



**PFLUGERVILLE**   
COMMUNITY DEVELOPMENT

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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 2023 to the Pflugerville City Council. This budget serves as the foundation for all anticipated revenues, expenses, and obligations while still maintaining a required reserve fund balance. PCDC's financial plan was reviewed by the City Manager and the City Director of Finance, and a sub committee of PCDC board members prior to the Board of Directors Budget Worksession and final approval during a Regular meeting on June 15, 2022. The board and staff were guided by the Comprehensive Economic Development Strategic Plan 2.0 (CEDS) adopted in January 2020. The PCDC FY23 packet includes the FY23 Proposed Budget Summary and Incentives and Obligations Report. Additionally, we are including the Investment Policy, Budget and Reserve Policy, and the associated approved Resolution that is required annually, and must be forwarded to city council for final approval per the PCDC Bylaws.

#### **PCDC Revenue**

Sales Tax Revenue is budgeted at \$10,104,000 based on a 13% increase over the FY22 budget of \$8,904,000. We anticipate our actual sales tax revenue to meet our budget. Income from the Typhoon Texas Lease is budgeted at \$1,246,704. Interest income is budgeted at \$80,000 for FY23, bringing total income to \$11,430,704.

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**

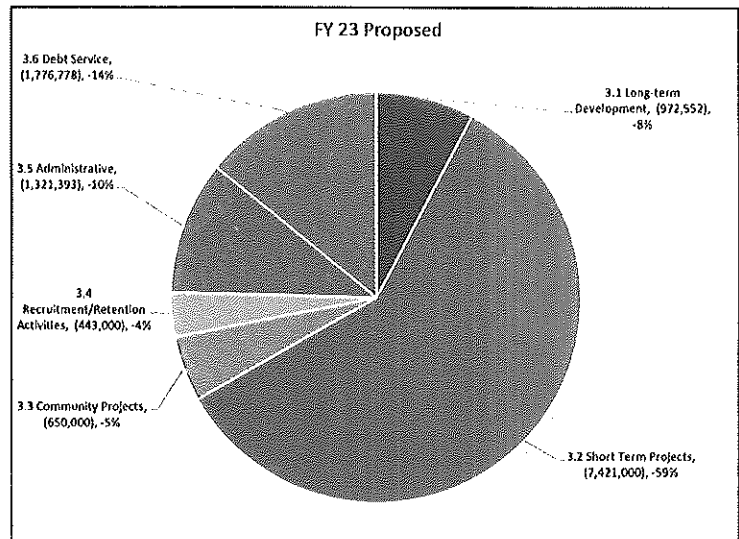
Short-term projects are expected to be completed in the current fiscal year or are only funded in the current or future fiscal years if the applicant meets contractual obligations annually. For FY23, the total short term projects budgeted expenditure is \$7,421,000.00 representing 59% of the total annual budgeted expenditure. This includes Economic Development Performance Agreements of which, two are new incentive contracts and seven are ongoing incentive contracts that are eligible for funding in FY23. The remaining \$6,000,000 in short term projects is for Land acquisition in FY23.

Long-term projects are expected to be completed in more than one fiscal year and require future annual payments for debt service or construction costs. For FY23, the total budgeted is \$972,552.00 or 8% of the total annual expenditure, to fund the City of Pflugerville's annual bond debt for Pfluger Farm Lane Series 2013, 130 Commerce Impact Way Series 2014, Renewable Energy Park Series 2009A, along with a 380 agreement and Heatherwilde 45 infrastructure.

Recruitment and Retention is \$443,000, represents 4% of the total budgeted expenditure and includes the Business Pfirst Program, funding for marketing, business retention, workforce education, recruitment and associated events.

Administrative Expenses account for 10% of the total PCDC Expenditure. Administrative Expenses include: Personnel Costs of \$713,480 for 6 full-time positions plus 3% merit, city administrative services contract of \$35,674, professional development costs of \$22,000, office \$131,239 and overhead costs of \$54,000.

Community Engagement Projects account for \$650,000 or 5% of the budget and include workforce education grants, public parks and related community improvement grants.



#### **PCDC Debt Service**

The PCDC has one loan with Hancock Whitney Bank to finance the water park. The PCDC will pay \$905,000 in principal and \$871,778 in interest payments, accounting for 14% of our total FY23 Expenses.

#### **Fund Reserve Contributions**

The PCDC continues setting aside funds for an annual contingency reserve to meet the requirements of the PCDC Fund Reserve Policy of one full year of Debt Service for the Water Park plus 25% of all other expenses, not including long term infrastructure. In FY23, the total contingency reserve will be \$3,723,531.

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,

  
George Vande Werken, President

  
Amy Madison, Executive Director

## Pflugerville Community Development Corporation | Fiscal Year 2023 Budget Summary City

Details	FY21 Actuals	FY22 Approved	FY22 Projected	FY23 Proposed
<b>Beginning Fund Balance</b>	<b>12,690,793</b>	<b>16,441,926</b>	<b>16,441,926</b>	<b>18,997,009</b>
Begin fund balance	12,690,793	16,441,926	16,441,926	18,997,009
<b>Revenue</b>	<b>9,196,830</b>	<b>10,212,218</b>	<b>10,677,476</b>	<b>11,430,704</b>
Sales Tax	8,035,871	8,904,000	9,343,974	10,104,000
Waterpark Lease	1,150,000	1,298,218	1,298,218	1,246,704
Interest	10,959	10,000	35,284	80,000
<b>Expenditures</b>	<b>5,445,697</b>	<b>8,729,075</b>	<b>8,170,489</b>	<b>12,584,723</b>
Personnel	485,120	641,260	628,616	713,480
Operating Expenses	1,077,109	1,858,947	1,479,776	2,421,913
Capital Outlay	2,101,957	4,448,972	4,282,201	7,672,552
Debt Service	1,781,511	1,779,896	1,779,896	1,776,778
<b>End Fund Balance</b>	<b>16,441,926</b>	<b>17,925,069</b>	<b>18,948,913</b>	<b>17,842,990</b>
Restricted Reserve	2,193,518	2,929,947	2,929,947	3,723,531
Unrestricted Reserve	14,248,408	14,995,122	16,067,062	14,167,839
<b>Fund Balance to Expenditure %</b>	<b>302%</b>	<b>205%</b>	<b>232%</b>	<b>142%</b>

## Pflugerville Community Development Corporation | FY23 Detailed Budget - PCDC

Details	FY 21 Actuals	FY 22 Approved	FY 22 Actuals	FY 22 Projected	FY 23 Proposed
<b>2 Revenue</b>	<b>9,196,830</b>	<b>10,212,218</b>	<b>5,869,651</b>	<b>10,677,476</b>	<b>11,430,704</b>
2.1 Sales Tax	8,035,871	8,904,000	5,846,114	9,343,974	10,104,000
2.2 Waterpark Lease	1,150,000	1,298,218	-	1,298,218	1,246,704
2.3 Interest	10,959	10,000	23,537	35,284	80,000
<b>3 Expenditure</b>	<b>(5,445,697)</b>	<b>(8,729,075)</b>	<b>(3,980,846)</b>	<b>(8,170,489)</b>	<b>(12,584,723)</b>
3.1 Long-term Development	(1,925,702)	(2,348,972)	(1,152,826)	(2,473,972)	(972,552)
3.2 Short Term Projects	(434,064)	(2,511,800)	(166,738)	(2,305,529)	(7,421,000)
3.3 Community Projects	(377,332)	(650,000)	(163,125)	(300,000)	(650,000)
3.4 Recruitment/Retention Activities	(185,798)	(443,000)	(194,468)	(399,892)	(443,000)
3.5 Administrative	(741,290)	(995,407)	(523,793)	(911,200)	(1,321,393)
3.6 Debt Service	(1,781,511)	(1,779,896)	(1,779,896)	(1,779,896)	(1,776,778)
<b>Net Income</b>	<b>3,751,133</b>	<b>1,483,143</b>	<b>1,888,805</b>	<b>2,506,987</b>	<b>(1,154,019)</b>

CASH FLOW PROJECTION - FY '22									
PFLUGERVILLE COMMUNITY DEVELOPMENT CORPORATION									
	Actual								
	July	Actual	July (for May)	August (for June)	September (for July)	Total Budget			
							Total (Actual+Est.)	Approved Budget	Over/(Under) Budget
Revenue/Receipts		YTD	Budget	Budget	Budget	Remaining			
41101 Sales Tax Revenue	719,854	7,327,610	719,854	796,244	800,000	1,596,244	8,923,854	8,904,000	19,854
41201 Waterpark Lease		-			1,298,218.00	1,298,218	1,298,218	1,298,218	-
78200 Tracking Point Clawback		-				-	-		-
70150 Cortec TI		-				-	-		-
70100 Gain on Sale of Land		-				-	-		-
70900 Other Misc Income		-				-	-		-
70101 Interest Income	22,133	60,552	21,556	833	833	1,667	62,218	10,000	52,218
TOTAL REVENUE/RECEIPTS	741,987	7,388,162	741,410	797,077	2,099,051	2,896,129	10,284,290	10,212,218	72,072
EXPENSES			July	August	September	Remaining	Total (Actual + Est.)		
Total Short-Term Incentive Projects	327,771	575,878	327,771		1,935,922	1,935,922	2,511,800	2,511,800	- 0
Long Term Development	125,000	1,277,826	125,000		1,071,146	1,071,146	2,348,972	2,348,972	- 0
Total Community Projects	403	219,814	402		430,187	430,187	650,000	650,000	0
Total Marketing/BRE	21,643	302,944	21,643		140,056	140,056	443,000	443,000	0
Total Personnel	550	421,973	550	70,874	198,476	269,350	691,323	691,323	0
Total Professional Fees	18,140	54,752	18,140		73,248	73,248	128,000	128,000	- 0
Total Office	14,427	104,812	14,427	11,240	10,533	21,773	126,585	126,584	0
Total Other Overhead	862	36,556	862	4,012	8,932	12,944	49,500	49,500	0
Total Debt. Principal		870,000				-	870,000	870,000	-
Total Interest		909,896				-	909,896	909,896	- 0
TOTAL EXPENSES	508,796	4,774,451	508,795	86,126	3,868,500	3,954,626	8,729,076	8,729,075	1
Net Revenue (Expense)	233,191	2,613,711	232,615	710,951	(1,769,448)	- 1,058,497	1,555,214	1,483,143	72,071
Loss on Retirement of Assets		-	-	-	-	-	-		
Depreciation		-	-	-	-	-	-		
Gain on Sale of Land		-	-	-	-	-	-		
Interest on CD		-	-	-	-	-	-		
Change in Notes & Other Receivables		-	-	-	-	-	-		
Change in Comerica CD		-	-	-	-	-	-		
Due from American Marksman		-	-	-	-	-	-		
Change in Direct Financing Lease-Water Park		-	-	-	-	-	-		
Change in Loan Guarantee		-	-	-	-	-	-		
Change in Other Receivable Assets		-	-	-	-	-	-		
Change in Accounts Payable	5,268	33,463	-	-	-	-	33,463		
Change in Deferred Rent & Rent Incentive		-	-	-	-	-	-		
Accrued P&I On Whitney Loan (Held in D/S Acct)		-	-	-	-	-	-		
Change in Deposits (EOS & TP Security Deposit)		-	-	-	-	-	-		
TTx Investment Incentive, City of Pf		-	-	-	-	-	-		
Purchases of Assets		-	-	-	-	-	-		
Fixed Assets (Purchase Of Vehicle & Computer)		-	-	-	-	-	-		
Proceeds from Sale of Land		-	-	-	-	-	-		
Proceeds from Loan Refinance-Whitney		-	-	-	-	-	-		
Debt Principal Repayments:		-	-	-	-	-	-		
22110 First Texas Principal		-	-	-	-	-	-		
22120 Capital One Principal		-	-	-	-	-	-		
22130 Land Note Principal		-	-	-	-	-	-		
22140 Whitney Loan Principal (Payments in Oct & Apr)		-	-	-	-	-	-		
Net Increase (Decrease) In Cash	238,459	2,647,174	232,615	710,951	(1,769,448)	(1,058,497)	1,588,678	1,483,143	105,535
Beginning Cash Balances	17,362,652	14,953,937	17,326,738	17,559,353	18,270,305				
Ending Cash Balances	17,601,111	17,601,111	17,559,353	18,270,305	16,500,857				
11110 First Texas Bank - Checking 1089	404,758								
11130 First Texas Bank - DebtService Acct 887	1,158,228								
11140 First Texas Bank - Money Market - 1097	152,561								
11150 Comerica Business CD - 4663									
11120 Comerica Checking - 2613									
11160 Whitney Rebate Acct									
11170 TexPool Prime	14,884,987								
11330 East West Bank CD	1,000,577								
	17,601,111		0	0	0				
	0								

# Pflugerville Community Development Corporation

## Balance Sheet As of July 31, 2022

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
11110 First Texas Bank - Checking (1089)	404,758
11130 First Texas Bank - Debt Service Reserve (4887)	1,158,228
11140 First Texas Bank - Money Market (1097)	152,561
11170 TexPool Prime	14,884,987
<b>Total Bank Accounts</b>	<b>\$16,600,534</b>
Other Current Assets	
11310 Sales Tax Receivable	1,480,890
11330 EastWest CD (G/L #242831)	1,000,577
<b>Total Other Current Assets</b>	<b>\$2,481,468</b>
<b>Total Current Assets</b>	<b>\$19,082,002</b>
Other Assets	
13110 Typhoon Texas Lease	20,700,000
13140 Security Deposit - Cortec	4,718
13150 Due from One Thirty Business Park POA	700
<b>Total Other Assets</b>	<b>\$20,705,419</b>
<b>TOTAL ASSETS</b>	<b>\$39,787,420</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
21250 Whitney Credit Cards	31,779
<b>Total Credit Cards</b>	<b>\$31,779</b>
<b>Total Current Liabilities</b>	<b>\$31,779</b>
Long-Term Liabilities	
22140 Whitney Bank Loan Payable	0
22160 Unavailable Revenue - Direct Financing Lease	20,700,000
<b>Total Long-Term Liabilities</b>	<b>\$20,700,000</b>
<b>Total Liabilities</b>	<b>\$20,731,779</b>
Equity	
30100 Retained Earnings	7,953,207
31000 Fund Balances	0
31100 Unrestricted	6,152,060
31300 Reserve Funds	2,336,664
<b>Total 31000 Fund Balances</b>	<b>8,488,724</b>
Net Income	2,613,710
<b>Total Equity</b>	<b>\$19,055,641</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$39,787,420</b>

# Pflugerville Community Development Corporation

## Balance Sheet

As of July 31, 2022

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### Note

13110 Typhoon Texas Lease - On 12/31/2016 PCDC entered into a direct financing lease with Typhoon Texas for land and improvements for a water park. The total cumulative amount of lease payments over the term of the lease is \$23 million. The current remaining lease payments due to PCDC are noted in Account 22160 - Unavailable Revenue - Direct Financing Lease, and are updated annually when the lease is paid on or before September 30.

INCENTIVES AND OBLIGATIONS REPORT  
AS OF 8/12/22

The **Incentives and Obligations Report** is a management tool that provides tracking of incentive performance agreements and any other obligations owed in future years to include debt service, lease payments, reserve payments per policy, and community grants.  
**Performance Agreements (PA)** - For each PA, we note the Maximum Incentive, Paid in Prior Years, and Budgeted amounts for the current year. All contracts are eligible for payout through September 30. Payments made in the current fiscal year are moved to Paid in Prior Years as part of our year end close out in October (new fiscal year). In the interim, we color code the current budget year to provide anticipated payment through September 30. Please see schedule below.

Project in 2015-2037	Project Status	Contract End	PAID IN FY2022	BUDGET in FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037- FY2043
Medway Plastics	A	November 2020	\$ -															
Sisu	A	September 2021	\$ 24,800															
Accent	A	July 2022	\$ -	\$ -														
Heatherwilde 45 (See Below)	A	2023																
Essentium	A	2023	\$ -	\$ 75,000	\$ 50,000													
Rosendin	A	2022	\$ 20,000	\$ 20,000														
RNDC	A	2029	\$ -	\$ 50,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000				
Cowboy Fit	A	2023	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Walker Engineering	A	2024	\$ 10,000	\$ 10,000	\$ 10,000													
MDC Vacuum	A	2026	\$ 75,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 25,000											
GT Distributors	A	2024	\$ 150,000	\$ 75,000	\$ 75,000													
Cumberland Additive	A	2026	\$ 100,000	\$ 75,000	\$ 75,000	\$ 25,000	\$ 25,000											
Austin Data LLC	A	2033		\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000							
REE Automotive	A	2030	\$ 250,000	\$ 200,000	\$ 100,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -								
MOBOTREX	A	2032	\$ 50,000	\$ 50,000	\$ 50,000													
Project Liabilities			\$ 429,800	\$ 705,000	\$ 855,000	\$ 570,000	\$ 445,000	\$ 345,000	\$ 345,000	\$ 345,000	\$ 345,000	\$ 120,000	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ -
GREEN: Possible Budget Ammendment			\$ 4,624,800															
RED : Payments owed in future years.																		
BLUE : Payment anticipated to be paid in current year but not yet paid																		
BLACK : Payment made in current fiscal year.																		
<b>Rental/Lease Agreements</b>																		
Cortec Lease for PCDC			\$ 62,600	\$ 64,478	\$ 66,412	\$ 68,405	\$ 70,457											
Rental/Lease Liabilities			\$ 62,600	\$ 64,478	\$ 66,412	\$ 68,405	\$ 70,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			\$ 332,353															
<b>Debt Liability</b>																		
Contingency Fund			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CO Debt Service																		
Pfluger Farm Ln Series 2013 - Bor	A	August 2033	\$ 224,206	\$ 221,206	\$ 118,206	\$ 218,206	\$ 515,206	\$ 493,206	\$ 471,506	\$ 550,106	\$ 490,419	\$ 447,138	\$ 396,338	\$ 754,638				
130 Commerce Center/Impact Way	A	August 2033	\$ 361,031	\$ 362,031	\$ 362,631	\$ 362,831	\$ 362,631	\$ 362,031	\$ 361,031	\$ 359,631	\$ 362,831	\$ 360,431	\$ 362,631	\$ 359,231				
Renewable Energy Park-130 ComC	A	August 2035	\$ 184,701	\$ 185,701	\$ 181,501	\$ 182,170	\$ 182,495	\$ 182,550	\$ 182,300	\$ 186,675	\$ 185,600	\$ 183,775	\$ 181,700	\$ 184,388	\$ 181,588	\$ 183,538		
ond 55 (remaining from refinance in 2021	A																	
Pflugerville Downtown Project			\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 6,000,000
Debt Liability			\$ 769,939	\$ 3,768,939	\$ 3,662,339	\$ 3,763,208	\$ 4,060,333	\$ 4,037,788	\$ 2,014,838	\$ 2,096,413	\$ 2,038,850	\$ 1,991,344	\$ 1,940,669	\$ 2,298,256	\$ 1,181,588	\$ 1,183,538	\$ 1,000,000	\$ 6,000,000
			\$ 41,808,038															
<b>Infrastructure Projects/Waterpark Debt.</b>																		
Helios /Costco	A		\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000								
Heatherwilde 45 (sewer)	A	2023	\$ 125,000	\$ 125,000														
Refinance Loan Payment	A	March 15, 2031	\$ 1,796,213	\$ 1,797,343	\$ 1,796,755	\$ 1,799,449	\$ 3,255,211	\$ 3,256,547	\$ 3,248,159	\$ 3,250,262	\$ 3,252,210	\$ 3,248,789						
FM685 Improvements	C	September 30, 2017																
Prost (Water/Utility/ADA)	C																	
Impact Way Extension	A		\$ 2,100,000	\$ 700,000														
			\$ 4,171,213	\$ 2,772,343	\$ 1,946,755	\$ 1,949,449	\$ 3,405,211	\$ 3,406,547	\$ 3,398,159	\$ 3,325,262	\$ 3,252,210	\$ 3,248,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			\$ 30,875,937															
TOTAL			\$ 5,433,551	\$ 7,310,760	\$ 6,530,506	\$ 6,351,062	\$ 7,981,000	\$ 7,789,335	\$ 5,757,997	\$ 5,766,674	\$ 5,636,060	\$ 5,360,133	\$ 2,060,669	\$ 2,298,256	\$ 1,181,588	\$ 1,183,538		
			\$ 77,641,128															



Resolution No. 2022-003

**A RESOLUTION OF THE PFLUGERVILLE COMMUNITY DEVELOPMENT CORPORATION REGARDING REVIEW OF THE FUND RESERVE & BUDGET POLICY AND THE PUBLIC FUNDS 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 two policies, namely the Fund Reserve and Budget Policy (originally adopted on the 13<sup>th</sup> day of June 2016) and the Public Funds Investment Policy (adopted pursuant to Texas Government Code, Chapter 2256); and

**WHEREAS**, Section 7.05 of the By-laws of the Pflugerville Community Development Corporation provides that the Corporate Investment Policy and the Annual Budget 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 Fund Reserve and Budget Policy and the Public Funds Investment Policy 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:**

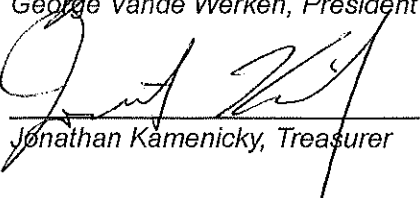
The Fund Reserve and Budget Policy and the Public Funds Investment Policy of the PCDC have been reviewed and approved by the Board of Directors of the PCDC and are attached to this Resolution; and

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 18th day of May, 2022.

**PFLUGERVILLE COMMUNITY DEVELOPMENT CORPORATION.**

  
George Vande Werken, President

  
Jonathan Kamenicky, Treasurer

## **PCDC Fund Reserve & Budget Policy**

**04.01.22**

### **PCDC Economic Development Reserve Funds consist of two components: 1) General Reserves and 2) Contingent Reserves**

**General Reserves Policy:** General Reserves are cash reserves not otherwise budgeted for operations or required for any Contingent Reserves. These reserves may be used in any fiscal year 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 any other types of operational expenses that are authorized by the Board and City Council.

**Contingent Reserve Policy:** PCDC will build and maintain a Contingent Reserve in the aggregate amount equivalent to twelve months of the current debt service under current finance arrangements -- plus 25% of its other operating budget -- to cover unanticipated costs.

The Executive Director is responsible for monitoring and reporting PCDC’s reserve balances. The Executive Director is directed to make recommendations to the PCDC Board on the use of reserve funds both as an element of the annual operating budget submission and from time to time throughout the fiscal year as needs may arise.

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.

In the event the Contingent Reserve 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.

**Annual Operating Budget Policy:** Anticipated sales tax revenue is the primary source of PCDC revenue. It is measurable and sustainable. Anticipated long-term lease payments from the Typhoon Texas Project are a second source of PCDC revenue. It 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. As a general rule, the annual total expenditures of PCDC should not exceed the budgeted measurable and sustainable revenues of PCDC and shall be in accordance with the City Council approved budget and the PCDC Bylaws.

**Long-term Project Policy:** Long-term projects are expected to be completed in more than one fiscal year and require future annual payments for debt service or construction costs.

**Short-term Project Policy:** Short-term projects are expected to be completed in the current fiscal year or are only funded in the current or future fiscal years if the applicant meets contractual obligations annually.

**Executive Director Spending:** The Executive Director shall be authorized to spend up to \$20,000 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 \$5000 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**  
**05-18-22**

**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 Comprehensive Annual 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 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**

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), 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 include 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 State 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 or market sector and

maturity.

- A. Obligations, including letters of credit, of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, including the Federal Home Loan Bank;
- B. Direct obligations of the State of Texas or its agencies.
- 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 towards 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;

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- 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;  
 Maximum maturities 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.

## **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