149,500	1,536,000
	Capital Outlay	2,457,270	7,645,000	7,491,438	1,950,000
	Debt Service	2,649,377	2,620,830	2,651,101	6,574,822
	Total	7,296,371	13,404,723	12,911,339	11,780,396
Ending fund balance	Fund balance	19,598,465	15,926,053	17,919,196	17,412,090
	25% of Total Expenditure	1,824,093	3,351,181	3,227,835	2,945,099
	Fund Balance as a % of Total Expenditures	269%	119%	139%	148%

PCDC FY24 PROPOSED DETAILED BUDGET

Revenue /Expenditure	Item	GL Account Name	Sub- Sub Item	FY 22 Actuals	FY 23 Amended	FY23 Projected	FY24 Proposed
Beginning fund balance	Beginning fund balance	Begin fund balance	Begin fund balance	16,441,926	17,900,072	19,598,465	17,919,196
	Total			16,441,926	17,900,072	19,598,465	17,919,196
Revenue	Sales Tax	Sales Tax	Sales Tax	9,025,150	10,104,000	9,304,872	9,584,018
	Waterpark Lease	Waterpark Lease	Waterpark Lease	1,298,218	1,246,704	1,246,704	1,246,704
	Interest	Interest	Interest	129,542	80,000	680,494	442,568
	Total			10,452,910	11,430,704	11,232,070	11,273,290
Expenditure	Personnel	Salaries / benefits	Salaries / benefits	611,325	713,480	713,480	537,230
		Employee Insurance	Employee Insurance	0	0	0	79,060
		Employee Retirement	Employee Retirement	0	0	0	76,680
		Social Security	Social Security	0	0	0	42,270
		Longevity	Longevity	0	0	0	3,170
		Overtime	Overtime	0	0	0	360
	Total			611,325	713,480	713,480	738,770
	Operating Expenses	BRE (Business Retention Events)	BRE (Business,Retention Activities & Special Events)	15,817	15,500	15,500	15,500
		Communications	Advertising & Public Relations	42,145	50,000	48,550	105,000
			Design & Materials	5,483	20,000	15,229	20,000
			Public Relations	16,665	20,000	12,355	0
			Video & Photography	19,276	27,500	23,125	27,500
			Website & Social Media	15,513	35,000	32,500	0
		Recruitment	Lead Development/Studies/Reports	156,224	150,000	120,000	150,000
			Marketing Travel	37,199	40,000	38,000	48,000
			Recruitment Programs	69,556	65,000	65,000	65,000
			Site Visits	662	20,000	15,000	20,000
		Accounting	Accounting	24,663	30,000	27,742	30,000
		Legal	Legal	40,104	85,000	38,110	85,000
		Other Professional fees	Consulting	11,000	250,000	219,500	125,000
		Training & Education	Professional Development	14,146	22,000	22,000	22,000
		City Contract	City Contract	32,409	35,674	35,674	40,000
		Dues and subscriptions	Dues and subscriptions	34,801	32,000	28,995	43,040
		Insurance	Insurance	3,013	5,000	3,000	3,000
		IT Services	IT Services	15,840	22,000	21,900	22,000
		Office Furniture & Equipment	Office Furniture Equipment	17,412	16,000	16,000	36,800
		Office Supplies	Supplies	12,430	15,000	9,200	15,000
		Property Owners Association	Property Owners Association	600	3,500	3,500	4,000
		Rentals and Leases	Copier Lease	0	0	0	4,200
			Rent	63,339	65,239	65,239	67,264
		Repairs & Maintenance	Repairs & Maintenance	5,788	5,000	4,200	5,000
		Telephone	Telephone	7,231	8,000	7,995	8,000
		Board Operations	Board Operations	6,764	7,500	9,956	10,000
		Bank Charges	Bank Charges	1,592	1,500	800	1,500
		Vehicle Use & Maintenance	Vehicle Use & Maintenance	2,363	8,000	6,750	8,000
	Total			672,035	1,054,413	905,820	980,804
	Economic Development Incentives	Community Engagement	Community Engagement	175,622	300,000	300,000	300,000
		Workforce Development	Workforce Development	300,942	350,000	90,000	350,000
		Economic Incentives	Accent	0	30,000	0	0
			Austin Data LLC	0	0	0	225,000
			Austin Foam Plastics	0	0	0	0
			Cowboy Fit	50,000	50,000	50,000	0
			Cumberland Additive	100,000	75,000	75,000	75,000
			Essentium	0	75,000	75,000	75,000
			GT Distributors	150,000	75,000	75,000	75,000
			Lifelast	0	0		
			Marriott	0	0		0

		MDC Vacuum	75,000	50,000	50,000	50,000
		Medway Plastics	0	0	0	0
		MOBOTREX	0	50,000	50,000	50,000
		MW Builders	0	0	0	0
		REE Automotive	0	250,000	250,000	200,000
		RNDC	0	50,000	100,000	120,000
		Rosendin	20,000	0	20,000	0
		SISU	24,800	0	0	0
		Tescom	0	0	0	0
		Test Fits/Incentive Costs	0	6,000	4,500	6,000
		Walker Engineering	10,000	10,000	10,000	10,000
		Total	906,364	1,371,000	1,149,500	1,536,000
Capital Outlay	Land Acquisition & Development	Land Acquisition & Development	0	6,000,000	5,846,438	750,000
	Road Improvement Projects	Road Improvement Projects	0	0	0	1,200,000
	Amazon	Amazon	1,000,000	0	0	0
	Heatherwilde 45 (Sewer)	Heatherwilde 45 (Sewer)	125,000	125,000	125,000	0
	Impact WayROW	Impact WayROW	1,332,270	1,520,000	1,520,000	0
	Total	Total	2,457,270	7,645,000	7,491,438	1,950,000
Debt Service	130 Com. Cntr/Impct 2014 - Bond 39	130 Com. Cntr/Impct 2014 - Bond 39	308,465	309,200	309,200	309,800
	Helios	Helios	173,744	150,000	180,000	180,000
	Remaining of 2013/2014 Bond 55 (2020)	Remaining of 2013/2014 Bond 55 (2020)	118,722	118,552	118,552	149,173
	Rnew enrgy Prk.2009A/2017 Bond49	Rnew enrgy Prk.2009A/2017 Bond49	162,550	163,300	163,300	158,800
	Pfigr Frm Ln. 2013 - Bond 38	Pfigr Frm Ln. 2013 - Bond 38	106,000	103,000	103,000	0
	Transfer to City for DE Rec Center	Transfer to City for DE Rec Center	0	0	0	4,000,000
	Whitney Bank - Interest	Whitney Bank - Interest	909,896	871,778	832,049	832,049
	Whitney Bank Principal	Whitney Bank Principal	870,000	905,000	945,000	945,000
	Total	Total	2,649,377	2,620,830	2,651,101	6,574,822
	Total	Fund balance	7,296,371	13,404,723	12,911,339	11,780,396
Ending fund balance	Fund balance	Fund balance	19,598,465	15,926,053	17,919,196	17,412,090
	Fund Balance as a % of Total Expenditures	Fund Balance as a % of Total Expenditures	1,824,093	3,351,181	3,227,835	2,945,099
			269%	119%	139%	148%

FY 24 Incentive & Obligations Report

Expense Type	Project in 2015-2037	Fy 2023	Fy 2024	Fy 2025	Fy 2026	Fy 2027	Fy 2028	Fy 2029	Fy 2030
Project Liabilities	Austin Data LLC	0	225,000	225,000	225,000	225,000	225,000	225,000	225,000
	Cowboy Fit	50,000	0	0	0	0	0	0	0
	Cumberland Additive	75,000	75,000	25,000	25,000	0	0	0	0
	Essentium	75,000	75,000	50,000	0	0	0	0	0
	GT Distributors	75,000	75,000	0	0	0	0	0	0
	MDC Vaccum	50,000	50,000	50,000	25,000	0	0	0	0
	MOBOTREX	50,000	50,000	50,000		0	0	0	0
	REE Automotive	250,000	200,000	100,000	50,000	0	0	0	0
	RNDC	100,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
	Rosendin	20,000	0	0	0	0	0	0	0
	Walker Engineering	10,000	10,000	0	0	0	0	0	0
Total		755,000	880,000	620,000	445,000	345,000	345,000	345,000	345,000
Debt Liability	130 Commerce Center/Impact Way Series 2014 (Bond 39)	309,200	309,800	310,000	309,800	309,200	308,200	306,800	0
	Bond 55 (remainig from refinance in 2020)	118,552	149,173	189,173	505,342	484,929	465,215	537,845	764,317
	Heatherwilde 45 (sewer)	125,000	0	0	0	0	0	0	0
	Helios /Costco	150,000	150,000	150,000	150,000	150,000	150,000	75,000	0
	Pflugger Farm Ln Series 2013 - Bond 38	103,000	0	0	0	0	0	0	0
	Pflugerville Downtown Project	0	4,000,000	4,000,000	4,000,000	3,000,000	3,000,000	3,000,000	3,000,000
	Refinance Loan Payment	1,797,343	1,796,755	1,799,449	3,255,211	3,256,547	3,248,159	3,250,262	3,252,210
	Renewable Energy Park-130 ComCtr Series 2009A (Bond 49)	163,300	158,800	159,300	164,550	164,300	163,800	168,050	161,800
Total		2,766,395	6,564,528	6,607,922	8,384,903	7,364,976	7,335,374	7,337,957	7,178,327
Infrastructure Projects	Land aquisition & Development (TX Dot Land)	6,000,000	750,000	0	0	0	0	0	0
	Road Improvement Projects Land		1,200,000						
	Impact Way Extension	1,520,000	0	0	0	0	0	0	0
	Total	7,520,000	1,950,000	0	0	0	0	0	0
Rental/Lease Liabilities	Cortec Lease for PCDC	65,294	67,264	69,282	71,360	73,501	0	0	0
Total	Total	11,106,689	9,461,792	7,297,204	8,901,263	7,783,477	7,680,374	7,682,957	7,523,327

FY 24 Incentive & Obligations Report

Expense Type	Project in 2015-2037	Fy 2031	Fy 2032	Fy 2033	Fy 2034	Fy 2035	Fy 2036	Fy 2037	Total
Project Liabilities	Austin Data LLC	0	0	0	0	0	0	0	1,575,000
	Cowboy Fit	0	0	0	0	0	0	0	50,000
	Cumberland Additive	0	0	0	0	0	0	0	200,000
	Essentium	0	0	0	0	0	0	0	200,000
	GT Distributors	0	0	0	0	0	0	0	150,000
	MDC Vaccum	0	0	0	0	0	0	0	175,000
	MOBOTREX	0	0	0	0	0	0	0	150,000
	REE Automotive	0	0	0	0	0	0	0	600,000
	RNDC	120,000	70,000	70,000	0	0	0	0	1,200,000
	Rosendin	0	0	0	0	0	0	0	20,000
	Walker Engineering	0	0	0	0	0	0	0	20,000
Total		120,000	70,000	70,000	0	0	0	0	4,340,000
Debt Liability	130 Commerce Center/Impact Way Series 2014 (Bond 39)	0	0	0	0	0	0	0	2,163,000
	Bond 55 (remainig from refinance in 2020)	721,659	676,019	1,004,209	0	0	0	0	5,616,433
	Heatherwilde 45 (sewer)	0	0	0	0	0	0	0	125,000
	Helios /Costco	0	0	0	0	0	0	0	975,000
	Pflugger Farm Ln Series 2013 - Bond 38	0	0	0	0	0	0	0	103,000
	Pflugerville Downtown Project	3,000,000	3,000,000	1,000,000	1,000,000	1,000,000	1,000,000	16,000,000	50,000,000
	Refinance Loan Payment	3,248,789	0	0	0	0	0	0	24,904,725
	Renewable Energy Park-130 ComCtr Series 2009A (Bond 49)	165,550	163,800	163,200	162,400	166,400	0	0	2,125,250
Total	7,135,998	3,839,819	2,167,409	1,162,400	1,166,400	1,000,000	16,000,000	86,012,408	
Infrastructure Projects	Land aquisition & Development (TX Dot Land)	0	0	0	0	0	0	0	6,750,000
	Road Improvement Projects Land								1,200,000
	Impact Way Extension	0	0	0	0	0	0	0	1,520,000
Total	0	0	0	0	0	0	0	9,470,000	
Rental/Lease Liabilities	Cortec Lease for PCDC	0	0	0	0	0	0	0	346,702
	Total	0	0	0	0	0	0	0	346,702
Total	Total	7,255,998	3,909,819	2,237,409	1,162,400	1,166,400	1,000,000	16,000,000	100,169,110

Resolution No. 2023-005

A RESOLUTION OF THE PFLUGERVILLE COMMUNITY DEVELOPMENT CORPORATION REGARDING AMENDMENTS AND APPROVAL OF THE PUBLIC INVESTMENT POLICY, OF THE PFLUGERVILLE COMMUNITY DEVELOPMENT CORPORATION, PFLUGERVILLE, TEXAS

WHEREAS, the Pflugerville Community Development Corporation ("PCDC") recognizes the need for relevant and updated policies; and

WHEREAS, the PCDC maintains and reviews annually the Public Funds Investment Policy; and

WHEREAS, Section 7.05 of the By-laws of the Pflugerville Community Development Corporation provides that the Public Funds Investment Policy shall be reviewed by the PCDC Board on an annual basis and presented to City Council; and

WHEREAS, the Board of Directors of the PCDC has reviewed the Public Funds Investment Policy attached hereto as Exhibit "A" as amended; and desires to present the same to the City Council of Pflugerville for consideration of approval;

NOW THEREFORE BE IT RESOLVED BY PFLUGERVILLE COMMUNITY DEVELOPMENT CORPORATION that:

The Public Funds Investment Policy of the PCDC have been reviewed and approved by the Board of Directors of the PCDC and are attached to this Resolution as Exhibit "A"; and

The Executive Director of the PCDC is directed to present the same to the City Council of the City of Pflugerville for consideration of approval.

APPROVED this 16th day, August 2023.

PFLUGERVILLE COMMUNITY DEVELOPMENT CORPORATION.

Dennis Spencer, President

, Secretary

PCDC Fund Balance & Budget Policy

Approved as of _____ by Resolution _____

PCDC Fund Balance: Fund Balances are available cash reserves not otherwise budgeted for operations or required for any other purpose. These reserves may be used in any fiscal year but are restricted for (a) "projects" as defined by Chapters 501 and 505 of the Texas Local Government Code for Type B Economic Development Corporations, and (b) for other legally allowed operational expenses as authorized by the Board and City Council.

Minimum Fund Balance: Minimum Fund Balance is maintained by the PCDC Board and is calculated annually as 25 percent of all expenses.

If at any time during the fiscal year it appears probable to the Executive Director that the revenues available will be insufficient to meet the amount appropriated, he/she shall report to the PCDC Board without delay, indicating the estimated amount of the deficit, any remedial action to be taken by them, and their recommendations for any other steps to be taken. The PCDC shall take further action as it deems necessary to prevent or minimize any deficit and, for that purpose, it may by resolution, reduce one or more budgeted appropriations.

In the event the Minimum Fund Balance falls below the required amount, or if it is anticipated that the balance will be less than the required amount at the close of the fiscal year, the Executive Director shall prepare and submit a plan to the PCDC Board to restore the minimum required level as soon as economic and anticipated cash flow conditions allow and provide an estimated timeline for restoring the balance.

The Minimum Fund Balance requirement may be suspended by a resolution approved by PCDC. The resolution should reference the extenuating circumstances that created the expending funds below the designated requirement; and shall also provide a proposed process and timeline for rebuilding the required Minimum Fund Balance.

Compliance with the provisions of the policy shall be reviewed as part of the annual operating budget adoption process and subsequent review will be included in the annual audit and financial statement preparation procedures.

Budget Policy:

Anticipated sales tax revenues are the primary revenue source for PCDC and are measurable and sustainable. Anticipated long-term lease payments from the Typhoon Texas Project are a second source of PCDC revenue. This revenue is also measurable and sustainable. Other short and intermediate term lease payments and land sales are a third source of PCDC revenue and are generally considered more contingent and uncertain. Recurring general operating and maintenance payments, such as personnel, rent, utilities, PCDC loan payments and annual debt service reimbursement payments due the city, will be budgeted in an amount not to exceed

anticipated sales tax revenues and long-term lease payments from the Typhoon Texas Project.

The budget shall begin with a clear general summary of its contents and shall show in detail all estimated income, based on the proposed sales tax income and all proposed expenditures, including debt service, for the coming fiscal year. The budget format and process for Board and City Council approval shall be contingent on the current City and PCDC Administrative Agreement that provides for uniformity with the City of Pflugerville budget process. The proposed budget expenditures shall not exceed the total of the estimated income and any fund balances, excluding the Minimum Fund Balance, that may be available from prior years.

Executive Director Spending: The Executive Director shall be authorized to spend up to \$30,000 without prior Board approval for purposes contained in a current budget that has been approved by the City Council, provided that any expenditure of more than \$5,000 is reported to the Board in a written weekly report to all Board members. The Board of Directors shall review and approve the Executive Director's spending authority annually as part of the preparation of the Corporation's budget for each fiscal year.

Pflugerville Community Development Corporation
Public Funds Investment Policy Approved by Resolution 2023-003
04-19-23

POLICY STATEMENT

It is the policy of the Pflugerville Community Development Corporation (PCDC) that the administration of its funds and the investment of those funds shall be handled in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the PCDC and conforming to statutes and ordinances governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the PCDC to be in complete compliance with local law and the Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Government Code, as amended.

SCOPE

This investment policy applies to all the financial assets and funds held by the PCDC. These funds are defined in the PCDC's Annual Comprehensive Financial Report and include:

General Fund

Reserve Funds

New funds created by the PCDC, unless specifically exempted by the PCDC Board and this policy.

OBJECTIVES AND STRATEGY

A. Objective

It is the policy of the PCDC that all funds shall be managed and invested in conformance with State and Federal Regulations, applicable bond covenants and ordinances, and this adopted Investment Policy. The primary objectives for investment activities are listed below in priority order

1. Suitability

Understanding the suitability of the investment to the financial requirements of the PCDC is important. The needs and limitations of each group of funds must be considered. Any investment eligible in the Investment Policy should be suitable for all PCDC funds.

2. Safety of Principal

The primary objective of all investment activity is the preservation of capital and the safety

of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided, whether they have resulted from investment defaults or erosion of market value. All investments are to be of high-quality instruments with no perceived default risk. Market price fluctuations may, however, occur.

With foremost emphasis on safety of principal (i.e. avoidance of capital losses), the Investment Officer will ensure that preservation of capital and protection of principal in the overall portfolio is maintained. Speculation is prohibited.

3. Maintenance of Adequate Liquidity

The PCDC's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated. Liquidity shall be achieved by maintaining appropriate cash equivalent balances, matching investment maturities with anticipated cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. An efficient market is generally defined as having a bid-asked price relationship being no greater than 1/10 of 1 percent of principal value.

5. Diversification

Diversified investment maturities shall provide monthly cash flow based on anticipated operating needs of the PCDC. Short term financial institution deposits, investment pools, money market mutual funds, and staggered investment maturities shall provide timely liquidity and may be utilized.

6. Yield

The PCDC's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the PCDC's investment risk constraints and the cash flow characteristics of the portfolio.

B. Strategy

The investment objectives above apply to all funds covered by this Policy. Investment strategies and guidelines by fund-type are as follows:

1. Operating Funds

These Funds comprise the majority of the PCDC's portfolio and include all operating funds for recurring general operating and maintenance spending. Investment strategies for these funds have as their primary objective to assure that anticipated cash outflows are matched with adequate portfolio cash availability while providing competitive yields on PCDC funds. Daily liquidity for operations is required first and longer maturities may then be used to cover anticipated expenditures based on cash flow forecasts.

Suitability - Any investment eligible in the Investment Policy is suitable for Operating Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations may occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 180 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

Liquidity - The Operating Funds require the greatest short-term liquidity of any of the Fund types. Cash equivalent investments will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement.

Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the PCDC. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio will be the minimum yield objective.

2. Reserve Funds

Reserve Funds are reserves required by the PCDC Fund Reserve & Budget Policy. The Reserve Funds consist of two components: 1. General Reserves and 2. Contingent Reserves. The General Reserves are cash reserves not otherwise budgeted for operations or required for any Contingent Reserves. The Contingent Reserves aim to maintain twelve months of the PCDC's debt service plus 25% of its other operating budget for unanticipated costs that may arise.

Suitability - Any investment eligible in the Investment Policy is suitable for Reserve Funds

Safety of Principal - All investments shall be of high quality with no perceived default risk.

Market price fluctuations may occur. However, by managing the weighted average days to maturity for the Reserve Fund's portfolio to less than 180 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

Liquidity - The Reserve Funds are deposited to provide payment protection for the PCDC's unanticipated operating and other contingency spending. The funds have no anticipated expenditures; however, cash equivalent investments will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability - Securities with active and efficient secondary markets may be necessary in the event the Contingent Reserve falls below the required amount and investments must be liquidated to meet the Reserve Fund needs.

Diversification - Market conditions and the PCDC's annual outlook influence the attractiveness of staggering the maturity of fixed rate investments for Reserve Funds.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio will be the minimum yield objective.

LEGAL LIMITATIONS, RESPONSIBILITIES, AND AUTHORITY

Specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA), as amended. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, specifies collateral requirements for all public fund deposits.

The Interlocal Cooperation Act, Chapter 791, Texas Government Code, as amended, authorizes local governments in Texas to participate in an investment pool established thereunder. That statute and reference to authorize investment in investment pools in the Act is primary authority for use of investment pools by political subdivisions of the State of Texas.

DELEGATION OF INVESTMENT AUTHORITY AND TRAINING

The Executive Director, acting on behalf of the PCDC, is designated as the Investment Officer of the PCDC and is responsible for investment management decisions and activities. The PCDC Board is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Procedures will include reference to safekeeping agreements, depository agreements, repurchase agreements, wire transfer agreements, banking services contracts, and other

investment related activities.

To ensure the quality and capability of investment management, the Investment Officer shall attend a training session(s) that includes instruction relating to investment responsibilities. Within the first 12 months of assuming investment duties, the Officer shall attend not less than 10 aggregate hours of instruction. Thereafter, the Investment Officer shall attend not less than eight (8) aggregate hours of instruction once 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.

All investment training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with PFIA, and shall be from an independent source approved by the PCDC Board. The following sponsors are hereby approved:

1. Government Finance Officers Association (GFOA and GFOAT);
2. Texas Society of Certified Public Accountants (TSCPA);
3. Texas Municipal League (TML);
4. Government Treasurers' Organization of Texas (GTOT);
5. Sponsors approved by the TSCPA and GFOA, GFOAT, GTOT, to provide CPE credits;
6. Center for Public Management at the University of North Texas; or
7. Alliance of Texas Treasury Associations (ATTA)

The Investment Officer shall be responsible for all transactions and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the PCDC Board.

STANDARD OF CARE

A. Prudence

The standard of care to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The standard states: "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."

B. Limitation of Personal Liability

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The Investment Officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations for a specific investment's credit risk or market price change or portfolio shifts are reported in a timely manner and then appropriate action is taken to control adverse market effects.

ETHICS

The Investment Officer involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Furthermore, in accordance with the PFIA, an Investment Officer who has a personal business relationship with a firm or is related within the second degree by consanguinity or affinity to individuals seeking to sell investments to the PCDC must disclose such relationships in accordance with Section 2256.005(i). Such disclosure should be made to the Texas Ethics Commission and to the PCDC Board.

INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the PCDC in accordance with accepted industry practices. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the PCDC.

The Investment Officer shall monitor the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this policy, the Investment Officer shall take all prudent measures that are consistent with this policy to liquidate the investment that does not have the minimum rating.

CASH FLOW FORECASTING

Cash flow forecasting is designed to protect and sustain cash flow requirements of the PCDC. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash Flow will include the historical researching and monitoring of specific cash flow items, payables, and receivables as well as overall cash positions and patterns.

AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below. The investments are to be chosen in a manner which promotes diversity of market sector and maturity.

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- A. Obligations, including letters of credit, of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, including the Federal Home Loan Banks.
- B. Direct obligations of the State of Texas or its agencies and instrumentalities.
- C. Interest-bearing financial institution deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or its successor, or the National Credit Union Share Insurance Fund (the "NCUSIF") or its successor, or that are collateralized or placed in compliance with this Policy, the PFIA, and the Public Funds Collateral Act (the "PFCA").
- D. Obligations of states, agencies, counties, cities, and other political subdivisions of this state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
- E. Repurchase agreements and reverse repurchase agreements structured in compliance with the PFIA provided an executed PSA Master Repurchase Agreement, or similar agreement, is on file with the PCDC and the counterparty financial institution or primary dealer.
- F. Texas Local Government Investment Pools as defined by the PFIA. The pool must maintain a minimum rating of AAAM and seek to maintain a stable net share value of \$1.00 per share.
- G. No-load money market mutual funds if the fund is compliant with the PFIA; regulated by the Securities and Exchange Commission; marks its portfolio to market daily; includes in its investment objectives the maintenance of a stable net asset value of \$1.0000 for each share; and is continuously rated no lower than AAAM or at an equivalent rating by at least one nationally recognized rating service.

AUTHORIZED BROKER/DEALERS

All security transactions will be made through Authorized Broker/Dealers firms (see Authorized Broker/Dealers and Government Pools). As requested by the PCDC, all Broker/Dealers will provide provision of an audited financial statement for the most recent period, proof of certification by the Financial Industry Regulatory Authority (FINRA), and proof of current registration with the State Securities Commission.

Every local government investment pool or discretionary investment management firm (i.e., business organization) that conducts investment transactions for PCDC will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. The business organization will be required to return a signed copy of a

certification form certifying that the policy has been received, reviewed, and appropriate procedures are implemented in compliance with the PFIA.

Additionally, all investment providers will be routinely provided the adopted investment policy.

DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the PCDC to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Except for U.S. Treasury securities and authorized investment pools, no more than 50% of the PCDC's total investment portfolio will be invested in a single security type or with a single financial institution.

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to specific maturity targets as identified through a cash flow analysis, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. The Investment Officer may not invest any portion of the portfolio for a period greater than two (2) years.

SAFEKEEPING AND COLLATERALIZATION

All security transactions, including collateral for repurchase agreements, entered into by the PCDC shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts.

The PCDC has established a collateral policy in compliance with the PFCA. Deposits secured with irrevocable letters of credit shall have 100% of principal plus anticipated interest of the deposit, less any amount insured by the FDIC or NCUSIF. Deposits secured with pledged marketable securities shall have a market value equal to or greater than 102% of the principal plus accrued interest of the deposit, less any amount insured by the FDIC or NCUSIF. All deposits shall be insured or collateralized in compliance with applicable State law. The PCDC reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged toward financial institution deposits. Financial institutions serving as PCDC Depositories will be required to sign a depository agreement with the PCDC. The collateralized deposit portion of the agreement shall define the PCDC's rights to the collateral in case of default, bankruptcy, or closing, and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing.

- The agreement has to be executed by the Depository and PCDC contemporaneously with the acquisition of the asset.
- The agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the PCDC; and
- The agreement must be part of the Depository's "official record" continuously since its execution.

Acceptable forms of collateral are limited to those authorized in the PFCA. All collateral shall be subject to inspection and audit by the PCDC or the PCDC's independent auditors.

PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit quarterly reports to the PCDC Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. This report shall contain:

Beginning and ending market value of the portfolio by market sector and total portfolio;
 Beginning and ending carrying (Book) value of the portfolio by market sector and total portfolio;
 Transactions which change market and book value;
 Detail reporting on each asset (book, market, and maturity dates);
 Overall current yield of the portfolio;
 Overall weighted average maturity of the portfolio;
 Final maturity date of each investment in the portfolio;
 Statement of compliance with this policy, incorporated strategies, and PFIA; and
 The signature of the Investment Officer.

Weighted average yield to maturity shall be the portfolio's performance measurement standard.

The PCDC will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

The PCDC requires a competitive environment for all individual security purchases and sales, financial institution time deposit and transaction accounts, and money market mutual fund and local government investment pool selections.

INVESTMENT POLICY ADOPTION BY THE BOARD AND CITY COUNCIL

The PCDC investment policy shall be adopted by the PCDC Board. Additionally, the PCDC Board shall adopt a resolution stating that it has reviewed the investment policy (and incorporated strategies) at least annually, approving any changes or modifications. The policy shall be presented to City Council for approval with the Annual Budget in accordance with the PCDC Bylaws, Section 7.05 Investment and Reserve Policies.

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AUTHORIZED BROKER/DEALERS AND GOVERNMENT POOLS

Broker/Dealers Authorized To Do Business with PCDC

FHN Financial
Hilltop Securities
Multi-Bank Securities
Wells Fargo Securities

Government Pools Authorized to Do Business with PCDC

TexPool 449
TexPool Prime 590

PCDC Sales Tax Revenue										
	FY21 FY20-21			FY22 FY21-22			FY23 FY22-23			% Change Month to Month
	% of total budget	Monthly Revenue	Cumulative	% of total budget	Monthly Revenue	Cumulative	% of total budget	Monthly Revenue	Cumulative	
October (August Sales)	10.1%	\$ 546,293		8%	\$ 679,831		7%	\$ 751,918		10.6%
November (September Sales)	21.5%	\$ 618,072	\$ 1,164,365	17%	\$ 801,060	\$ 1,480,891	16%	\$ 821,195	\$ 1,573,113	2.5%
December (October Sales)	31.8%	\$ 558,659	\$ 1,723,024	25%	\$ 706,876	\$ 2,187,767	23%	\$ 730,493	\$ 2,303,605	3.3%
January (November Sales)	43.8%	\$ 648,789	\$ 2,371,813	33%	\$ 733,104	\$ 2,920,871	30%	\$ 727,126	\$ 3,030,731	-0.8%
February (December Sales)	56.9%	\$ 706,207	\$ 3,078,020	42%	\$ 836,757	\$ 3,757,628	39%	\$ 868,186	\$ 3,898,917	3.8%
March (January Sales)	66.7%	\$ 531,148	\$ 3,609,168	49%	\$ 643,427	\$ 4,401,055	45%	\$ 682,448	\$ 4,581,365	6.1%
April (February Sales)	75.5%	\$ 476,522	\$ 4,085,690	56%	\$ 594,450	\$ 4,995,505	52%	\$ 672,085	\$ 5,253,450	13.1%
May (March Sales)	89.8%	\$ 777,716	\$ 4,863,406	66%	\$ 849,944	\$ 5,845,449	61%	\$ 869,262	\$ 6,122,712	2.3%
June (April Sales)	103.6%	\$ 742,748	\$ 5,606,154	74%	\$ 761,642	\$ 6,607,091	67%	\$ 696,474	\$ 6,819,186	-8.6%
July (May Sales)	115.0%	\$ 617,732	\$ 6,223,886	82%	\$ 719,854	\$ 7,326,945	75%	\$ 745,695	\$ 7,564,881	3.6%
August (June Sales)	129.3%	\$ 774,885	\$ 6,998,771	92%	\$ 849,632	\$ 8,176,577	84%	\$ 880,074	\$ 8,444,955	3.6%
September (July Sales)	142.6%	\$ 720,574	\$ 7,719,345	100%	\$ 755,686	\$ 8,932,262	91%	\$ 782,761	\$ 9,227,717	3.6%

FY21 YTD Total	\$ 6,223,886	FY22 YTD Total	\$ 7,326,945.00	FY23 YTD Total	\$ 7,564,881
FY21 Total	\$ 7,719,345	Projected FY22 Total	\$ 8,932,262.48	Projected FY23 Total	\$ 9,227,717
% of Total YTD	81%	FY22 Budgeted Total	\$ 8,904,000.00	FY23 Budgeted Total	\$ 10,104,000.00
FY21 Budget	\$ 5,413,500	% of Budget YTD	82%	% of Budget YTD	74.87%
		Projected - Budget Difference	\$ 28,262.48	Projected - Budget Difference	\$ (876,283.11)
		Projected/Budgeted % Change	0%	Projected/Budgeted % Change	-8.67%
		YTD % Change (FY21/FY22)	17.72%	YTD % Change (FY22/FY23)	3.25%
		YTD Difference	\$ 1,103,059.00	YTD Difference	\$ 237,936.44

*Projected numbers based on average % Change Month to Month average

*Projected numbers based on average % Change Month to Month average