

**CITY OF FAIR OAKS RANCH**

**MUNICIPAL DEVELOPMENT DISTRICT MEETING**

Wednesday, July 13, 2022 at 4:00 PM

Public Safety Training Room, Police Station, 7286 Dietz Elkhorn, Fair Oaks Ranch

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**AGENDA**

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**OPEN MEETING**

1. Roll Call - Declaration of a Quorum.
2. Pledge of Allegiance.

**CITIZENS and GUEST FORUM**

*To address the Board, please sign the Attendance Roster located on the table at the entrance in the foyer of the Public Safety Training Room. In accordance with the Open Meetings Act, the MDD Board may not discuss or take action on any item which has not been posted on the agenda. Speakers shall limit their comments to five (5) minutes each.*

3. Citizens to be heard.

**PRESENTATIONS**

4. Presentation regarding litigation on Rule 3.334, Local Sales and Use Tax, of the Texas Administrative Code.

Dan Santee, MDD Attorney

**CONSENT AGENDA**

5. Approval of the April 13, 2022 Regular MDD Board meeting minutes.

Roy Elizondo, MDD Secretary

**REPORTS**

6. Q3 FY2022 Financial Update and Investment Report.

Summer Fleming, MDD Investment Officer

**CONSIDERATION / ACTION ITEMS**

7. Consideration and possible action amending the MDD Investment Policy to allow for investments in iSeries bonds/securities maturing more than 13 months from the date of purchase.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

8. Consideration and possible action regarding a proposed policy and process for small-scope / small-dollar grant proposals.

Mike Lovelace, Subcommittee Chair

- 9. Consideration and possible action regarding proposed objectives and operational framework for a marketing program.

Nick DiCianni, Subcommittee Chair

- 10. Consideration and possible action to approve the FY 2022-23 MDD Budget.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

**ADJOURNMENT**

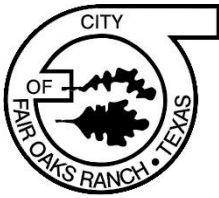
Signature of Agenda Approval: s/ Laura Koerner

Laura Koerner, MDD President

I, Amanda Valdez, TRMC, Deputy City Secretary, certify that the above Notice of Meeting was posted on the outside bulletin board at the Fair Oaks Ranch City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas, and on the City’s website [www.fairoaksranchtx.org](http://www.fairoaksranchtx.org), both places being convenient and readily accessible to the general public at all times.

As per Texas Government Code 551.045, said Notice was posted by 4:00 PM, July 10, 2022 and remained so posted continuously for at least 72 hours before said meeting was convened.

The Fair Oaks Ranch Police Station is wheelchair accessible at the front main entrance of the building from the parking lot. Requests for special services must be received forty-eight (48) hours prior to the meeting time by calling the City Secretary’s office at (210) 698-0900. Braille is not available.



**CITY OF FAIR OAKS RANCH**  
**MUNICIPAL DEVELOPMENT DISTRICT MEETING**  
 Wednesday, April 13, 2022 at 4:00 PM  
 Public Safety Building, 7286 Dietz Elkhorn, Fair Oaks Ranch

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## MINUTES

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### OPEN MEETING

1. Roll Call - Declaration of a Quorum.

Present: President Laura Koerner, Vice President Nicholas DiCianni, Secretary Roy Elizondo, Treasurer Mike Lovelace, David Fairhurst, Rachelle Garcia, and Steven Robertson.

With a quorum present, the meeting was called to order at 4:00 PM.

2. Pledge of Allegiance – The Pledge of Allegiance was recited in unison.

### CITIZENS and GUEST FORUM

3. Citizens to be heard - No guests spoke.

### CONSENT AGENDA

4. **Approval of the January 12, 2022 Regular MDD Board meeting minutes.**

*President Koerner asked to move item 4 from the Consent Agenda to Consideration.*

### CONSIDERATION / ACTION ITEMS

4. **Approval of the January 12, 2022 Regular MDD Board meeting minutes.**

President Koerner inquired as to whether Mr. Gallegos should have been recorded as a member in the January 12, 2022, minutes. The MDD attorney responded that since he was serving as an appointed member at that time and Council did not act to replace him until after the January 12 meeting, it was appropriate to show him as a member.

MOTION: Made by Vice President Nicholas DiCianni, seconded by Secretary Roy Elizondo, to approve the January 12, 2022 Regular MDD Board meeting minutes.

VOTE: 7-0; Motion Passed.

5. **Consideration and possible action approving a Resolution repealing Resolution 2013-01 and subsequent resolutions; and ratifying adopted amendments to the MDD Financial Management Policy.**

MOTION: Made by Treasurer Mike Lovelace, seconded by Secretary Roy Elizondo, to approve the Resolution repealing Resolution 2013-01 and subsequent resolutions; and adopting amendments to the MDD Financial Management Policy.

VOTE: 7-0; Motion Passed.

**6. Consideration and possible action approving a charter for a subcommittee to develop a proposed policy and process for small-scope / small-dollar grant proposals.**

After discussion there was consensus to have the subcommittee meet to review and draft a proposed charter for future consideration by the Board. It was also agreed that the subcommittee could begin to engage in their assignment pending approval of the charter. No vote was taken.

**7. Consideration and possible action approving a charter for a subcommittee to develop proposed objectives and operational framework for a marketing program.**

After discussion there was consensus to have the subcommittee meet to review and draft a proposed charter for future consideration by the Board. It was also agreed that the subcommittee could begin to engage in their assignment pending approval of the charter. No vote was taken.

**REPORTS**

**8. MDD Investment Officer, Summer Fleming, provided a Sales Tax Audit Update.**

**9. MDD Investment Officer, Summer Fleming, provided to the Board the Quarter 2 FY2022 Financial Update and Investment Report.**

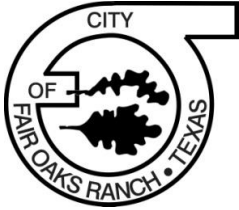
**ADJOURNMENT**

MDD President, Laura Koerner, adjourned the meeting at 4:54 PM.

ATTEST:

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Laura Koerner, MDD President

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Roy E. Elizondo, MDD Secretary



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**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT  
PRESENTATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS  
July 13, 2022**

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Item #6.

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AGENDA TOPIC: Q3 FY2022 Financial Update and Investment Report  
DATE: July 13, 2022  
PRESENTED BY: Summer Fleming, MDD Investment Officer

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**INTRODUCTION/BACKGROUND:**

Pursuant to Government Code Section 2256.023 and the MDD's Investment Policy Section 11, the Investment Officer is required, on a quarterly basis, to prepare and submit to the MDD Board a written report of investment assets and the market value of the current investments.

The attached presentation is being made to comply with the Q3 FY2022 reporting requirements.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Frequent review and reporting of the MDD's assets and investment vehicles is both prudent and necessary to verify that the MDD's investment portfolio is being managed according to the investment policy.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

The investment portfolio shall be managed in accordance with the objectives specified in the investment policy (safety, liquidity, diversification, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

This presentation is for informational purposes only and to comply with requirements under Texas Government Code Section 2256.023 and the MDD's Investment Policy.

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# Fair Oaks Ranch Municipal Development District Quarterly Financial Report

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June 2022

## About This Quarterly Financial Report

This report has been prepared by the City of Fair Oaks Ranch Finance Department. The Quarterly Financial Report is intended to provide our users (internal and external) with information regarding the MDD's financial position. This report includes information for Q3 FY2022.

This report is presented in two sections.

1. The Financial Summary section reports the performance of the major operating funds of the MDD.
2. The Quarterly Investment Report provides a summary of MDD's investment portfolio, interest earnings and a brief market outlook.

The Quarterly Financial Report is intended to provide our users with timely and relevant information. Please provide us with any comments or suggestions you may have. If you would like additional information, feel free to contact me.



Summer Fleming  
Investment Officer

7286 Dietz Elkhorn  
Fair Oaks Ranch, TX 78015  
210-698-0900

## Revenue and Expense Report June 30, 2022

	Budget	Projection	Year-to Date Actual	Percent of Budget	Actual vs Budget	Comments
<b>Revenues:</b>						
Local Sales Tax	395,000	418,572	317,582	80.4%	(77,418)	Collected through April sales, accrued May & June.
Interest	1,500	6,000	3,601	240.0%	2,101	Interest rates have risen.
<b>Total Revenue</b>	<b>396,500</b>	<b>424,572</b>	<b>321,183</b>	<b>81.00%</b>	<b>(75,317)</b>	
<b>Expenditures:</b>						
Supplies	250	250	-	0.00%	250	
Training/Seminars	500	500	-	0.00%	500	
Miscellaneous	100	-	-	0.00%	100	
Attorney	3,500	3,500	2,358	67.37%	1,142	
Auditor	5,000	4,100	4,100	82.00%	900	Annual audit complete.
Professional Services	33,450	33,450	32,256	96.43%	1,194	Annual management fee paid.
Insurance	50	50	50	100.00%	-	Annual insurance costs paid.
<b>Total Expenditures</b>	<b>42,850</b>	<b>41,850</b>	<b>38,764</b>	<b>90.46%</b>	<b>4,086</b>	
<b>Transfer To / (From) Fund Balance</b>	<b>353,650</b>	<b>382,722</b>	<b>282,419</b>	<b>79.86%</b>	<b>(71,231)</b>	

# Fair Oaks Ranch MDD

## Financial Summary

### Municipal Development District Balance Sheet June 30, 2022

Assets

Frost Bank	63,457		
TexPool	1,941,103		
Accrued Receivables	67,855		
Total Cash & Investments		2,072,415	
<b>Total Assets</b>			2,072,415

Liabilities

Due to City of Fair Oaks	8,564		
Accounts Payable	-		
		8,564	

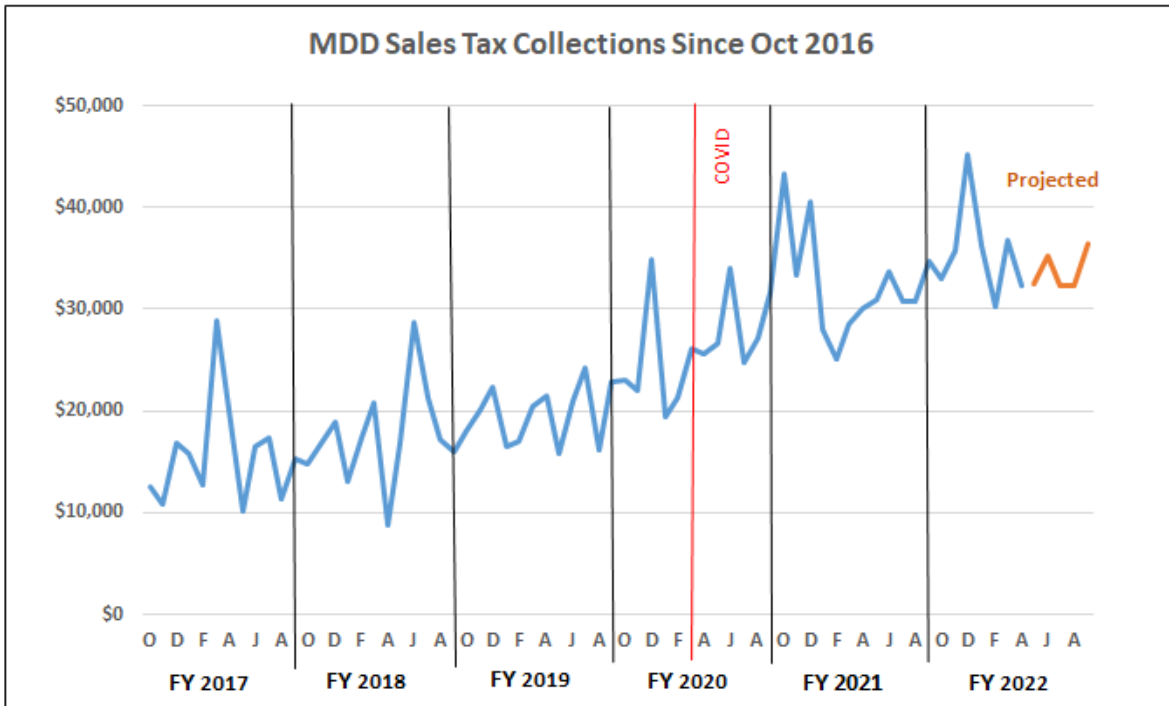
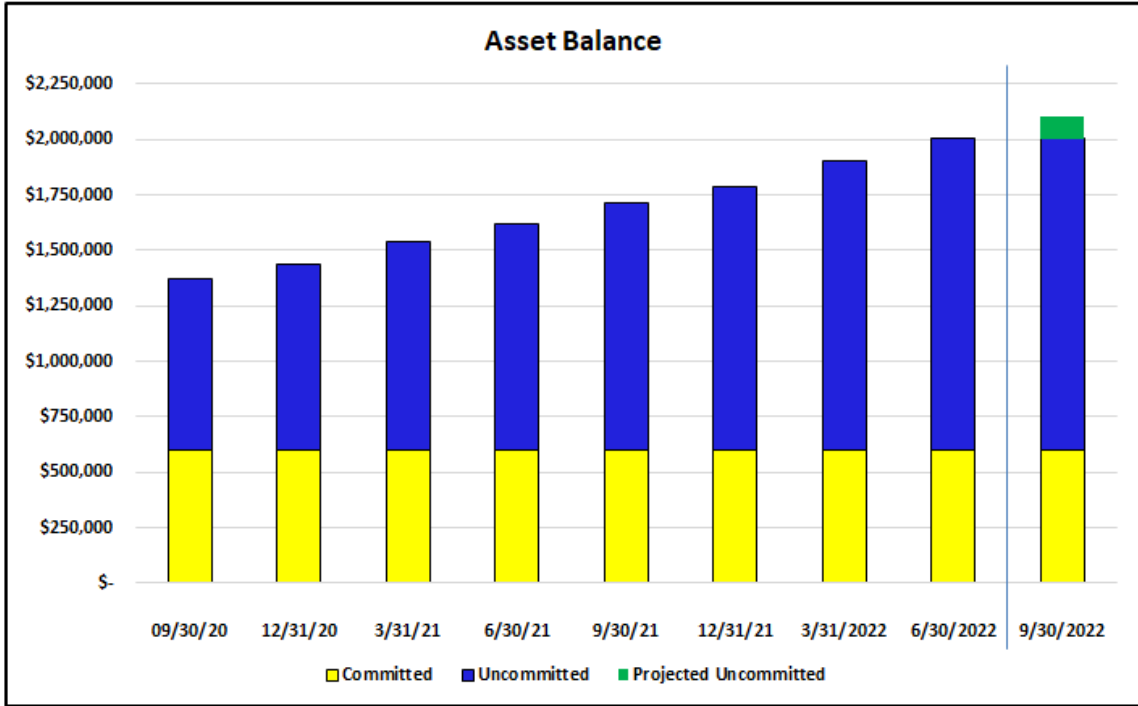
Fund Balance

Fund Balance - Operating	100,000		
Infrastructure Improvements - Assigned	1,081,432		
Infrastructure Improvements - Committed	600,000		
Total Fund Balance		1,781,432	
Total Revenues	321,183		
Total Expenses	38,764		
Excess Revenue over Expenses		282,419	
<b>Total Liabilities &amp; Fund Equity</b>			2,072,415



# Fair Oaks Ranch MDD Investment Report

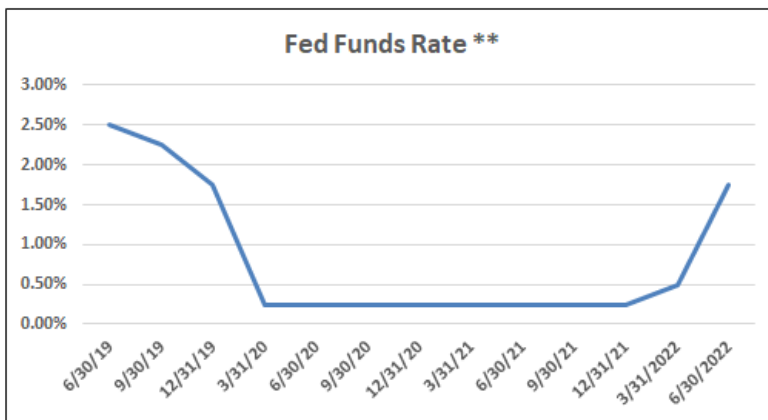
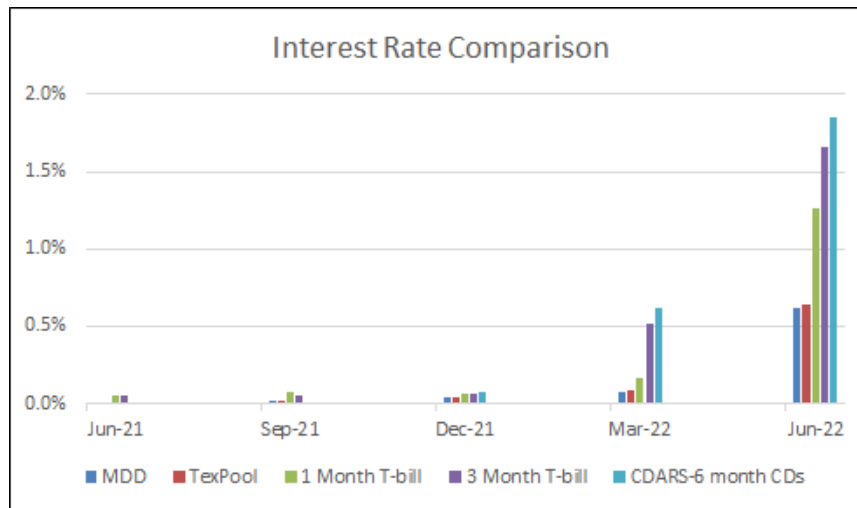
Investment Inventory 4/1/2022 - 6/30/2022									
Security	Yield	Beg Bal	Transfers In/Out	Interest Earnings	Ending Bal	Ending Market	Interest Accrued	Weighted Avg Maturity*	Maturity Date
Frost Bank - Operating Account	0.001%	63,456	-	1	63,457	63,457	-	-	-
TexPool	0.643%	1,838,616	99,429	3,058	1,941,103	1,941,103	-	25 days	-
<b>TOTAL</b>		<b>1,902,072</b>	<b>99,429</b>	<b>3,060</b>	<b>2,004,559</b>	<b>2,004,559</b>			



# Fair Oaks Ranch MDD Investment Report

### Interest Rate Comparison

Month	MDD	TexPool	1 Month T-bill	3 Month T-bill	CDARS-6 month CDs
Jun-21	0.01%	0.01%	0.05%	0.05%	0.01%
Sep-21	0.02%	0.02%	0.07%	0.05%	0.01%
Dec-21	0.04%	0.04%	0.06%	0.06%	0.08%
Mar-22	0.08%	0.09%	0.17%	0.52%	0.62%
Jun-22	0.62%	0.64%	1.26%	1.66%	1.85%



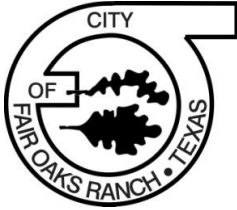
### Key Trends:

- The Federal Reserve increased the funds rate by 75bps to 1.5%-1.75% during its June 2022 meeting, instead of 50bps initially expected. A 75bps or 50bps increase is expected in July.
- In the long-term, the Fed Funds Rate is projected to trend around 3.75 percent in 2023 according to Trading Economics econometric models.

This report is in compliance with the MDD's Investment Policy Section 11 and Texas Government Code Section 2256.023.

\* Per the MDD's investment policy, there will not be direct investment in securities maturing more than 36 months from the date of purchase. The Weighted Average Maturity of these investments is in compliance with the City's policy.

\*\* Leading indicator of rate changes to come, not an investment option for the MDD.



FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
July 13, 2022



AGENDA TOPIC: Consideration and possible action amending the MDD Investment Policy to allow for investments in iSeries bonds/securities maturing more than 13 months from the date of purchase
DATE: July 13, 2022
PRESENTED BY: Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

INTRODUCTION/BACKGROUND:

Current Investment Policy approved by this Board limits investing to vehicles with maturities less than 13 months. This is intended to protect a current board from tying up funds and making them unavailable for future boards.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

The federal government has launched an innovative twist on Savings Bonds – but with some limitations.

Advantages and Disadvantages of I Bonds

The primary advantage of Series I Savings bonds is their simplicity. They are issued in small denominations at face value, and their prices don't fluctuate. The inflation-adjusted interest payment is straightforward as only the interest rate changes, not the principal value of the bond. Savings bonds are also available in paper form so they can easily be given as gifts.

A disadvantage of I bonds is the maximum annual purchase amount of \$10,000 is relatively low. The \$10,000 maximum makes it difficult for high net worth individuals to establish a meaningful position, although, with each family member able to purchase \$10,000 per year, a steady pattern of purchasing I bonds annually will eventually lead to a sizable portfolio of inflation-protected investments.

Another disadvantage is I bonds can't be purchased and held in a traditional or Roth IRA. The I bonds have to be held in a taxable account.

Another disadvantage of I bonds is there is an interest penalty if the bonds are redeemed in the first five years.

Series I Savings Bonds Pros and Cons
ADVANTAGES: Simple to understand, Issued in small denominations, Easy to give as gifts in paper form, Price doesn't change with interest rates, Composite interest rate will never be negative
DISADVANTAGES: \$10,000 maximum annual purchase amount, Can't be sold in the secondary market, Interest penalty if held for less than 5 years, Can't be held in a traditional or Roth IRA.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

Due to the federal government's current purchase limit of \$10,000 per year, and given our much larger current investable balance, this move alone is not going to materially increase our interest income. In the future, the \$10,000 limit may be increased.

**LEGAL ANALYSIS:**

To be determined

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve modify the Investment Policy to allow us to purchase I Bonds (within the current limitations of \$10,000 per calendar year).

# MDD Marketing Committee

Initial Report

July 13, 2022

# Committee Charter

- Create a proposal for the MDD Board to evaluate a Marketing Program
- Review existing project parameters and evaluation procedures/policies/objectives
- Determine if a marketing program is needed
- Identify constraints
- Identify possible project opportunities

# Existing Project Category List

- Façade Improvement Program
  - Geared to store fronts/commercial business
  - Offer matching funds
- Infrastructure Projects
  - Aid in construction of utility infrastructure for qualified commercial or mixed use
  - Reimbursement for costs to promote business development
- Civic Venues & Related Improvements
  - Reimbursement for Construction or Remodeling costs as an incentive for qualified civic venue projects
- Recreation and Community Projects

# Application and Evaluation of Projects

- Current process in place and uses best practices standards and addresses who, what, when, and how
- Does it fit “statutory constraints”, City Ordinances & Codes
- Does it benefit the community with economic or improve quality of life
- Does it offer reasonable risk/reward
- This approach was used successfully with the civic center project



# Committee Reviewed

- Use the existing guidelines and may add to them if needed (legal)
- Review the application and evaluation process and modify if needed (legal)
- Determine if a proactive approach would work for the City of Fair Oaks Ranch (City)
- Determine if an outreach effort would offer a positive return (MDD Board)

# How to Start

- Understand the rules and what can and cannot be done-meet with the city manager and attorney
- Know the community lifestyle to ensure a fit - Demographics
- Develop a wish list
- What would be the impact if projects were funded
- Who would benefit
  - Grantee
  - Citizens
  - City
  - All

# Issues and Constraints

- FOR has limited commercial areas
- Zoning is primarily residential
- Land utilization allows for limited commercial growth today
- Promotional programs need to conform to state and local rules
  - State level guidance
  - Local level guidance

# Types of Projects Recommended State Level

Item #9.

- Civic Centers, Auditoriums, Convention Centers
- Manufacturing, Distribution Warehouses, R&D Facilities
- Enhancing Existing Businesses
  - Updating Buildings
  - Expanding existing businesses to provide more jobs and services to the community

# Recommended Projects

## Local Level

- Enhance community development opportunities
  - City Welcome Signage
  - Joint City Projects
    - Support City Services i.e. major infrastructure projects
    - Public Safety, pedestrian and bicycle usage
  - Educational projects i.e. branch library

# Examples from Shenandoah Texas MDD

## Projects

- A number of major projects have been funded by the MDD such as wastewater lift station improvements
- Detention pond improvements and pathways in commercial areas.
- Improvement projects are upgrades and expansions to existing facilities to meet the demands of growth and development in Shenandoah.
- The MDD also funded the drilling of the Catahoula Well and construction of a water plant in partnership with the City of Panorama Village to meet the obligations of both cities for groundwater reduction in compliance with the Lone Star Groundwater Conservation District requirements.

# Committee Ideas

- What Commercial Initiatives would be attractive to Fair Oaks Ranch
  - Hardware Store/small retail
  - Small Grocery Store i.e. Trader Joe's
  - Family Restaurant
  - Bank or Credit Union branch
  - Medical Offices
  - Veterinary Offices
  - UPS/FedEx/USPS type store

# Benefits to Commercial

- Reduction in travel for residents
- Increased tax revenue for the city
- Local Conveniences
- Keeps dollars in the City
- Offers job opportunities

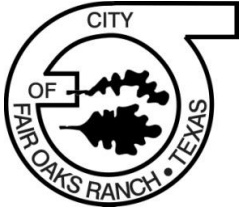


# How to Begin

- MDD is not understood by the community
  - Provide background and Purpose
  - Place on the City Website
    - Who is the MDD
    - What is the role of the MDD
    - How to utilize the MDD
    - How to start if you have an idea or project
    - Provide an application with requirements
  - Work with the City to ensure that any process is in concert with the City and on firm legal ground

# Future Steps

- Ensure MDD can actively seek out new business
- Meet with the City to get their support for a MDD marketing effort
- Develop a list of Target Businesses to contact
  - Develop a brochure
  - Develop a preferred list of possible prospects
  - Start small and test the approach
    - Is there interest from suspects
    - Is there support from the community



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**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT  
CONSIDERATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS  
July 13, 2022**

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Item #10.

AGENDA TOPIC: Consideration and possible action on the FY 22-23 MDD Budget  
DATE: July 13, 2022  
PRESENTED BY: Mike Lovelace, CPA, CMA, CISA, Treasurer Fair Oaks Ranch MDD

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**INTRODUCTION/BACKGROUND:**

MDD bylaws (Article IV, Section 1) requires the MDD Board of Directors approve the next budget by July 15 and that the City Council approve the budget by September 30 for the upcoming fiscal year.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

The FY 2022-23 MDD Budget provides a summary of all MDD expected revenues and proposed expenditures for the upcoming fiscal year.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

Clarity and open record of MDD anticipated revenues and proposed expenditures for upcoming FY 2022-23.

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve the MDD FY 2022-23 Budget as presented.

**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT****Proposed Budget****FY 2022-23**

				FY 2022-23
REVENUES	FY 20-21 ACTUAL	FY 21-22 BUDGETED	FY 21-22 PROJECTED	PROPOSED BUDGET
<b>REVENUES</b>				
20-400-121 Local Sales Tax	\$ 389,676	\$ 395,000	\$ 418,572	\$ 410,000
20-400-310 Bank/Investment Interest	\$ 686	\$ 1,500	\$ 6,000	\$ 8,000
20-400-900 Miscellaneous Revenue	\$ -	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	<b>\$ 390,363</b>	<b>\$ 396,500</b>	<b>\$ 424,572</b>	<b>\$ 418,000</b>
				FY 2022-23
EXPENDITURES	FY 20-21 ACTUAL	FY 21-22 BUDGETED	FY 21-22 PROJECTED	PROPOSED BUDGET
<b>ADMINISTRATION</b>				
20-501-300 Supplies	\$ -	\$ 250	\$ 250	\$ 250
20-501-305 Minor Equipment	\$ -	\$ -	\$ -	\$ -
20-501-307 Postage	\$ -	\$ -	\$ -	\$ -
20-501-315 Training/Seminars	\$ 350	\$ 500	\$ 500	\$ 500
20-501-323 Telephone	\$ -	\$ -	\$ -	\$ -
20-501-390 Miscellaneous	\$ -	\$ 100	\$ -	\$ -
<b>TOTAL ADMINISTRATION</b>	<b>\$ 350</b>	<b>\$ 850</b>	<b>\$ 750</b>	<b>\$ 750</b>
<b>CONTRACTUAL SERVICES</b>				
20-501-500 Attorney fees	\$ 2,405	\$ 3,500	\$ 3,500	\$ 3,500
20-501-501 Auditor Fees	\$ 3,900	\$ 5,000	\$ 4,100	\$ 4,300
20-501-502 Professional Services	\$ 30,366	\$ 33,450	\$ 33,450	\$ 33,450
20-501-510 Insurance	\$ 50	\$ 50	\$ 50	\$ 50
<b>TOTAL CONTRACTUAL SERVICES</b>	<b>\$ 36,721</b>	<b>\$ 42,000</b>	<b>\$ 41,100</b>	<b>\$ 41,300</b>
<b>GRANTS AWARDED</b>				
20-501-530 Grants Awarded	\$ -	\$ -	\$ -	\$ -
<b>TOTAL GRANTS AWARDED</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TRANSFERS</b>				
20-501-981 Transfer to Reserves	\$ 353,292	\$ 353,650	\$ 382,722	\$ 375,950
<b>TOTAL TRANSFERS</b>	<b>\$ 353,292</b>	<b>\$ 353,650</b>	<b>\$ 382,722</b>	<b>\$ 375,950</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 390,363</b>	<b>\$ 396,500</b>	<b>\$ 424,572</b>	<b>\$ 418,000</b>
<b>REVENUE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>