



INFORMAL STAFF REPORT

MEMORANDUM

DATE: November 30, 2017

TO: Board of Directors
North Padre Island Development Corporation

FROM: Constance P. Sanchez, Treasurer
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SUBJECT: Amendment to Investment Plan and Resolution to Invest in TexPool

PURPOSE:

The purpose of this item is to update the Investment Plan and supporting documents to 1) incorporate changes following Hurricane Harvey and 2) make minor correction to implement these changes. At the August 22, 2017 special meeting of the North Padre Development Corporation (NPIDC), the NPIDC Board approved a resolution authorizing participation in the TexPool Investments Pools and designated authorized representatives. Subsequent to the meeting, the trustee for the tax increment funds (i.e., Bank of New York Mellon) notified staff that the designated authorized representatives needed to be changed.

BACKGROUND AND FINDINGS:

An Indenture of Trust agreement was initially signed between NPIDC and the Bank of New York (BONY) Trust Company on February 1, 2003 and then again on March 1, 2008 whereby all tax increments collected by NPIDC were to be deposited into a "Pledged Revenue Fund" held in trust by the Bank of New York Trust Company (now called Bank of New York Mellon). This was a security measure enacted upon the creation of the Tax Increment Reinvestment Zone (TIRZ) #2 to ensure that the tax increment revenue collected would be used to first pay the tax increment contract revenue bonds and then to pay expenses as outlined in the agreement.

The tax increment revenue held in trust by the BONY has been invested in Dreyfus Government Securities Cash Management – Participant Shares Fund as authorized by the president of the NPIDC on March 11, 2008. The interest that these funds have been

earning has been offset by fees of the fund – resulting in very little interest earned. Therefore, a new investment plan noted below was presented and approved by the Board on August 22, 2017:

20% in a local government investment pool (Texpool)
60% in 1-year US Treasuries
20% in 2-year US Treasuries

On August 25, 2017, Hurricane Harvey, a category four hurricane, hit the Coastal Bend area. Damages to Packery Channel were sustained at an estimated cost of \$6,000,000. Although some of the repairs to Packery Channel can be reimbursed by the Federal Emergency Management Agency (FEMA), the initial expense for repairing Packery Channel will need to be made. Since the tax increment revenue collected from TIRZ #2 is to benefit Packery Channel, it is being recommended that these funds be used for the repairs to Packery Channel. With the investment plan approved on August 22, 2017 that is noted above, however, it is projected there will not be enough liquid funds to pay the projected repair costs. Therefore, it is being recommended to amend the investment plan to place 100% of TIRZ #2 funds in local government pools to ensure that funds will be available when needed. Since the local government pools are earning over 100 basis points, more interest income will be earned than leaving the money in the existing money market account with BONY. Once the repairs to Packery Channel are made and reimbursement from FEMA is received, then consideration can be given again to the investment plan noted above.

In order for funds to be invested in the TexPool a resolution authorizing participation in the TexPool Investment Pools and Designating Authorized Representatives was approved by the NPIDC Board of Directors on August 22, 2017. We were notified shortly after approval that there was an error in the resolution. This error needs to be corrected to authorize the 100% participation.

RECOMMENDATION:

City staff recommends

- Motion amending Investment Plan to place 100% of TIRZ #2 funds in local government pools.
- Motion approving resolution with TexPool.

LIST OF SUPPORTING DOCUMENTS:

Resolution Authorizing Participation in the TexPool Investment Pools and Designating Authorized Representatives