




PID Aftermath:

Navigating Finance and Reporting



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Agenda

- What is a PID and how did we get one?
- Types of PIDs. Not all are created equal.
- Reporting and Budgeting
- Audit or not to Audit? That is the question!
- Is it really your job?



Chapter 372 of Local Government Code Statute provides a legal and regulatory framework that governs the process

Introduction to PIDs

LOCAL GOVERNMENT CODE
TITLE 12. PLANNING AND DEVELOPMENT
SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT
CHAPTER 372. IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES
SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

What is a PID?

- Provides a tool for which governmental entities may choose to contract with private entities in order to provide public services through qualifying projects
- Promotes timely acquisition, design, construction, and implementation
- Allows governmental entities to choose their team
 - Bond Counsel
 - Financial Advisor
 - PID Administrator
 - Trustee
- Professional Services Agreement
 - Developer funds City's cost for City staff time and 3rd party consultants



PID Boundary
(area must be contiguous)



Big Picture Considerations



- PIDs are NOT separate political subdivisions. The City Council is the de facto board
- Allows Cities to extend public infrastructure without burdening rate payers and taxpayers
- Economic development tool can be useful when negotiating with developers (annexation, oversizing, amenities, etc.)
- Grows the City's tax base without obligating City revenues (TIRZ, 380 Agreements, etc.)
- PIDs can be used to forward the City's Comprehensive Plan, Thoroughfare Plan and Parks Plan

What does a PID do?

- Public improvements or maintenance are financed by assessments against the property owners within the district
- PIDs allow Cities to:
 - Fund improvements (e.g., roadways, water, wastewater, drainage, landscaping, parks)
 - Pay expenses including establishment, administration and operation of the district
 - Issue special revenue bonds
- The PID is managed by the Administrator, overseen by City legal and financial consultants and Staff



Why utilize a PID?

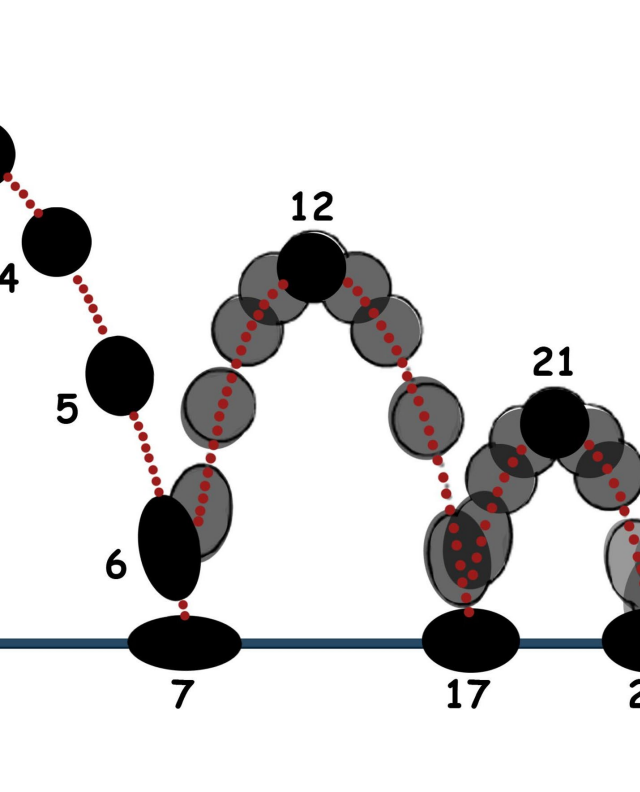


- Use PIDs as an economic development incentive tool to promote annexation and development
- Incentivizes amenities provided by the developer but for the creation of the PID
 - Superior plan, design, architecture and building materials that exceed subdivision building standards
 - Lot and residential unit size that align with the City's goal for economic growth
 - Private amenities tailored to the community
 - Pools
 - Playgrounds
 - Fitness Centers
 - Enhanced Trails
- PIDs include specific timelines to accomplish

How is a PID created?

- PID Petition submitted by developer
- Professional Services Agreement executed and developer funds deposited with City (*Finance's first action*)
- Public hearing on advisability of creating PID
- PID creation resolution approved by City Council
- Preparation of Service and Assessment Plan, PID Finance Agreement, Landowner Agreement, and bond documents (if bonds are contemplated)
- Public hearing on levy of assessment (*Finance's second action*)
- Assessment Ordinance, Service and Assessment Plan, PID Finance Agreement, Landowner Agreement, and bond documents approved by City Council (*Finance's ongoing responsibilities*)
- Typically, a 6-month process but timeline can vary widely





Reporting and Budgeting

Now the monster is...

Types of PIDs - PAYGO

PAYGO PID

- Developer funds all construction privately, and the City pays to the developer the assessments collected over time at a pre-determined interest rate, usually 2-5% above the bond index at the time of levy.

ACCOUNTING AND REPORTING

- Looks like an Agency, Fiduciary or Custodial Fund (Auditor will likely decide)
- Disbursements are two types:
 - Developer/Assignee* of assessments collected and disbursed by City (after verification of draws via PID Admin) – not expense per se
 - Collection costs paid via City to third parties from PID Fund is expense of PID
- City provides accounting**

* Assignment language within the Reimbursement Agreement must be written in such a way to prevent the City from serving as a financial disbursement entity that must comply with Patriot Act and other depository and cash disbursements compliance and monitoring, or an obligated person under the SEC Rules. Bond Counsels should advise on this component.

** GASB Rules recently changed: know your Rules!

Types of PIDs – Reimbursement Bond

REIMBURSEMENT BOND PID

- Developer funds all construction privately, and at the time of infrastructure acceptance, City issues bonds to reimburse the Developer.
- Bond issuance usually retires all or part of a Reimbursement Agreement

ACCOUNTING AND REPORTING

- Timing matters – as this may change the fund reporting structure
- Looks like an Agency, Fiduciary or Custodial Fund (Auditor will likely decide)
- Disbursements are two types:
 - Before bonds - Collection costs paid via City to third parties from PID Fund are expenses of PID
 - After bonds – Trustee disburses payments and can collect all assessments
- City provides accounting**

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Types of PIDs – Construction Bonds

BONDED PID

- Developer and City enter into Development Agreement
- City issues bonds to provide construction financing
- May or may not be a trailing Reimbursement Obligation (Series B bonds)

ACCOUNTING AND REPORTING

- Easier for City to oversee
- Looks like an Agency, Fiduciary or Custodial Fund (Auditor will likely decide)
- Trustee receives funds* (City is pass-thru)
 - Trustee disburses bond payments and can collect all assessments
 - Reimb Obligation funds should be structured to be released from Trustee as well (in the Indenture)

*Interest earned on bond proceeds and payments made for collection costs will likely be recorded by Auditor. Trustee and PID Administrators provide records but do not provide any accounting or bookkeeping services. Income reporting to the Developer is not provided by the Trustee in most cases.

Types of PIDs – O&M

O&M PID (CAN OVERLAY OTHER PID)

- Developer constructs, the assessments pay
- The O&M PID collects to pay for the maintenance of and services within the PID
- Should be controlled by a separate assessment ordinance and SAP

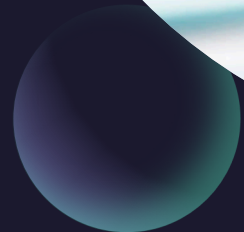
ACCOUNTING AND REPORTING

- Should work like a Capital Project Fund
- Reconciliation is required each year
- Budget is required each year
- Public hearing, mailed notice and levy is required each year



PID Documents to know

- Service and Assessment Plan (SAP) and Annual Assessment Roll
- Bond Indenture
- Development Agreement
- Construction/Funding Agreement
- Assessment Reconciliation/Delinquency Reports
- Trustee Monthly Asset Statements
- Monthly Bond Fund Reports



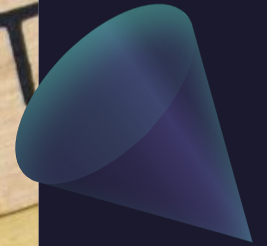
PID DOCS con't

- Issuer Continuing Disclosure Agreement
- Developer's Quarterly Disclosure Agreement
- Homebuyers' Disclosure Documents
- County Parcel Tax Roll
- County Collection Reports
- Developer Draw Requests
 - Developer construction invoices for Authorized Improvements
 - Developer lien releases/All bills paid affidavits
 - City inspector report
 - Cancelled checks for Authorized Improvement construction



To Audit...?

- Auditor should be involved and educated
- City should have some recordation within audit; typically, not within gov't funds
- Should reflect relationship to City's authority
- Should comply with all GASB Rules



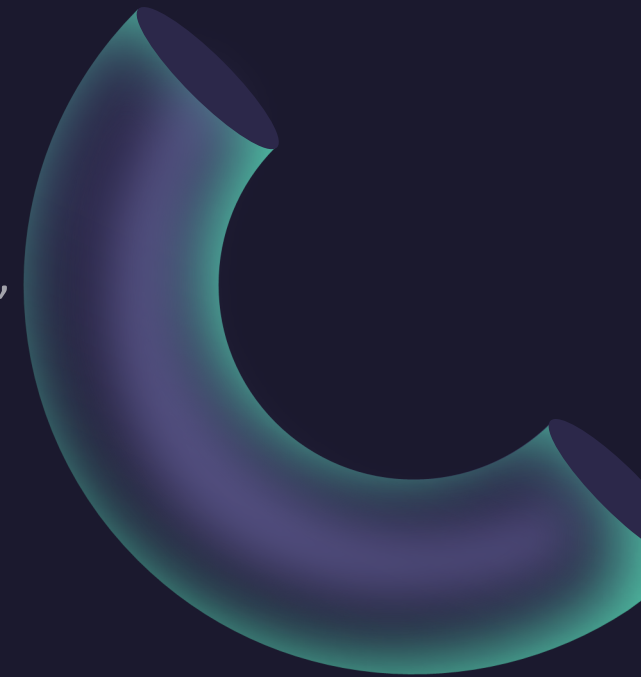
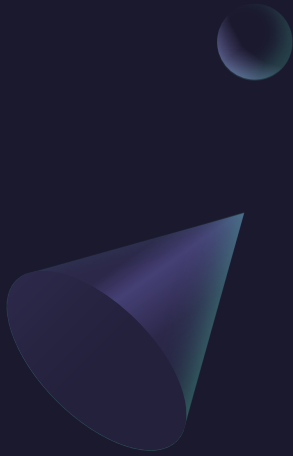
Calendar of Contact



- January 4-10th
- January 31
- February 1st
- February 4-10th
- February 15th
- March 1st
- March 4th -10th
- March 15th
- March 30th
- April 1st
- April 4-10th
- April 15th (if needed)
- May 1st
- May 4-10th
- June 1st
- June 4-10th
- June-August
- June 30th
- July 4-10th
- August 4-10th
- Prior to Sept. 1st
- September 1st
- September 4-10th
- September 30th
- October 4-10th
- November 1st
- November 4-10th
- December 1st
- December 4-10th
- December 30th

What are the Monthly Activities

- Process payments to various vendors
 - County, Auditor, Attorney(s), PID Admin, Dissemination agent, Trustee
- Monthly Draws (should expire)
- Bond Fund Report/Trustee Statements
- Review Collection Report while outstanding
- Direct customer service calls (title company, builders, residents, buyers, brokers, developer) to the PID Admin
- Post interest earned (?)

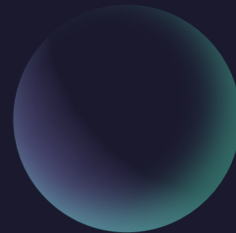


What are the Quarterly Activities

- Authorize posting of Developer's Quarterly Reports (should expire)

What are the Annual Activities

- Review and post the Annual Issuer Disclosure
- Review Annual SAP Update; council action
- Flow funds from assessments collected
- Allocation of TIRZ Funds*, if any
- TIRZ Annual Report



* requested more and more frequently since new ETJ laws changed

Questions?

Isn't that enough?

