NOTICE OF MEETING
CITY COUNCIL
OF THE CITY OF GALVESTON
THURSDAY, MARCH 26, 2026 - 9:00 AM
ROOM 204 - CITY HALL
823 ROSENBERG, GALVESTON, TEXAS
TELEPHONE: (409) 797-3510

During the meeting, Council reserves the option to take short comfort breaks and/or a lunch break as their schedule and workload demands.

WORKSHOP AGENDA

1 DECLARATION OF A QUORUM AND CALL MEETING TO ORDER

2 ROLL CALL

3 CONFLICTS OF INTEREST

4 DISCUSSION ITEMS

4.A Update and Discussion of the Port of Galveston's Master Plan and Proposed Mobility Study (R Rees/ J Patterson - 1 hour)

4.B Clarification Of Consent And Regular City Council Agenda Items - This Is An Opportunity For City Council To Ask Questions Of Staff On Consent And Regular Agenda Items (1 Hour)

4.C Presentation by Weaver, the City's external auditor, and discussion of the FY 2025 Annual Comprehensive Financial Report (C. Ludanyi - 20 min)

4.D Discussion of the City Auditor's Office Internal Service Fund draft audit (G. Bulgherini - 15 min)

4.E Discussion of Fund Balance Policy (C. Ludanyi - 20 min)

4.F Update and Discussion of the Management of Drainage at Stewart Beach Park (B. Maxwell/M. Miles - 20 min)

4.G Update and Discussion of the Pelican Island Bridge (C. Brown/M. Robb/ D. Buckley -20 min)

4.H Discussion of the City of Galveston's Economic Development Incentive Plan (M. Hay - 20 min)

4.I Discussion of the Galveston Housing Finance Corporation and Galveston Property Finance Authority Ordinance for the Purchase and Development of Property (B. Brown/C. Brown - 20 min)

4.J Discussion regarding Swagit's services for broadcasting City Council, Planning Commission, and other key municipal meetings (Robb/C. Brown - 10 min)

4.K Discussion regarding immediate actions the City can take to address unpermitted or unscheduled events, including Senior Skip Day (Robb/C. Brown - 10 min)

4.L Discussion of the automated water meter reading system, including its capabilities and why the city is not using the system as designed (Robb/Rawlins/Porretto - 15 min)

4.M Discussion of Restoring Texas Heroes Monuments and Other Monuments in Galveston (C. Brown/Porretto/Rawlins/Robb/B.Brown 15 min)

4.N Discussion on City Council's direction of potential Pier 19 Development (Porretto/Rawlins - 15 min)

5 EXECUTIVE SESSION

5.A Section 551. 071 - Consultation with Attorney Pursuant to Texas Gov't Code 551.071- Consultation with attorney, an executive session will be conducted to discuss and receive legal advice concerning pending litigation and/or a settlement offer, or on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter, related to the following:

1. 21-CV-00359 Sonya Porretto v. City of Galveston Et. Al, in the United States District Court for the Southern District of Texas 21-CV-00359. (Rawlins/Robb)

6 ADJOURNMENT

I certify that the above Notice of Meeting was posted in a place convenient to the public in compliance with Chapter 551 of the Texas Government Code on 03/20/2026 at 11:30 AM

Janelle Williams

Janelle Williams, City Secretary

In accordance with the provisions of Americans With Disabilities Act (ADA), persons in need f a special accommodation to participate in this proceeding shall, within three (3) days prior to any proceeding, contact the City Secretary's Office, Suite 201, 823 Rosenberg, Galveston, Texas 77550 (409-797-3510).

One or more members of the City Council may attend the meeting by videoconference. A quorum of the members of the City Council will be physically present at the meeting location.

City Auditor's Office
AU2026-5 City of Galveston
Internal Service Funds

March 16, 2026

This audit report provides the basis for the City of Galveston's ongoing efforts to ensure responsible financial transparency in the administration of Internal Service Funds. Internal Service Funds are specialized accounting funds used by municipalities to provide shared goods or services—such as Fleet Maintenance or Technology Services—to other city departments on a cost-reimbursement basis with the objective of breaking even and not to profit. Governmental Accounting Standards Board (GASB) No. 34 paragraph 68 and its Codification Section 1300 paragraph 108 states that authoritative accounting standards permit the use of Internal Service Funds only with a *"cost-reimbursement basis"*. The Government Finance Officers Association (GFOA) best practices (Pricing Internal Services) caution against *"no guidelines for excess funds"* within a Government's Internal Service Funds. The GFOA's 2024 Edition of Governmental Accounting, Auditing and Financial Reporting (GAAFR) page 14-7 discusses internal service funds are intended to operate on an essentially *"break-even basis over time"*. Observance of the aforementioned GASB pronouncements, GFOA best practices, and GAFFR confirmations will help to prevent public scrutiny that could arise, alleging that unapproved City Council surpluses are being reserved within the Internal Service Funds, thereby causing the City's property tax rates to increase unjustly or causing inefficient use of public funds.

WHAT SHOULD BE HAPPENING:

GASB No. 34 paragraph 68 clearly states: *"Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a **Cost-Reimbursement Basis**..."*

GASB Codification Section 1300 paragraph 108 affirms: *"Authoritative accounting standards permit the use of an internal service fund only if there is an intent to provide goods or services on a **Cost-Reimbursement Basis**."*

GFOA – Pricing Internal Services asserts: *"Governments should also develop **guidelines to determine what will happen to excess funds** should an internal charge generate cost recovery proceeds in excess of actual costs."*

GFOA Governmental Accounting, Auditing, and Financial Reporting (GAAFR, Blue Book) page 14-7 further defines a cost-reimbursement basis: *"That is, the use of an internal service fund is appropriate only if charges to customers are, in fact, intended to recover the full cost of providing goods and services. That is not to say that revenues of an internal service fund must balance expenses each and every period. It does mean, however, that the use of an internal service fund is appropriate only for an activity that is intended to operate on an essentially **"break-even basis***

<u>over time. From the perspective just described, a significant and ongoing surplus would indicate the charges to customers were more than what was needed to reimburse cost...."</u>

Therefore, over the last ten years it would have been best practice to operate on a cost-reimbursement basis and not to accumulate excess funds within the Internal Service Funds.

<u>DISCOVERY OF FACTS:</u>

The audit found that, in contrast to the aforementioned GASB pronouncements, GFOA best practices, and GAFFR confirmations the Garage Fund and the Central Service Fund (which includes Mail Services, Technology Service, Facilities Department, and Community Outreach) have been accumulating and reserving excess funds for the last ten years. Over the last ten years the Garage has averaged over $1,000,000 in excess funds per year *(Please refer to Appendix 1 for verification).* The excess funds in Central Services grew consistently from the first year through the tenth year by 391.22% or approximately $1,500,000 *(Please refer to Appendix 2 for verification).*

Therefore, consistent accumulation and reserving of excess funds over the last ten years in the Garage Fund and Central Services Fund appear to the public that charges to city departments were often far higher than necessary to reimburse costs. These discoveries highlight an area of concern that should be addressed by City Council.

<u>WHY IS THIS HAPPENING:</u>

The City of Galveston has not adhered to the aforementioned GASB pronouncements, GFOA best practices, and GAFFR confirmations because the City of Galveston does not have City Council approved guidelines to determine what will happen to excess funds within the Internal Service Funds. This is a fund management issue that does not affect the Annual Comprehensive Financial Report (ACFR). Clear and documented City Council approved guidelines will inform the citizens of Galveston how the excess funds in the Internal Service Funds are to be treated. This should also gain support from the citizens of Galveston that they do have influence in this matter through their elected City Council.

<u>WHAT CAN HAPPEN IF THIS DISCOVERY IS ALLOWED TO CONTINUE:</u>

If these issues are allowed to continue, the City of Galveston could face negative outcomes, such as diminished public trust, potential noncompliance with best practices, and the mindset of less effective use of public funds. Persistent excess funds held in the Internal Service Funds may raise concern among citizens about how their tax dollars are managed, leading to skepticism regarding the City's financial transparency and accountability. Ultimately, ongoing issues of this nature may erode confidence in the City's financial management and fail to meet the expectations of citizens.

City Auditor's Office
AU2026-5 City of Galveston
Internal Service Funds

HOW CAN WE FIX THIS PROBLEM:

This problem can be fixed by following GFOA Best Practices – Pricing Internal Services: *"Governments should also regularly review their internal charge rates against actual experience for appropriate adjustments. Governments should also develop guidelines to determine what will happen to excess funds should an internal charge generate cost recovery proceeds in excess of actual costs."*

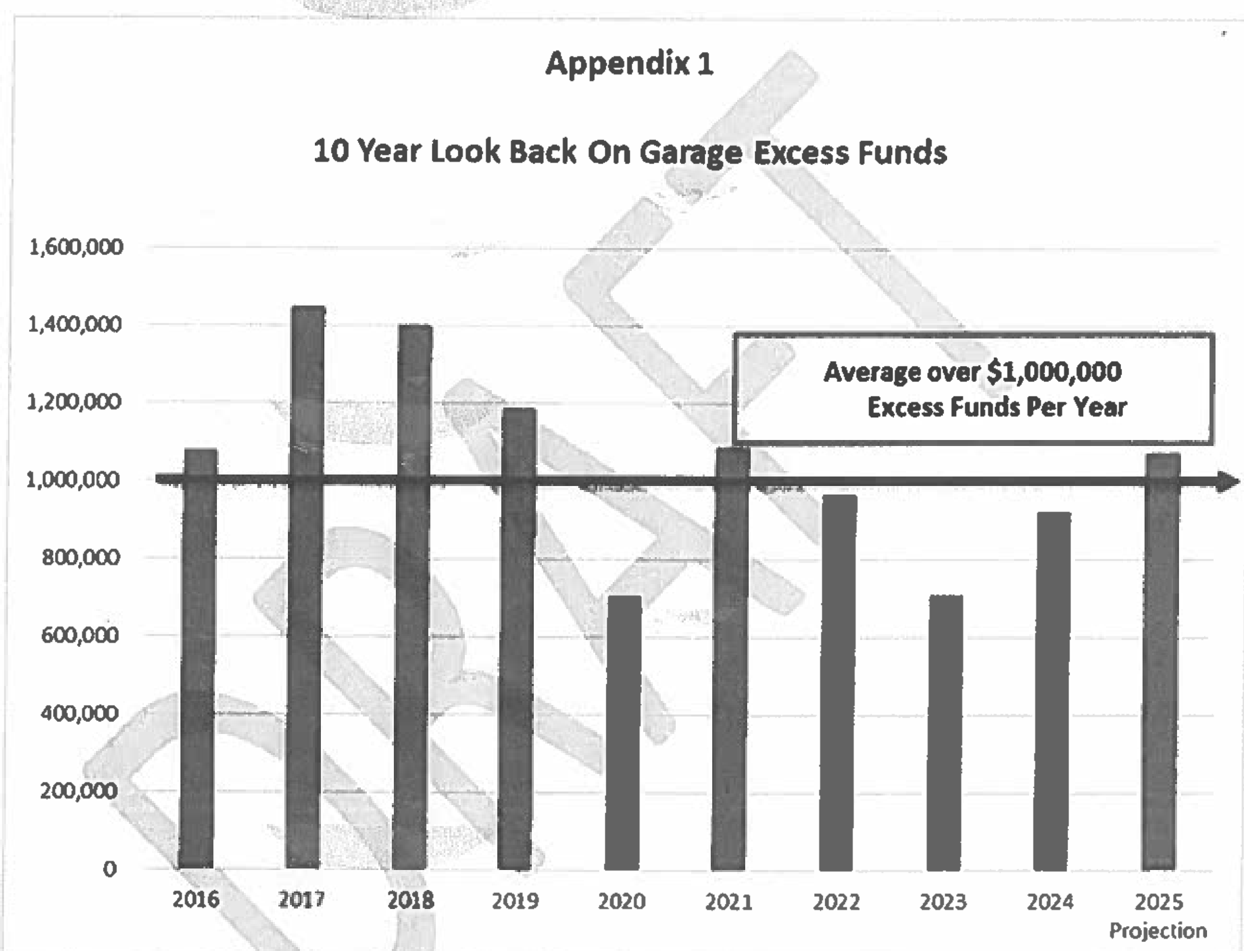
Suggestion #1: City Council should review Internal Service charge rates for the various City departments on an annual basis and vote on any appropriate adjustments.

Suggestion #2: City Council should vote on any one of the following types of guidelines:

1. Establish guidelines to leave all excess funds in the Internal Service Funds.
2. Establish guidelines to remove all excess funds from the Internal Service Funds.
3. Establish guidelines for a target fund balance in the Internal Service Funds.

Suggestion #3: City Staff should wait on City Council's decision before preparing any policies for approval.

City Auditor's Office
AU2026-5 City of Galveston
Internal Service Funds



* These amounts come from the ACFR and not the Budget.

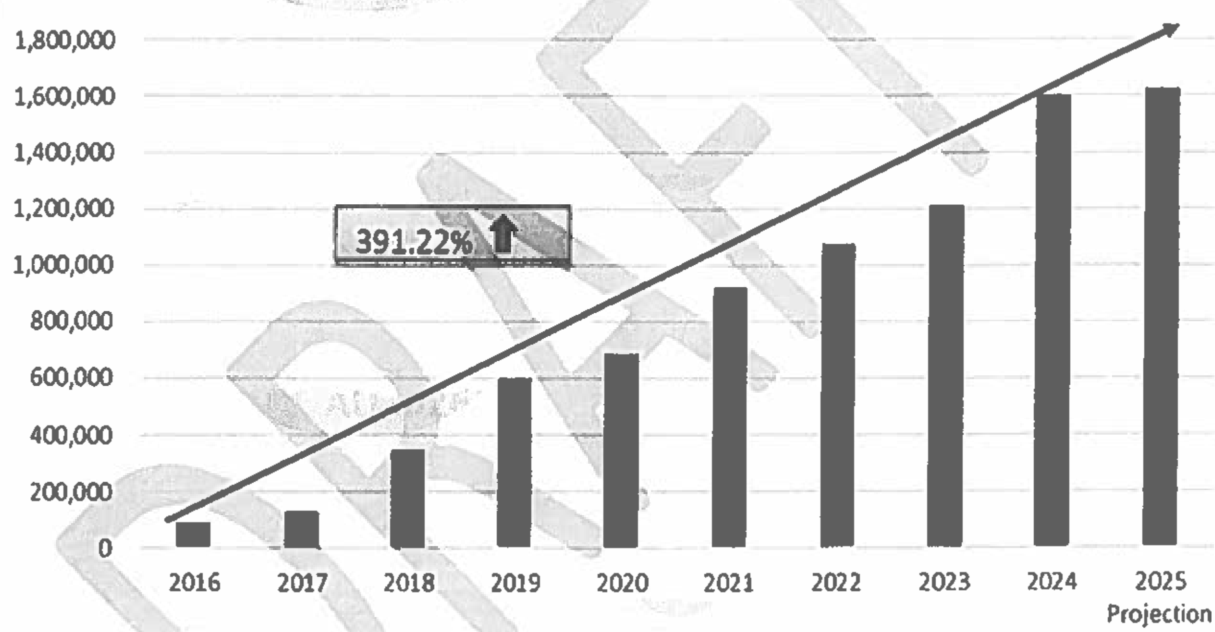
** These amounts are after all Transfers and Capital Outlay.

City of Galveston

City Auditor's Office
AU2026-5 City of Galveston
Internal Service Funds

Appendix 2

10 Year Look Back on Central Service Excess Funds



* These amounts come from the ACFR and not the Budget.

** These amounts are after all Transfers and Capital Outlay.

*** Between 2024 and 2025 the Increases are do to the Workday project.

City Auditor's Office
AU2026-5 City of Galveston
Internal Service Funds

APPENDIX 3

Following recommendations established by GASB No. 34 paragrapgh 68, GFOA Best Practices, and GAFFR confirmations the following amounts are presented to City Council for consideration in approving proposed guidelines. The City Auditor's Office is trying to give City Council a quantative look at the amount of excess funds within the Garage Fund and Central Services Fund as a suggestion in determining which guidelines to establish. The Unrestricted Net Position of the Internal Service Funds meets the same definition as the GFOA interpretations for excess funds.

September 30, 2024 Garage Fund Unrestricted Net Position (per 2024 ACFR)	$ 924,270
September 30, 2024 Central Services Fund Unrestricted Net Position (per 2024 ACFR)	$ 1,605,028
Total September 30, 2024 Garage Fund and Central Services Fund Unrestricted Net Position	$ 2,529,298

* This audit report will be modified to give the amounts for the September 30, 2025 Unrestricted Net Positions once the ACFR Final Draft has been approved by City Council.

Date:	March 26, 2026
To:	City Auditor
From:	City Manager

Response to AU2026-5 City of Galveston, Internal Service Funds

City Management was provided with the Final AU2026-5 report on March 17, 2026. After a review of the report, City Management provides the following comments:

1. First and foremost, management emphatically takes exception to any implication that the City is not currently adhering to GAAP (inclusive of GASB Statements and GAAFR Blue Book guidance). By stated policy, the City financial statements are always presented according to generally accepted accounting principles (GAAP), meaning the standards established by the Governmental Accounting Standards Board (GASB). This is disclosed both in the Annual Comprehensive Financial Report (ACFR) and the Annual Budget document. The GAAFR (Government Accounting, Auditing, and Financial Reporting) "Blue Book" is the Government Finance Officers Association (GFOA) publication to include all GASB Statements and also GFOA Best Practices. All of these resources have been and will continue to be the foundations and guideposts of all financial activity in the City. This is fully affirmed by the City's annual audits. The Best Practice recommendation of managing fund balance according to an adopted policy will be satisfied with City Council's approval of the proposed Fund Balance Policy.
2. The City's Annual Comprehensive Financial Report is fully disclosive, per GAAP, regarding all Internal Service Fund activity via the Combining Statements: (1) of Net Position, (2) of Revenues, Expenses and Changes in Fund Net Position, (2) of Cash Flows for Internal Service Funds. This document is annually completed, as required by state and local statutes, to measure the City's performance against our adopted city budget.
3. The City's annual budget is fully disclosive, budgeting the Internal Service Funds and related contributions by the city customers (departments) on a cost reimbursement basis. This document is reviewed and approved by City Council annually to establish the legal parameters by which City operations must occur.
4. Discovery of Facts, Paragraph 1 – The City Auditor report reviewed a 10-year period from FY 2016 to FY 2025. Management has reviewed the same time period. The Audit Report states that "Garage has averaged over $1,000,000 in excess funds per year". This statement without further context could leave the reader with the impression that the Garage generated a surplus for each of the past 10 years averaging $1 million. In fact, the Garage Fund has not accumulated an additional $1,000,000 each year. The fund balance

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grew over the 10 year period to approximately $1 million due to underspending. The Change in Net Position fluctuates between losses and gains throughout the period, demonstrating there is no evidence of repetitive or deliberate over-budgeting of allocations. This is evidenced in the Audit Report Appendix 1.

5. FY 2024 and FY2025 Central Services Fund increases in Net Position are largely driven by the timing of budgeted Workday costs and capital investment. This significant overage is a one-time outlier to the 10-year trend as it relates to the Central Services Fund. Through FY 2023 the Net Position never exceeded 27 percent of expenditures (approximately three months of operating costs) and started the 10-year period at less than 4 percent of operating costs. This is a function of the increasing cost of providing Technology and Facility services to the City.
6. AU2026-5 Recommended Solution:
    a. Suggestion #1 - Regular Review of Internal Charge Rates:
       The City already completes this review every year as a part of the annual budget process.
    b. Suggestion #2 - Develop Guidelines for Excess Funds:
       The City's proposed Fund Balance Policy addresses this portion of the recommended solution.
    c. Suggestion #3 – Wait on City Council's Decision:
       It is unclear which Council decision this is referencing. It is Management's position that City Council is the policy setting body of the City and will defer to Council's approval of the policy before adhering to the proposed guidelines.

City Management is in complete agreement with the City Auditor's finding that a policy regarding the management of Internal Service Fund Balance is the best solution to alleviate future concerns. At the November 13, 2025 City Council meeting, staff provided a draft policy for City Council's review, addressing various aspects and considerations of the management of fund balance throughout the city. The City Auditor's Draft AU2026-5 as well as the Draft Fund Balance Policy were reviewed by the City's external auditor. Our response to AU2026-5 was drafted consistent with their review and guidance. The external auditor's suggestions have also been incorporated into the policy that City Council will consider on the Regular Council agenda. All suggested changes were taken into consideration and upon City Council approval, staff will ensure that all city fund balances are managed according to the adopted policy.

Attachments: Proposed Fund Balance Policy

Finance Department
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FUND BALANCE AND RESERVE FUND POLICY

Fund balances and reserve funds enable the City to deal with unforeseen emergencies and changes in economic conditions. Adequate fund balance levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength. Maintenance of fund balance for each accounting fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages. Prudent use of reserve funds enables the City to defray future costs, take advantage of matching funds, and other beneficial (but limited) opportunities. In accordance with City Charter, Article VII, Section 9., at year end all unencumbered fund balances will be carried forward into each new budget year in the same fund in which they were allocated in the previous year unless otherwise authorized by City Council via the budget adoption process.

ACCOUNTING DEFINITIONS

Fund Balance Definitions As defined by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City will reserve funds per the following:

A. **Non-spendable Fund Balance** - Inherently non-spendable portions of net resources that cannot be spent because of their form or portions of net resources that cannot be spent because they must be maintained intact.
B. **Restricted Fund Balance** - Externally enforceable limitations, on the use of funds, that are imposed by creditors, grantors, contributors, or laws and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation. Debt Service, Grant, and Capital Projects fund balances will be designated as restricted.
C. **Committed Fund Balance** - Self-imposed limitations, on the use of funds, that are set in place prior to the end of a period. Limitations imposed at highest level of local decision-making that require formal action at the same level to remove. Capital Project fund balances typically will consist of funds designated by City Council for future capital improvement projects utilizing funds that are not restricted
D. **Assigned Fund Balance** - Limitations resulting from intended use that is established by the highest level of decision-making or intended use established by the City Council for a specific purpose. The resources for these funds may be acquired through the budgeting process or funds that are deposited with the city for specific purposes. Special Revenue fund balances typically consist of statutorily regulated funds or funds assigned by the City Council specific use.

E. Unassigned Fund Balance - Residual net resources that make up the fund balance in the general fund above non-spendable, restricted, committed, and assigned fund balance. The General operating fund balance typically will consist of unassigned funds for use by the City Council.

F. Reserve Funds – Funds budgeted in the Special Revenue Funds to allow for allocation throughout the year by the City Council for new projects. This designation is not a part of GASB 54 reporting definitions.

FUND BALANCE GOALS AND LIMITS BY FUND OR FUND GROUP

General Fund – Fund Balance

The City shall maintain a minimum fund balance of 90 days in the General Fund as established in Article VII. Section 20 of the City Charter. The General Fund minimum fund balance shall mean the dollar amount of Unassigned Fund Balance. This fund balance is intended to provide stability in the event of unexpected changes to revenues or expenses, and in support of cash flow needs throughout a budget year. A healthy Unassigned Fund Balance is needed to provide cash flow to pay expenditures when due. The Unassigned Fund Balance is a security against emergency needs, i.e. natural disasters, etc. These funds shall be used to manage City cash flow needs throughout the budget year and to pay for emergencies that cannot reasonably be accommodated by current budget appropriations.

The target fund balance is 33% (120 days) of the current expense in the General Fund's annual expenditure budget.

If the General Fund balance falls below minimum fund balance as defined above, the City Manager shall prepare and present to the City Council a recommended plan to replenish the reserves. The City Council shall review and adopt a replenishment plan within six months after the policy fund balance levels first fall below the minimum levels. Once adopted, the replenishment plan's progress will be reviewed periodically with the City Council but no less than every calendar year until such time as the fund balance is replenished to or above the minimum levels described above. During such time that the Unassigned Fund Balance is below the 90-day minimum, the city will no longer make transfers to the Infrastructure and Debt Service Fund as stipulated in City Charter, Article VII., Section 20.

Utility and Enterprise Funds

The fund balance of each Utility Fund shall have a targeted level of at least 90 days of the utility's annual operating costs. The primary purpose of the fund balance is to provide a ready source of cash in case of an emergency. Additionally, this fund balance can provide cash for operations in case of unexpected seasonal variations in revenue or expenses, or to support operations in a year in which revenues are abnormally low.

Each utility fund may maintain a separate capital contingency reserve in the associated Capital Improvement Fund.

Restricted Debt Reserve.

To the extent that the City issues debt containing debt covenants (e.g. Revenue Bonds) that require the City to maintain a restricted cash reserve during the term of the debt repayment period, those restricted fund balances shall be maintained in a Restricted Fund Balance for such purpose. This reserve is to safeguard the purchasers of the debt and may be used to fund the final installment or last year's debt service.

Internal Service Funds Reserve.

Internal Service Funds provide services that support the work of the City. Internal Service Funds predominantly receive revenue from the participant departments benefiting from their services in direct relationship to the cost of service provision. Fund balances occur when revenue contributions exceed actual expenditures. The purpose of each Internal Service Fund directly determines the need and potential limits for fund balance. Managing to target levels of fund balances should be approached on a rolling five-year average to avoid large fluctuations and disruptions to the cost of services to all internal customers.

A. Central Services Fund – Provides Facilities, Information Technology, Mailroom, and Community Outreach Services. Limit for Unassigned Fund Balance should average around the cost of one month of operations for the combined needs of all departments and services provided by this fund.
B. Central Garage Fund – Provides Garage, Fleet, and Fuel services. Limit for Unassigned Fund Balance should average around the cost of one month of operations.

C. Casualty & Liability Insurance – Provides for casualty and liability insurance for all aspects of the city government. Unassigned Fund Balance should average around $500,000.
D. Workers' Compensation Fund – Provides workers' compensation insurance for all aspects of city government. Unassigned Fund Balance should average around $500,000 over a 5-year period.
E. Health & Life Insurance Fund – Provides for a self-funded health and life insurance plan for all full-time city employees. Fund balances in this fund provide security against large or unanticipated claims and also provide funding to offset Other Post-Employee Benefit (OPEB) liabilities. The city will continue to explore ways to decrease OPEB liabilities, including the use of Trusts. The city will manage these fund balances to best achieve the goals of providing for self-funded health insurance and also decreasing the city's OPEB liabilities. As part of each year's budget presentation, the Manager will address the level of fund balance needed to achieve the stated objective.
F. Separation Pay Fund – Provides funding for separation pay for all accruals for all employees upon separation from employment with the city. Fund balances will be carried forward each fiscal year. As part of each year's budget presentation, the Manager will address the level of fund balance needed to achieve the stated objective.

Special Revenue Funds – Fund Balances

Special revenue funds are funds committed or restricted and used for specific purposes, and as a result the corresponding fund balance will be used to solely support that purpose. Fund balances in special revenue funds will be monitored to stay consistent with the need and use of the specific purpose of that fund. Statutory limits prevent the use of these fund balances for purposes other than those permitted by the revenue stream restrictions.

Capital & Grant Funds – Fund Balances

All Capital & Grant Funds retain their designated fund balances in reserve for future allocation or as Committed or Assigned Fund Balance. This includes Infrastructure & Debt Fund, Improvement Funds, Grant Funds, and Bond Funds.

Excess Fund Balance

All deliberate spending of Unassigned Fund Balance to the reach target levels should be used toward (1) one-time projects, (2) capital expenditures, and (3) the re-funding of contributions to originating funds in appropriate ratios to reduce future funding needs. Excess Reserves above the targeted reserve levels may be allocated via the budget process with emphasis on one-time uses that achieve future operating cost reductions, capital asset investments with a long-term benefit, or prepaying existing debt. Use of excess reserves will be determined by the City Council budget approval process.

RESOLUTION NO. 26-_________

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GALVESTON, TEXAS, APPROVING THE GALVESTON HOUSING FINANCE CORPORATION AND THE CITY OF GALVESTON PROPERTY FINANCE AUTHORITY, INC. PROGRAM FOR PROPERTY ACQUISITION AND DEVELOPMENT; PROVIDING FOR FINDINGS OF FACT AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on December 20, 1979, the governing body of the City of Galveston, Texas, duly adopted a Resolution approving the Galveston Housing Finance Corporation (the "Corporation") to act on behalf of the City for the public purpose of financing the costs of residential ownership and development of decent, safe, and sanitary housing at affordable prices for residents, pursuant to the Texas Housing Finance Corporations Act, now codified as Chapter 394 of the Texas Local Government Code; and

WHEREAS, on April 14, 1988, the governing body of the City of Galveston, Texas duly adopted a Resolution approving the City of Galveston Property Finance Authority (the "Authority") as a non-profit corporation under the Texas Non-Profit Corporation Act to finance and administer approved governmental programs; and

WHEREAS, the Galveston Housing Finance Corporation and the Galveston Property Finance Authority have proposed a program to acquire properties within the city for the purpose of development of new construction of single-family homes by the Corporation, the Authority, other community-based non-profit organizations, or private developers; and

WHEREAS, the purpose is to conduct a program for the acquisition, by purchase or donation, of vacant properties or properties in need of demolition in the City of Galveston, including foreclosures, donations by entities other than the City, and direct sales of property, which often require the ability to move quickly for the real property acquisition; and

WHEREAS, in furtherance of their mission, the Galveston Housing Finance Corporation and the Galveston Property Finance Authority have approved a program for this purpose, as further detailed and substantially provided in Attachment A, herein entitled, the "Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority, Inc. Proposed Program for Property Acquisition and Development"; and

WHEREAS, the program is initially described as a two-year program and currently set to expire on March 31, 2028. The program may be extended after review and upon approval of the Galveston Housing Finance Corporation and the Property Finance Authority and approval of the City Council; and

WHEREAS, the City Council of the City of Galveston finds it in the best interest of the citizens of the City of Galveston to approve the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority's Program for Property Acquisition and Development.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GALVESTON, TEXAS:

SECTION 1. The findings and recitations set out in the preamble to this Resolution are found to be true and correct and are hereby adopted by the City Council and made a part hereof for all purposes.

SECTION 2. The City Council hereby approves the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority's Program for Property Acquisition and Development substantially in the form attached hereto as Exhibit "A".

SECTION 3. The City Attorney is authorized to make any ministerial changes.

SECTION 4. The program expires on March 31, 2028, and may be extended according to the terms of the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority's Program for Property Acquisition and Development**.**

SECTION 5. That this Resolution shall be and become effective from and after its adoption.

APPROVED AS TO FORM:

____
TREVOR FANNING
ASSISTANT CITY ATTORNEY

I, Janelle Williams, Secretary of the City of Council of the City of Galveston, do hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the City Council of the City of Galveston at its Regular meeting held on March 26, 2026, as the same appears in records of this office.

IN TESTIMONY WHEREOF, I subscribe my name hereto officially under the corporate seal of the City of Galveston this _______ day of ________________, 2026.

____
Secretary for the City Council
of the City of Galveston

RESOLUTION NO. 26-_________

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GALVESTON, TEXAS, APPROVING THE GALVESTON HOUSING FINANCE CORPORATION AND THE CITY OF GALVESTON PROPERTY FINANCE AUTHORITY, INC. PROGRAM FOR PROPERTY ACQUISITION AND DEVELOPMENT; PROVIDING FOR FINDINGS OF FACT AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on December 20, 1979, the governing body of the City of Galveston, Texas, duly adopted a Resolution approving the Galveston Housing Finance Corporation (the "Corporation") to act on behalf of the City for the public purpose of financing the costs of residential ownership and development of decent, safe, and sanitary housing at affordable prices for residents, pursuant to the Texas Housing Finance Corporations Act, now codified as Chapter 394 of the Texas Local Government Code; and

WHEREAS, on April 14, 1988, the governing body of the City of Galveston, Texas duly adopted a Resolution approving the City of Galveston Property Finance Authority (the "Authority") as a non-profit corporation under the Texas Non-Profit Corporation Act to finance and administer approved governmental programs; and

WHEREAS, the Galveston Housing Finance Corporation and the Galveston Property Finance Authority have proposed a program to acquire properties within the city for the purpose of development of new construction of single-family homes by the Corporation, the Authority, other community-based non-profit organizations, or private developers; and

WHEREAS, the purpose is to conduct a program for the acquisition, by purchase or donation, of vacant properties or properties in need of demolition in the City of Galveston, including foreclosures, donations by entities other than the City, and direct sales of property, which often require the ability to move quickly for the real property acquisition; and

WHEREAS, in furtherance of their mission, the Galveston Housing Finance Corporation and the Galveston Property Finance Authority have approved a program for this purpose, as further detailed and substantially provided in Attachment A, herein entitled, the "Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority, Inc. Proposed Program for Property Acquisition and Development"; and

WHEREAS, the program is initially described as a two-year program and currently set to expire on March 31, 2028. The program may be extended after review and upon approval of the Galveston Housing Finance Corporation and the Property Finance Authority and approval of the City Council; and

WHEREAS, the City Council of the City of Galveston finds it in the best interest of the citizens of the City of Galveston to approve the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority's Program for Property Acquisition and Development.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GALVESTON, TEXAS:

SECTION 1. The findings and recitations set out in the preamble to this Resolution are found to be true and correct and are hereby adopted by the City Council and made a part hereof for all purposes.

SECTION 2. The City Council hereby approves the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority's Program for Property Acquisition and Development substantially in the form attached hereto as "Exhibit A".

SECTION 3. The City Attorney is authorized to make any ministerial changes.

SECTION 4. The program expires on March 31, 2028, and may be extended according to the terms of the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority's Program for Property Acquisition and Development.

SECTION 5. That this Resolution shall be and become effective from and after its adoption.

APPROVED AS TO FORM:

____
TREVOR FANNING
ASSISTANT CITY ATTORNEY

I, Janelle Williams, Secretary of the City of Council of the City of Galveston, do hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the City Council of the City of Galveston at its Regular meeting held on March 26, 2026, as the same appears in records of this office.

IN TESTIMONY WHEREOF, I subscribe my name hereto officially under the corporate seal of the City of Galveston this _______ day of ________________, 2026.

____
Secretary for the City Council
of the City of Galveston

Exhibit A

Pursuant to Article IV of the Articles of Incorporation or Restated Certificate of Formation of the City of Galveston Property Finance Authority, Inc. and under Chapter 394 of the Texas Local Government Code, the Board of Directors of the City of Galveston Property Finance Authority, Inc. and Galveston Housing Finance Corporation request approval by the Galveston City Council of the following proposed program:

GALVESTON HOUSING FINANCE CORPORATION AND CITY OF GALVESTON PROPERTY FINANCE AUTHORITY, INC. PROPOSED PROGRAM FOR PROPERTY ACQUISITION AND DEVELOPMENT

Galveston Housing Finance Corporation ("GHFC") and The City of Galveston Property Finance Authority, Inc. ("GPFA") propose to conduct a program for the acquisition, by purchase or donation, of vacant properties or properties in need of demolition, in the City of Galveston for the purpose of holding such properties for the development of new construction of single-family homes by GPFA, GHFC, other community-based non-profit organizations, or private developers. The Program will have the following features:

a) Properties will be located or solicited through the efforts of GHFC/GPFA's Board members. The services of licensed real estate brokers may be obtained to assist in this process. Consideration will be given to the purchase of properties at tax foreclosure sales, donations and to the purchase of properties owned by local governmental entities and deemed by them to be surplus to their needs. Prior to acquisition, a one-page Purchase Summary of each property to be purchased will be completed for presentation to that Board at the next scheduled meeting, including its description, purchase price, transaction costs, option periods, tax & property liability considerations and estimated ongoing property maintenance costs. The one-page summary will be filed for future reference.

b) The identity of properties to be purchased and the purchase price thereof will be at the discretion of GHFC/GPFA's Board and subject to the verbal consultation with the City

Council's Appointed Representative (if any). In addition, a guidance property purchase price of $25.00/square foot (Total acquisition price divided by land area) shall not be exceeded without verbal approval from the City Council's Appointed Representative (if any).

c) Title to acquired properties will be initially vested in GHFC or GPFA, at the discretion of GHFC/GPFA's Board. In view of the perceived need for immediate action with regard to submitting bids for the purchase of properties, the GHFC/GPFA Board proposes to vest two Board members with the authority to submit bids up to a specific dollar figure without the convening of a Board meeting for approval of the bid. This amount will be set by Board resolution from time-to-time.

d) Acquired properties may be developed by GHFC, GPFA, other community-based non-profit organizations, or private developers, to be sold after development as housing for current residents of the City of Galveston, for families in which at least one member works in the City of Galveston, or for families whose primary residence or homestead will be in the City of Galveston.

e) Properties on which GHFC itself constructs homes shall be sold to persons or heads of household meeting the requirement of subparagraph (d). In addition, consistent with the statutory purposes of Texas housing finance corporations, persons living in households in which the household income exceeds 140% of Galveston County median household income shall not be eligible for the purchase of such homes.

f) GHFC/GPFA's Board shall establish any other terms and conditions for the sale of housing built on GHFC or CGPFA property as the Board shall determine to be reasonable and consistent with the goals of GHFC and GPFA, including various conditions related to sustained affordability.

g) Properties acquired through the program which are deemed by GHFC/GPFA's Board (at its sole discretion) to be unsuitable for development as housing or surplus to

GHFC/GPFA's own efforts to develop housing (due to changing markets, unexpected increases in the costs of construction, or other conditions arising subsequent to the original acquisition of a property), may be sold by GHFC or GPFA, or retained for possible later use or disposition

h) The Program shall expire on March 31, 2028, but may be extended by action of the Board with the approval of City Council for two one-year successive terms. The development or resale of properties acquired during the Program's initial term may continue until all such properties have been disposed of, and provided further that undeveloped or unsold properties may be retained by GHFC or GPFA for subsequent use by GHFC or CGPFA, or disposition to third-parties.

APPROVED by the Board on March 12, 2026

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Cody Wright, President