

Notice of Meeting

Galveston Island Redevelopment Authority (RDA)

Galveston Housing Finance Corporation (GHFC)

Galveston Property Finance Authority (GPFA)

March 22, 2022 - 10:00 a.m.

City Hall - Room 204

823 Rosenberg, Galveston, Texas

409.797.3510

Agenda

1. Declaration Of A Quorum And Call Meeting To Order
2. Roll Call
3. Introduction Of Members
4. Overview Of Redevelopment Ecosystem

Documents:

[REDEVELOPMENT ECOYSTEM_ANALYSIS HANDOUT-RDA-GHFC-GPFA_MH
3.2022.PDF](#)

5. Roles And Responsibilities Of The Board

Documents:

[MEMORANDUM AND MORE.PDF](#)

6. Election Of Officers
7. Galveston Island Redevelopment Authority (RDA)
 - a. Discuss Amended Articles of Incorporation and possible Action regarding revisions to By Laws
 - b. Overview of Mission, Vision and Objectives
 - c. TIRZ 13 Update
 - d. Resolution authorizing bank signers
 - e. Financial background of the Authority
 - f. Acceptance of engagement letter from Whitley Penn for Annual Financial Audit
 - g. Payment Authorization of any outstanding invoices
 - h. Future goals and plans

Documents:

[RDA.RESTATED COF.PDF](#)
[GALVESTON ISLAND RDA BYLAWS--AMENDED.09142020.FINAL.PDF](#)
[GALVESTON ISLAND REDEVELOPMENT_ANNUAL FINANCIAL REPORT
93021.PDF](#)
[TIRZ 13 FINANCIALS.PDF](#)
[RDA FINANCIALS.PDF](#)

[WHITLEY PENN AUDIT LETTER.PDF](#)
[DRAFT AUDIT.PDF](#)
[RDA INVOICES.PDF](#)

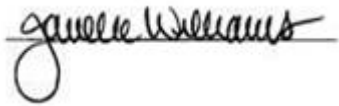
8. Galveston Housing Finance Corporation (GHFC)
 - A. Overview of Mission, Vision and Objectives
 - B. Resolution authorizing bank signers
 - C. Future goals and plans
9. Galveston Property Finance Authority (GPFA)
 - A. Overview of Mission, Vision and Objectives
 - B. Resolution authorizing bank signers
 - C. Future goals and plans
10. Consider For Approval Minutes Of The June 15, 2021 Meeting.

Documents:

[RDA MINUTES DRAFT_06152021.PDF](#)

11. Set Regular Time For Future Meetings
12. 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 March 18, 2022 at 10:40 A.M.



Janelle Williams, City Secretary

*City Council Members may be attending and participating in the discussions

IN ACCORDANCE WITH THE PROVISIONS OF THE AMERICANS WITH DISABILITIES ACT (ADA), PERSONS IN NEED OF 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).



REDEVELOPMENT ECOSYSTEM ANALYSIS

Analysis of Galveston's Redevelopment Agencies

In 2020, the Galveston Island Redevelopment Authority (RDA), the Galveston Property Finance Authority (GPFA) and the Galveston Housing Finance Authority (GHFC) voted to combine the agencies' boards, whose roles were primarily housing-related, in order to streamline their efforts. Restated Articles of Incorporation were created and board members were appointed, but clear directives from Council need to be provided in order to develop their plan of work.

Staff was recently tasked with analyzing and developing recommendations for an appropriate structure for this redevelopment "ecosystem".

Vision Galveston employed consultant, Asakura Robinson to assist City Staff in examining the future role of the three agencies (RDA, GPFA and GHFC) in advancing the City's economic development goals. The following are results of the combined analysis efforts along with staff recommendations for moving the Redevelopment Ecosystem forward.

History and Structure of RDA, GHFC, and GPFA

The [Galveston Housing Finance Corporation \(GHFC\)](#) was created in 1979, through the Texas Housing Finance Corporation, Local Govt Code 394 and is non-profit corporation.

The GHFC has been devoted to encouraging homeownership, primarily through the issuance of mortgages to low- and moderate- income households for homeownership.

The GHFC can issue bonds in order to raise funds to support their programs and projects. The GHFC can not issue bonds or other debts without the approval of the council and the programs and projects must also adhere to the directives of the Council.

Past projects of GHFC include the Magnolia Court Townhomes and the rehabilitation and sale of a number of tax foreclosed homes. Early on in its creation, the GHFC also issued several bonds for the development of multifamily housing and to provide financial assistance for low- and moderate-income families to purchase or rehabilitate homes.

The GHFC has partnered with the Galveston Property Finance Authority (GPFA) and the City's Grants & Housing Department on collaborative efforts to assist families with homeownership efforts. In 1999, the board for the two entities were combined to continue the collaborative efforts.

The [Galveston Property Finance Authority \(GPFA\)](#) was established in 1988 as a non-profit corporation. Its purpose has been to acquire, own, hold, lease and sell real and personal property to or for the benefit of the City of Galveston.

One of its most significant projects was the Barton Square development in 2002. This effort focused on constructing forty (40) single-family homes for the middle-income. To date, approximately 40% of the homes are owned by the original homeowners and 73% of the development are homesteaded properties.

Like the GHFC, it requires Council approval for issuing debt and its programs and projects must also adhere to the directives of the Council.

The [Galveston Island Redevelopment Authority \(RDA\)](#) was created in 2002 under Texas Transportation Code 431, Subchapter D, as a Texas Housing Finance Corporation, under Local Govt Code, Ch 394. It is also a non-profit corporation and the most flexible of the three agencies.

While its initial purpose was to manage the Tax Increment Reinvestment Zones for the City, its articles of incorporation are broad in scope. The articles give the RDA the ability to promote, develop, encourage, and maintain housing, employment, commerce, and economic development in the City” and to “administer, manage and supervise economic development tools implemented by the City”. With only one remaining Tax Increment Reinvestment Zone (TIRZ 13), the RDA can easily expand its focus.

[Recommendation: Redevelopment Ecosystem Structure](#)

At this time, Staff recommends approving the structure of all three entities utilizing the same board members. This structure would allow for a streamlined, cohesive redevelopment ecosystem and provide cost savings by not duplicating professional services expenses, such as attorneys and accounting services.

[Recommendation: Board Structure](#)

Staff recommends utilizing the same board members for all three entities. Prior to 2020, the RDA had 5 board members and the combined GHFC and GPFA had 7 board members. In 2020, when the initial decision was made to combine the boards of all three entities, it was recommended to appoint a 7-member Board.

Staff recommends Council approve the following 7-Member Board structure:

Board Members/Officers

- 7 members
- Officers should be:
 - President
 - Vice President
 - Treasurer
 - Secretary

Qualifications of Board members

- At least 1 member should have financial background
- At least 1 member should have construction background

[Recommendation: Organizational Flow of Redevelopment Ecosystem](#)

As far as the recommended flow of communication & coordination directives from City Council, the Economic Development Coordinator would serve as staff liaison between the Redevelopment entities, City Manager and City Council.

Each entity has unique resources to bring to the table and would likely have their own Council driven directives. They could also work in tandem on specific projects in achieving the City’s overarching economic development goals, such as:

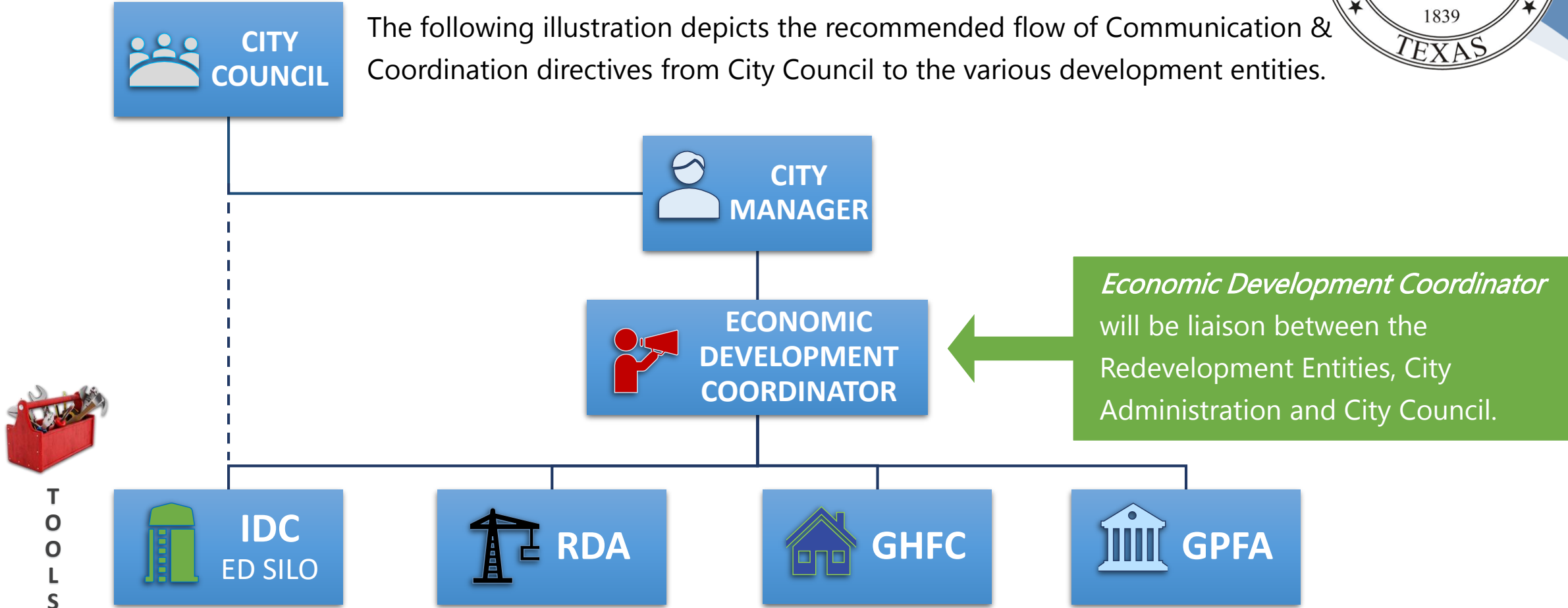
- Proactively establishing public-private partnerships that meet jobs and housing goals
- Anticipating future challenges to Galveston’s resilience and bringing together resources and entities to meet the challenges

Economic Development

Organizational Flow



The following illustration depicts the recommended flow of Communication & Coordination directives from City Council to the various development entities.



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Galveston Island Redevelopment Authority (RDA)

If Council chooses to expand the scope of the RDA beyond management of the TIRZ and PIDs, another role for the RDA could be to assist staff with examining economic development projects. For projects that don't qualify through the Industrial Development Corporation, but do meet one of the Council's Economic Development objectives, the RDA could provide staff with assistance in the vetting process.

Purpose of RDA

Currently, the Articles of Incorporation for the **Galveston Island Redevelopment Authority (RDA)** state its purpose as:

for aiding, assisting, and acting on behalf of the City of Galveston, Texas (the "City") in the performance of its governmental functions to promote the common good and general welfare of the following areas:

- (i) Reinvestment Zone Number Thirteen, City of Galveston, Texas ("TIRZ 13"),
- (ii) any **other tax increment reinvestment zones created in the future** by the City pursuant to Chapter 311 of the Texas Tax Code (collectively, the "Zones") and neighboring areas, and as the boundaries of the Zones may be amended from time to time (the "TIRZ Area"),
- (iii) any area where a **project is to be wholly or partially funded by federal grant funds**,
- (iv) any areas designated as a **state or federal enterprise or empowerment zone**,
- (v) any areas designated as **special district or economic development district** created by or consented to by the City pursuant to Texas law, and any area so designated by the City Council of the City and Chair of the Authority that is determined to be a consistent with this Article **"Economic Development Areas"**;

to promote, develop, encourage and maintain housing, employment, commerce, transportation and economic development in the City; and

to administer, manage and supervise economic development vehicles and tools implemented by or on behalf of the City

The broad scope of the RDA's purpose provides for the most flexibility of the three redevelopment entities and should remain as such. As specific goals and objectives are completed or if new objectives are created in the future, they would likely fall within this broad scope.

Recommendation: Mission of RDA

While the purpose of the RDA is broad, the Mission for the RDA can be more directed. Based on the Economic Development Plan and the priorities gleaned from recent interviews with Council members, staff recommends the following Mission statement:

To create, support and promote endeavors that enhance housing opportunities and business growth, and to serve as a catalyst for private development and redevelopment in the commercial corridors and waterfront areas of the City of Galveston

Recommendations: Goals & Objectives for Each Entity

In comparing the functions and tools of these three entities with the goals and objectives in the 2018 Economic Development Plan as well as current Council's priorities, there are several areas in which they could be utilized to advance these goals.

Galveston Redevelopment Authority (RDA):

- Continuation with current TIRZ projects – TIRZ 13
- Continuation with current PID projects
- Designate Pelican Island as a Redevelopment Area and explore resources to stimulate growth
- Designate commercial corridors for redevelopment – Broadway corridor; corner stores in midtown and east end neighborhoods

PROJECTS

- TIRZ 13 – Beachtown Development
- Bayside at Waterman's PID
- Campeche Shores PID

Galveston Housing Finance Corporation (GHFC):

- Develop short- and mid-term goals to address housing needs
- Creating and furthering partnerships that facilitate homeownership
- Meet with other entities - Grants & Housing Dept, Vision Galveston, GHA, Galveston Urban Ministries, GHF and others - to find opportunities for collaboration

PROJECTS

- Magnolia Court Townhomes – rental program
- New construction of single-family homes
- Rehabilitation and sale of tax foreclosed homes
- Bonds issued for several multi-family complexes in 1980's

Galveston Property Finance Authority (GPFA):

- Housing initiatives to address workforce and middle-income earners
- Formation of a land bank for purchasing properties for redevelopment – commercial and residential

PROJECTS

- Barton Square Development – constructed forty (40) single-family homes for middle-income families
- GPFA has partnered with other entities, such as GHFC in other programs

REDEVELOPMENT ECOSYSTEM AT-A-GLANCE



GALVESTON HOUSING FINANCE CORPORATION (GHFC)	GALVESTON PROPERTY FINANCE AUTHORITY (GPFA)	GALVESTON REDEVELOPMENT AUTHORITY (RDA)
CREATED IN 1979 PURPOSE: GHFC has been devoted to encouraging homeownership, primarily through the issuance of mortgages to low- and moderate-income households. GHFC has also purchased, renovated and sold tax foreclosed properties to low- and moderate-income families Early on in its creation, the GHFC also issued several bonds for the development of multifamily housing STRUCTURE: Texas Housing Finance Corporation, Local Govt Code 394 Non-profit corporation 7-member Board of Directors Same Board as GPFA MUST have City Council authorization to issue bonds or debt; Programs MUST be approved by City Council RESOURCES Bonds, Loans, Grants, LiHTC PROJECTS ➤ Magnolia Court Townhomes – rental program ➤ New construction of single-family homes ➤ Rehabilitation and sale of tax foreclosed homes ➤ Bonds issued for several multi-family complexes in 1980's	CREATED IN 1988 PURPOSE: To acquire, own, hold, lease and sell real and personal property to or for the benefit of the City of Galveston and to collect, receive, borrow, lend or obtain and lend funds to or for the use of the City or others for City's public purpose through approved programs. Permanent Public Improvements Program. The GPFA has partnered with other entities, such as the GHFC to assist with project needs. STRUCTURE: Non-profit corporation 7-member Board of Directors Same Board as GHFC MUST have City Council authorization to issue bonds or debt; Programs MUST be approved by City Council RESOURCES Bonds, Loans, Grants PROJECTS ➤ Barton Square Development – constructed forty (40) single-family homes for middle-income families ➤ GPFA has partnered with other entities, such as GHFC in other programs	CREATED IN 2002, amended in 2006 & 2015 PURPOSE: Its initial purpose was to manage the TIRZs for the City, but the articles also give the RDA the ability to promote, develop, encourage, and maintain housing, employment, commerce, and economic development in the City" and to "administer, manage and supervise economic development tools implemented by the City", such as Public Improvement Districts (PID) With only one remaining Tax Increment Reinvestment Zone (TIRZ 13), the RDA can easily expand its focus. It is the most flexible of the three agencies. STRUCTURE: Texas Transportation Code 431, Subchapter D Texas Housing Finance Corporation, Local Govt Code 394 Non-profit corporation 5-member Board of Directors MUST have City Council authorization to issue bonds or debt; Programs MUST be approved by City Council RESOURCES TIRZs, PIDs, Bonds, Historic Tax Credits, 380 Agreements PROJECTS ➤ TIRZ 13 – Beachtown Development ➤ Bayside at Waterman's PID ➤ Campeche Shores PID

APPENDIX

Tools and Resources

Among the tools and resources that can be utilized for Redevelopment efforts are the following:

- **Bonds** - provides federal, state and local governments and private entities the funds needed to spur development and long-term infrastructure projects.
- **Tax Increment Reinvestment Zones (TIRZ)** - Tax increment financing is a method local government can use to pay for infrastructure improvements that will draw private investment to the area. It uses ad valorem tax from property in the “zone” to pay for improvements in the zone over a period of time.
- **Historic Tax Credits** - Federal, state, and local tax incentives exist for owners of historic properties. The Federal Program includes a 20 percent income tax credit for the rehabilitation of historic, income-producing buildings. The new Texas Historic Preservation Tax Credit Program offers a 25 percent tax credit for the rehabilitation of historic buildings. Additionally, a state sales tax exemption on labor is available for work on buildings listed in the National Register of Historic Places. County and local taxing authorities may grant property tax exemptions for buildings with state or local historical designations.
- **Public Improvement Districts (PID)** - The Public Improvement District Assessment Act authorizes cities and counties to levy and collect special assessments on properties located within their limits. PIDs may be formed to create several improvements, such as water, wastewater, health and sanitation, or drainage improvements; street and sidewalk improvements; mass transit improvements; parking improvements; library improvements; park, recreation and cultural improvements, etc.
- **4B Sales Tax** – 4B sales tax revenue may fund projects in industries that support “primary jobs”, such as manufacturing and industrial facilities; research and development facilities; distribution centers; small warehouse facilities; primary job training facilities and classes; corporate headquarter facilities; business infrastructure; airport facilities, etc.
- **380 Agreements** - Chapters 380 (cities) of the Local Government Code respectively grant cities and counties broad discretion to make loans and grants of public funds or the provision of public services, at little or no cost, to promote all types of business development including industrial, commercial and retail projects. Each agreement may be uniquely tailored to address the specific needs of both the local government entity and the business prospect.
- **Private funds through Public-Private Partnerships (P3)** - Public-private partnerships are collaborative agreements between a public agency and a private entity that are used to finance, build, and operate projects, such as public infrastructure and transportation projects, parks and convention centers. P3’s often involve some form of tax relief for the private entity.

TOOLS & RESOURCES USED IN PAST

In staff's historical research of past Economic Development efforts dating back to the 1960's, the City or one of its entities (GHFC, GPFA, IDC) issued bonds for several residential and commercial projects.

In the 1980's, Galveston saw a significant amount of development with the use of Industrial Development bonds. Notable projects include the San Luis Hotel, the Wal-Mart and Randall's Shopping Centers, a tank farm on Pelican Island and a number of historic building renovations downtown.

The GHFC utilized both single family and multi family bonds to assist residential developments. Apartments along Central City Blvd and the William B Travis Apartments made use of multi family bonds, while single family bonds were utilized to assist with mortgages for low to moderate income families and to purchase and renovate tax foreclosed homes.

In the 1990's, Galveston utilized a few Tax Abatements for Hotel & Convention Center expansion and industrial business expansion projects.

The most significant resource utilized to date was the Tax Increment Reinvestment Zone. Beginning in the early 1980's, Galveston would see fourteen (14) TIRZs created. While not every zone was successful and there has been much debate surrounding the use and continued use of TIRZs in Galveston, it is clear that a significant amount of development did occur in the various zones. At this time, only one zone, TIRZ 13, remains active.

All of these tools above have been utilized at one time or another throughout the years to assist in development efforts.

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MEMORANDUM

DATE: March 16, 2022

TO: Members of the Boards of Galveston Housing Finance Corporation
("GHFC") and City of Galveston Property Finance Authority, Inc.
("CGPFA")

FROM: Robert E. Bastien, Attorney for GHFC and CGPFA

Board Members:

In anticipation of an organizational meeting of the Board of Directors of GHFC, CGPFA, and Galveston Island RDA in March 2022, I have prepared the following Memorandum in regard to GHFC and CGPFA to shed some light on the legal status of GHFC and CGPFA, and their activities, their authority, and their powers, which I hope will be useful in your discussions. This Memorandum is similar to one sent to incoming Board members in July 2020.

NOTE: I have made references in this Memorandum to the original Articles of Incorporation of GHFC (1979) and of CGPFA (1988). The City Council has approved Restated Certificates of Formation for both corporations. (A Restated Certificate is an amendment of the original, and the term "certificate of formation" replaced the term "articles of incorporation" in 2004.) As of the time of writing of this Memorandum, however, neither Restated Certificate is in effect, inasmuch as they have not been filed with the Texas Secretary of State. Consequently, in this Memorandum I have referred to both the old Articles of Incorporation which are still in effect at this time, and to the new

Restated Certificates of Formation. Copies of the original Articles of Incorporation for GHFC and CGPFA, the Restated Certificates of Formation, and the Bylaws of each are attached to this Memorandum.

A handwritten signature in cursive script, appearing to read "Robert E. Bastien", written in dark ink.

ROBERT E. BASTIEN

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PURPOSES AND POWERS OF GHFC

The purposes of Texas housing finance corporations generally, as set forth in the Housing Finance Corporation Act (Chapter 394 of the Texas Local Government Code), are to help finance the cost of residential ownership and development that will provide “decent, safe, and sanitary housing at affordable prices” for residents of local governments. (TEX. LOCAL GOVT. CODE Sec. 394.002(a)). The Legislature has determined that residential ownership and development (among its other benefits) relieves unemployment and encourages economic development, provides for efficient and well-planned urban growth and development, assists low- to moderate-income persons to acquire and own decent, safe, and sanitary housing, and preserves and increases the local government’s tax base (Sec. 394.002(b)). In this regard, a housing finance corporation (“HFC”) is a “non-profit corporation,” which is, nevertheless, a “public instrumentality” which performs “an essential governmental function” (Sec. 394.002(c)(3)). Inasmuch as an HFC is a non-profit corporation, it is not a local governmental body, and, as such, is exempt from certain statutes which govern governmental bodies. [See “Public Property/Public Funds” Issue on pages 21-22].

Section 394.004 essentially permits the operation of HFC’s only in regard to “residential developments” (as defined on page 4) at least 90% of which is for use by or is intended to be occupied by persons of low- and moderate-income. However, “Low- and moderate-income persons,” may be defined by the HFC under its own rules, under resolutions relating to the issuance of bonds, or under financing documents relating to the issuance of bonds (Sec. 394.004). Under Section 394.005, in a city with more than 20,000 inhabitants (like Galveston), the governing body of the City must approve an HFC’s use of property.

An HFC may exercise any powers incidental to or necessary for the performance of the powers set out in Subchapter D of Chapter 394, and may exercise other powers necessary or appropriate to carry out the purposes for which it was organized (Sec. 394.031). An HFC has the general power to:

- 1) make contracts necessary or convenient to the exercise of its other powers;
 - 2) incur liabilities;
 - 3) borrow money;
 - 4) issue bonds and notes;
 - 5) mortgage or pledge its property and income to secure its operations;
 - 6) plan, develop, and promote residential development;
 - 7) make donations for the public welfare; and
 - 8) enter into contracts to perform services for another HFC (or its agents), and,
- with respect to residential development, for a housing authority or nonprofit enterprise.
- TEX. LOCAL GOVT. CODE Sec. 394.032.

More specifically, an HFC may:

- a) Apply for and accept (on its own behalf or for another) loans, grants, mortgage assistance, and other forms of financial assistance from the federal, state, county, or city governments, from other public or quasi-public bodies, corporations, or foundations, or from any other public or private source, for any of its purposes. Sec. 394.036.
- b) Issue bonds to defray, in whole or in part, the development costs of a “residential development”¹, the costs of purchasing or funding home mortgages (including related expenses), and any other costs associated with the provision of decent, safe, and

¹ A “residential development” is defined in Sec. 394.003 to mean the acquisition, construction, reconstruction, rehabilitation, repair, alteration, improvement or extension of land, buildings, related equipment, and other necessary or functionally related property for the purpose of providing decent, safe, and sanitary housing and non-housing facilities that are an integral part of or functionally related to any “affordable housing project” (see footnote 2 on page 6).

sanitary housing and non-housing facilities related to an “affordable housing project.”²
Sec. 394.037(a).

c) Pledge its revenues, receipts, and resources (including revenues from residential development or home mortgages) to the payment of the bonds, interest thereon, and redemption premiums. Sec. 394.037(b).

d) Issue bonds to redeem bonds previously issued by the HFC. Sec. 394.037(b).

e) Deal in shares or other interests in other corporations, associations, or partnerships. Sec. 394.038(l).

f) Deal in obligations of the federal, state, or local government, or in any instrumentalities thereof. Sec. 394.008(2).

g) Lend and invest money for its corporate purposes and take and hold property as security for the moneys loaned or invested. Sec. 394.039(1).

h) Mortgage or grant security interests in any residential development, home mortgage, note, or other property in favor of the holders of bonds issued for those items. Sec. 394.039(2).

i) Purchase, lease, acquire, hold, improve, use, or deal in real or personal property as required for the purposes of the corporation (Sec. 394.039(3)), and to sell, convey, mortgage, pledge, lease, exchange, transfer and otherwise dispose of its property and assets. Sec. 394.039(4).

² “Affordable housing project” is not defined in Section 394.003, and therefore it is assumed that the vague guidelines in Section 394.004, regarding 90% occupancy by persons of low- to moderate-income, as defined by the HFC, apply. This may, in effect, preclude the development of “high-end” single-family residences or “luxury” apartments, condominiums, or townhouses, but the fact that the HFC may define persons of low- to moderate-income means that an HFC is not limited to HUD’s definitions of the same terms.

j) Make and contract to make home mortgages originated, administered, and serviced by lending institutions, paying them the reasonable value of their services. Sec. 394.040(a).

k) Acquire or contract to acquire by assignment, home mortgages owned by lending institutions. Sec. 394.040(a).

l) Establish standards and requirements with which the lending institutions must comply in regard to the home mortgages under (j) and (k). Sec. 394.040(b).

m) Make loans to lending institutions under terms requiring them to use substantially all of the net proceeds of the loans for home mortgages, with loans to lenders to be secured (to the extent not secured by the home mortgages themselves) in the same manner as deposits of public funds by local governments (Sec. 394.040(c)); and to establish (by rules, resolution or in the financing documents relating to the issuance of bonds) standards and requirements (such as location, length of term, and interest rate) regarding the home mortgages described under (j) and (k), and regarding any "loans to lenders" program. Sec. 394.041.

n) Sell any "residential development" or home mortgage (subject to a mortgage, pledge, or security interest provided in the resolution relating to the issuance of bonds) for prices and at times determined by the board of directors. Sec. 394.042(a).

o) Rent, sell, lease, or otherwise dispose of any "residential development" or home mortgage. Sec. 394.042(b).

p) Make loans to another party to defray the costs of any "residential development" or the costs of purchasing home mortgages so that the revenue from same, with certain other related income, is sufficient to pay the bonds issued to finance those costs and any interest or premiums on the bonds. Sec. 394.042(b).

q) Prescribe by resolution the terms of any bonds issued by the HFC. Sec. 392.051(a).

r) Sell the issued bonds at public or private sale on terms provided by the resolution. Sec. 392.051(b).

s) Invest the bond proceeds as provided by the resolution authorizing the issuance of the bonds. Sec. 394.051(b).

Bonds issued by an HFC are payable solely from the reserve pledged to their payment, and the bonds are not a debt of any governmental entity (the City, for example). Sec. 394.055.

In any multi-family residential development of at least 20 units financed by HFC bonds, the HFC must require that at least 5% of the units be permanently reserved for occupancy by elderly persons of low income or by low- or moderate-income families in which an elderly person is the head of household. Section 394.902.

An HFC also may issue bonds to finance a multi-family residential development to be *owned* by the HFC if at least 50% of the units are reserved for families earning less than 80% of the area median family income. A public hearing is a prerequisite. Section 394.9025(a). It appears that approval by the local government (following its own public hearing) is required for the issuance of bonds for this purpose. Section 394.9025(b).

Requirements regarding elderly households and family income are generally enforced by provisions in the financing documents coupled with reporting requirements by the borrowers or other beneficiaries of an HFC program.

GHFC was created pursuant to a City Council Resolution No. 79-48 in December 1979. It appears from Resolution No. 79-48 that the Galveston Housing Authority had intended (prior to April 1979) to develop a program for the issuance of tax-exempt bonds

to provide financing for homeownership by low- to moderate-income persons, and that GHFC was created to assume this responsibility (Preamble to Resolution No. 79-48; Section 8). Resolution No. 79-48 specifies that GHFC is “authorized to act on behalf of the City for the limited and purely public purposes of financing the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income in the City at prices they can afford.” (Section 1). The Resolution specifically recognizes that GHFC shall have the power to make and acquire home mortgages and to make loans to lending institutions for the purpose of making home mortgages (Section 6). Resolution No. 79-48 approved the form of Articles of Incorporation subsequently used in the incorporation of GHFC (Section 2). GHFC’s Articles of Incorporation and GHFC’s Restated Certificate of Formation reserve to GHFC *all* of the powers of an HFC enumerated in the former Texas Housing Finance Corporations Act, now codified as Chapter 394 of the Local Government Code. Under Section 394.014(b), an HFC may exercise any power provided in Chapter 394 of the Local Government Code regardless of whether that power is stated in its “articles of incorporation” (now called a “certificate of formation”). Therefore, although both Resolution No. 79-48 and the Articles of Incorporation specifically mentioned home mortgages and “loans to lenders,” GHFC could and can exercise all of powers of an HFC, as stated above.

In the past, GHFC has issued bonds to finance loans to developers of apartments, and to make loans to lenders at a favorable rate so that the lenders could make single-family home loans at rates below market-rate when the market-rate on home loans was high. Please note that the City Council, in Resolution No. 81-24, resolved that revenues from the sale of GHFC bonds “be used primarily to finance the purchase and construction of *single-*

family dwellings as opposed to *multi-family dwellings* of 3 or more units.” I can only speculate as to the reason behind this resolution. (As stated above, in GHFC’s early years, bonds were issued to facilitate the construction of numerous new apartments in the City.) The use of the word “primarily” seems to indicate that it was not intended to be an absolute *prohibition* on the use of bond proceeds for multi-family developments. I also do not know whether the Resolution was intended to be in effect permanently. In any event, GHFC currently has no bonds outstanding: Bonds originally issued in 1983 to finance the construction of “Village By the Sea,” located at 6424 Central City Blvd., were refinanced in 2004 by the issuance of new bonds and those bonds were retired in December 2021.

In 2007, GHFC sponsored a Mortgage Credit Certificate Program, which allows qualifying first-time homebuyers to claim a tax credit for one-half of their mortgage interest paid in a calendar year, up to \$2,000.00. This Program requires an allocation of bond-issuance authority from the State of Texas. In 2015, GHFC’s Board considered a second MCC Program, however, there were apparently few participants in the 2007 Program, and the estimated cost (\$60,000) of a new Program did not appear to be cost-efficient.

In Ordinance No. 06-086, City Council authorized the City Manager to review the City’s inventory of real property, to determine which parcels are surplus and useable for the development of affordable housing, and to present his findings to City Council, which might then convey some or all of the parcels to GHFC or CGPFA for the development of “affordable housing.” The Ordinance established a program in this regard (under Chapters 272 and 380 of the Texas Local Government Code) to promote economic development in the City. The Ordinance defined “affordable housing” (for its purposes) as *single-family residences* having initial purchase prices that do not exceed the median price of single-

family housing in the City as published by the Real Estate Center at Texas A & M University for the latest 12-month period. A 20-year cooperative agreement between the City, GHFC, and CGPFA was approved, calling for the City Manager to “periodically (and upon the reasonable request of representatives of GHFC or CGPFA) review the City’s inventory of real property” for the purpose of affordable housing development. I do not know whether the Agreement was ever executed on behalf of GHFC or CGPFA, whether anyone currently at City Hall is aware of Ordinance 06-086 and to what extent, if any, the parties have consciously cooperated in the past under that cooperative agreement. (I have been lead counsel for GHFC since 2013, and the cooperative agreement has never arisen in conversation with City officials.)

GHFC is a party to an “Interlocal Agreement” among the various governmental entities (the Galveston Tax Foreclosed Resale Committee) that assess ad valorem taxes in Galveston. Under that Agreement, properties purchased by the taxing entities themselves at a tax foreclosure sale (at which time title is traditionally taken in the name of the City, as Trustee for all of the members of the Committee), when there are no other bidders or when the other bids are too low, can be purchased by GHFC within 60 days of the sale at the sale price. [GHFC acquired property at the intersection of 35th Street and Avenue G under this Agreement in 2014. See pages 25-28.] Unfortunately, the taxing entities have revised their practices in order to avoid purchasing delinquent-tax properties themselves, and now offer such properties for sale month-after-month, reducing the minimum bid each month until a private buyer makes a bid equal to or in excess of the minimum bid. Since the taxing entities no longer themselves acquire title to these properties, they are never offered to GHFC under the Agreement. Of course, it is possible for GHFC to appear at the tax foreclosure sales and be the successful bidder. However, this would require regular

monitoring of the properties being offered for sale, some examination of the title status, formulation of some idea of what use GHFC might make of a parcel, board approval (or advance authorization) for the bids, and readily available funds to pay the purchase price the day of the sale. In any event, use of GHFC's contract rights under the Interlocal Agreement to acquire properties for the amount of taxes previously owed appears to be at an end, at least for now.

PURPOSES AND POWERS OF CGPFA

City of Galveston Property Finance Authority, Inc. (CGPFA) was organized in 1988. It is a Texas non-profit corporation, and was not specially created by statute. Its stated purposes (Articles of Incorporation and Restated Certificate of Formation; Article IV(a)) are "acquiring, owning, holding, leasing and selling real or personal property to or for the benefit of the City of Galveston, Texas (the "City") for and in furtherance of its public purposes, and collecting, receiving, borrowing, lending, or otherwise obtaining and lending funds to or for the use of the City or to others for the City's public purposes, to the extent necessary and appropriate in the establishment and administration of lawfully created government programs and activities ("Approved Programs") that are from time to time approved by ordinance or resolution duly adopted by the City Council of the City, all to be done and accomplished by the Authority as the duly constituted and authorized authority and instrumentality of the City acting on its behalf and for the benefit and welfare of the public." [I interpret this language, in summary, to mean "to deal in property and funds as directed by the City from time-to-time for the City's purposes."]

CGPFA's Articles of Incorporation and its Restated Certificate of Formation (Article IV(b)) state that it may exercise all powers granted under the former Texas

Nonprofit Corporation Act, now essentially codified as Chapter 22 of the Texas Business Organizations Code. In addition to the stated purposes of CGPFA, Article XIII of CGPFA's Articles of Incorporation and Article XI(a) of its Restated Certificate of Formation empower the City Council to amend the structure, organization, programs or activities of CGPFA, and Section 1.2 of CGPFA's current Bylaws empower the City "to revise (probably intended to read 'review') the financial affairs, programs, and activities of [CGPFA] at any time and from time to time . . ."

It is obvious that the powers and purposes of CGPFA are quite broad as to property and financial matters. The key limitation is that CGPFA may only act for the City's public purposes and in regard to programs or activities approved by City Council.

The best example of independent action by CGPFA is probably the Barton Square Subdivision of middle-income single-family homes, created by CGPFA pursuant to Resolution No. 00-017 of the City Council (approving the project) and a June 2000 Cooperation Agreement between the City and CGPFA.

TERMS OF OFFICE OF DIRECTORS

The HFC law (Sec. 394.021(b)) provides that the governing body of the local government (in Galveston, the City Council) appoints directors "for the terms provided by the articles of incorporation or the bylaws," and further provides (Sec. 394.021(c)) that directors hold office for the term for which they have been elected or appointed, *and* until each director's successor is elected or appointed and qualified. Under the HFC law, directors may be removed under any removal procedure provided by the HFC's "articles of incorporation" (now, its "certificate of formation") or bylaws. GHFC's 1979 Articles of Incorporation (Article VI(B)) provided that the initial board should consist of *seven* directors, three appointed for one year terms and four appointed for two year terms, and

that each subsequent director should hold office for two years. Article V(B) also provided that each director shall serve until his/her successor shall have been appointed and qualified. Article VI(B) of the Restated Certificate of Formation does not specifically include language regarding “staggered” terms of office, but does provide for two-year term and that a director shall hold office until his/her successor shall have been appointed and qualified. Article VI(B) of both the original Articles of Incorporation and the Restated Certificate of Formation both provided for the removal of a director (with or without cause) by written resolution of the City Council.

CGPFA’s 1988 Articles of Incorporation (Article VIII) also (in essence) established staggered terms of office for the initial *six* directors named in Article VIII, but generally deferred terms of office to the Bylaws (Article VII(a)). The Bylaws (Article II, Sec. 2.1(c)) state that the initial directors serve until the date specified in the Articles of Incorporation or until a successor is appointed, and that subsequent directors shall serve a two-year term, or until a successor is appointed. It appears as if City Council failed at some point in time to specifically appoint directors for CGPFA, while continuing to appoint directors for GHFC: By Resolution No. 99-73, the City Council confirmed that the Board of Directors of GHFC “also serves” as the Board of Directors for CGPFA. Whether this by itself was a legally effective means of increasing the number of CGPFA’s directors from six to seven is questionable but probably moot. (It may have been increased earlier anyway by City Council, or CGPFA’s Board, by resolution, may have increased the number.) Under CGPFA’s Bylaws, the number of directors may be as many as seven, and they are to be appointed by City Council; Hence, if the City Council, by resolution, has appointed seven directors, the Bylaws’ requirement of a Council resolution changing the number of directors to seven (Article II, Section 2.1(b)) has probably been satisfied. Under Article II,

Sec. 2.1(d) of its Bylaws, CGPFA directors may be removed (with or without cause) by ordinance or resolution of the City Council.

At one point in time, the terms of office of the directors of GHFC and CGPFA had become irregular (i.e., not ending at the end of a calendar year, but at various dates throughout the year). I assume that the phrases regarding directors serving until their successors are appointed and two-year terms of office were responsible for the terms of directors of the corporations having become irregular, with the terms of individual directors expiring at different times. This situation appears to have been rectified, with terms ending at the end of specific years, and vacancies being filled only for the unexpired term of vacating directors, who may have remained in office pending replacement.

QUORUM

All nonprofit corporations must have at least three directors. TEX. BUS. ORG. CODE, Sec. 22.204. The HFC law (Sec. 394.021(d)) provides that a majority of the board of directors constitutes a quorum, and the action of a majority of the *quorum* is the action of the board. This is more specific (but different from) TEX. BUS. ORG. CODE Sec. 22.213 which defers to the bylaws for definition of a quorum or (in the absence of a bylaw on the issue) to the “certificate of formation” (formerly “articles of incorporation”), or (in the absence of either) states that a minimum of three directors is a quorum. GHFC’s Articles of Incorporation and Restated Certificate of Formation (Article VI(D) of both) do not address the issue of a quorum and generally defer matters of internal affairs to the Bylaws. GHFC’s Bylaws are consistent with the HFC law (Article I, Sec. 5): a majority of the seven directors is a quorum (i.e. four directors), and the act of a majority of the quorum is the act of the Board. CGPFA’s Articles of Incorporation and Restated Certificate of Formation (Article VII(b) of both) also do not address the issue of a quorum,

but its Bylaws similarly state that a majority of the number of directors is a quorum and the act of a majority of the quorum is the act of the corporation (Article II, Sec. 2.5).

NOTICE OF DIRECTORS' MEETINGS

The HFC law (Sec. 394.021(d)) does not require notice of a *regular* meeting of the board of directors, but defers to the Bylaws of the HFC. This is consistent with the law applicable to nonprofit corporations generally. TEX. BUS. ORG. CODE Sec. 22.217. [The HFC law (Sec. 394.014(a)(6)) permits the “Articles of Incorporation” of an HFC to contain any provision not inconsistent with other law for the regulation of the internal affairs of the HFC.] The HFC law implies that notice to directors of a *special* meeting is required, however, stating that “a *special* meeting may be held on notice as provided in the bylaws.” (Sec. 394.021(d)). Sec. 22.217 of the TEX. BUS. ORG. CODE only requires “notice [of meetings] as prescribed by the bylaws.” Sec. 22.217 does not require that the business to be transacted at a regular or special meeting be specified in the notice, but (again) defers to the corporation’s bylaws on this issue.

The original Articles of Incorporation of GHFC and CGPFA and their Restated Certificates of Formation do not address when meetings of the Boards shall be held or touch on the issue of notice. Again, Article VI(D) of the original Articles and Article VI(D) of GHFC’s Restated Certificate and Article VII(b) of CGPFA’s Restated Certificate defer those matters to the Bylaws.

GHFC’s Bylaws do not require specific notice of a regular meeting (Article I, Section 3) but provide that these shall be scheduled by Board resolution. (In the past, regular meetings of the Board have been held on a specified day of a particular week of the month). Special meetings can be called by the President, Secretary, or a majority of the Board (Article I, Sec. 4). Notice of a special meeting by the secretary to each director “by

mail, telephone, or telegraph” is required. (Article I, Sec. 4). Since any matters pertaining to GHFC may be considered and acted upon at a special meeting (Sec. 4), it appears that the notice need not specify the matters to be considered at a special meeting. This may not, however, comport with the requirements of the Texas Open Meetings Act (TOMA), with which GHFC has consistently sought to comply. In practice, the subject matter of special (and regular) meetings has been stated in the Agenda posted or filed with the City Secretary for posting in advance of the meeting, and Directors have been provided a copy of the Agenda.

CGPFA’s Articles of Incorporation do not address the question of meeting notice. Like GHFC, its Bylaws do not require notice of regular meetings (Article II, Sec. 2.3). Special meetings may be called by the President, the Secretary, or a majority of the directors. Unlike GHFC, Special Meetings of CGPFA may also be called upon the request of the City Council (Article II, Sec. 2.4(a)). Notice of a special meeting to each director is required (Article II, Sec. 2.4(b)), and must be given by the same methods as prescribed in GHFC’s Bylaws (Article II, Sec. 2.4(b)[mail, telephone, or telegraph]). More significantly, however, unlike GHFC, CGPFA’s Bylaws require notice to the City Council or an authorized representative of the City that a special meeting is to be held and the purposes thereof at least three days prior to the meeting. (Article II, Section 2.4(a)). CGPFA has attempted to honor this latter requirement by delivering notices of all meetings to the City Secretary according to the schedule required by TOMA, and providing an Agenda for *all* meetings.

In 2019, the Boards voted to amend the Bylaws of both corporations to specifically provide for e-mail as a means of notice to Board members, and to add a provision permitting the holding of “emergency meetings” on two hours’ notice under the

circumstances defined in Section 551.045 of TOMA. However, these amendments are not effective until approved by City Council (See “Amendment of Bylaws” hereinafter). I do not know whether City Council has ever considered these amendments. (Copies of the proposed amendments to Article I of GHFC’s by-Laws are attached.) Until approval by City Council is shown or obtained, it must be assumed that these amendments are not presently in effect.

OPEN MEETINGS ACT

The question has regularly been raised whether GHFC and/or CGPFA are subject to the Texas Open Meetings Act (“TOMA”). HFC’s are hybrid creatures: an HFC is both a nonprofit corporation and “instrumentality” of the city creating it and performs “an essential governmental function” (Sec. 394.002(c)(3), Sec. 395.015(d)). TOMA applies to meetings (including regular meetings) of a “governmental body.” (TEX. GOVT. CODE Sec. 551.002). TEX. GOVT. CODE Sec. 551.001(3) defines “governmental body”: besides nonprofit corporations organized under part of the Water Code, the only nonprofit corporations included in that definition are those which are both eligible to receive funds under the “federal community *services* block grant program” and “are authorized by this state to serve a geographic area of the state.” The “federal community *services* block grant program” (“CSBG program”) is found at 42 U.S.C. Sec. 9901-9926. This program is *not* the same as the community *development* block grant program, found at 69 U.S.C. Sec. 5301-5321. I do not believe HFC’s are eligible to provide the services designated under the CSBG program: Consequently, I do not believe we need to address the question of whether an HFC is “authorized by this state to serve a geographic area of the state.”

The 2022 edition of the “Open Meeting Handbook” published by the Texas Attorney General, citing TEX. GOVT. CODE Sec. 551.001(3), states that “[n]onprofit

corporations established to carry out governmental business generally are *not* subject to [TOMA] because they are not within the Act's definition of 'governmental body.'" A corporation does not become a governmental body under TOMA merely because it receives public funds. TEX. ATTY. GEN. LO-98-040. For purposes of consideration of this issue, a good analogy might be a health facilities development corporation, to which the Texas Attorney General has ruled TOMA does not apply. TEX. ATTY. GEN. OP. JM-974. Although the statutes establishing certain types of nonprofit corporations specify that they are subject to TOMA (e.g., economic development corporations), the HFC law does not. The Texas Attorney General, however, has given an opinion that if a corporation's articles of incorporation or bylaws provide that directors' meetings will be conducted in accordance with TOMA, the board must follow TOMA. TEX. ATTY. GEN. LO-96-146 at 5.³ GHFC's Articles of Incorporation, Restated Certificate of Formation, and Bylaws currently do not require compliance with TOMA. In any event, there is very little decisional law to provide guidance in this regard, and each case is decided upon its own facts. But for the Attorney General's opinion cited above, based on the analogy to a health facilities development corporation, it is my opinion that TOMA would not apply to GHFC, and, similarly, would not apply to CGPFA. In any event, throughout my tenure as counsel for GHFC and CGPFA, the Boards have consistently sought to comply with TOMA, and compliance is, in any event, advisable as a means of fostering public confidence and the confidence of City officials, except when extreme circumstances will not permit. Therefore, at present the question appears to be moot.

³ I am making no attempt to opine on whether video-conferencing would be permissible under any new dispensation from TOMA's requirements attendant upon the COVID-19 pandemic. Governor Abbott's previous suspensions of TOMA were lifted effective September 1, 2021, and all provisions of TOMA were reinstated at the time. I am not aware of any further orders from the Governor in this regard.

BOARD ACTION WITHOUT FORMAL MEETINGS

If provided in its certificate of formation or bylaws, the board of directors of a nonprofit corporation may be held by a “remote electronic communications system, including videoconferencing technology or the Internet,” but “only” if each director consents to the use of that system and the system provides access to the meeting in a manner in which each director can communicate concurrently with all of the others. TEX. BUS. ORG. CODE Sec. 22.002. Inasmuch as neither the Articles of Incorporation, the Restated Certificates of Formation, nor the Bylaws of GHFC and CGPFA currently provide for these means of conducting meetings, videoconferencing or “live” internet sessions are not currently available for Board meetings. (See discussion above regarding TOMA, including footnote 3 on page 19, and the sections on pages 23-25 concerning “Amendments to Certificate of Formation” and “Amendments to Bylaws.”)

Under TEX. BUS. ORG. CODE Sec. 22.220, a nonprofit corporation’s certificate of incorporation *or* bylaws may provide that an action normally taken at a meeting of the corporation’s directors may be taken without a meeting if a “written consent, stating the action to be taken, is *signed* by the number of directors . . . necessary to take that action at a meeting at which all of the directors . . . are present and voting.” In other words, a written consent signed by a *majority* of the board constitutes the action of the board under that statute. The HFC law does not address this issue: therefore, inasmuch as an HFC is a nonprofit corporation, Sec. 22.220 might be applicable.

GHFC’s Articles of Incorporation and Restated Certificate of Formation are silent on the question. However, GHFC’s Bylaws permit written consent in lieu of an actual vote at a Board meeting, but require that a written consent (setting forth the action to be taken) be signed by *all* of the directors before action without a meeting can be taken by the Board

(Article IV, Sec. 7). CGPFA's Bylaws contain a provision similar to that found in GHFC's Bylaws (Article V, Section 5.5), but *further* require that the consent be signed "by an authorized representative of the City." Unfortunately, no one knows who that "authorized representative" might be, or how or when such a representative has been or should be given that authority. Again, this entire question may be moot, however, since both GHFC and CGPFA have consistently sought to comply with TOMA, and give notice of, and hold, public meetings; and action by written consent is not permitted under TOMA. [If desired, and if GHFC is technically not subject to TOMA, I believe the Boards could request City Council approval of a Bylaws amendment to allow unanimous written consent or written consent by a majority of each of the Boards, and delete the requirement for signature by an "authorized representative" of the City with regard to CGPFA.]

"PUBLIC PROPERTY/PUBLIC FUNDS" ISSUE

This issue is related to, but different from, the questions of whether GHFC and/or CGPFA is a "governmental body" subject to TOMA.

Section 394.905 of the HFC law specifies that all HFC property and its income are exempt from taxation "as public property used for public purposes." One can question whether the Legislature, in granting this exemption, actually intended to also thereby designate HFC properties as public property for other purposes, and to thereby designate HFC funds as "public funds." However, given the disposition of the assets of an HFC required on dissolution of an HFC by Section 394.026, and the disposition of the assets of CGPFA required by Article XIII of its Articles of Incorporation and Article XI of its Restated Certificate of Formation, all property (including funds) held by GHFC or CGPFA should be considered "public property" and "public funds."

However, please note that, Section 394.904 of the HFC law specifies “[t]he acquisition, construction, or rehabilitation of a private residential development or a home is not subject to the requirements relating to public buildings, structures, grounds, work or improvements” under other Texas law, and that “[a]ny competitive bidding requirement or restriction” regarding the award of contracts for the foregoing or for the disposition of property do not apply to an HFC. Hence, it would seem important to maintain some degree of separation between GHFC’s activities and the decisions of its Board on certain matters and those of governmental bodies, which do not generally enjoy any such exemption.

DIRECTOR LIABILITY

This memorandum is not intended to be a full exposition of the law on directors’ liability: the topic is simply too extensive. Suffice it to say that, under the Nonprofit Corporation Law a director of a nonprofit corporation is required to discharge the director’s duties in good faith, with ordinary care, and in a manner the director reasonably believes to be in the best interest of the corporation (TEX. BUS. ORG. CODE Sec. 22.221(a)), and that a director is not liable to the corporation *or another person* for an action taken or not taken as a director if the director acted in compliance with Sec. 22.221(a). (Sec. 22.221(b)). A person seeking to hold a director liable must prove that the director failed in regard to all *three* of the requirements of Sec. 22.221(a), not just in regard to any *one* of those requirements (Sec. 22.221(b)). Section 22.223 specifically states that a director does not have the duties of a trustee with respect to the corporation or its properties. (A trustee has a duty of utmost good faith toward his beneficiary.) Under the common law, directors and officers of a corporation are not liable on contracts entered into for the benefit of the corporation, if the fact that they are acting as agents of a corporation and the identity of the corporation have been disclosed. Similarly, directors and officers of a corporation are

generally not liable for negligence in their decisions on behalf of the corporation: the duty of officers and directors lies toward the corporation, and not toward third-parties with which the corporation interacts. However, corporate directors and officers *can* be individually liable for their own tortious activity which injures or damages another. For example, a false statement made by a corporate officer or director who has been delegated the responsibility of making statements of that nature toward third-parties can be held personally liable for resulting injuries or damages to the third-party, as well as cause the corporation to incur liability for the statements. In any event, in response to the Board's previous inquiry to the City, the City has indicated that the directors of GHFC and CGPFA are covered by the City's "errors and omissions" liability insurance policy.

AMENDMENT OF ARTICLES OF INCORPORATION (CERTIFICATE OF FORMATION)

The HFC law requires that amendments to the articles of incorporation (the "certificate of formation") can be made by the HFC upon approval by resolution of the City's governing body of the HFC board's written application, requesting permission to amend the article (or certificate) and "specifying the proposed amendment." Upon approval of the governing body, the HFC's board may then adopt the amendments and file the amendments with the Texas Secretary of State (Sec. 394.016(b)). [TEX. BUS. ORG. CODE Sec. 22.107 is less restrictive and would allow amendment of the certificate of formation at a board meeting by a vote of a majority of a quorum. (Sec. 22.164)] Article VI(C) of GHFC's Articles of Incorporation and its Restated Certificate of Formation, consistent with the HFC law, permit amendment of the Articles or Certificate by the Board with the approval of the City Council (Article VI(C)). In addition, under the HFC law and GHFC's Articles and Restated Certificate, City Council may unilaterally amend the

Articles or Certificate of Formation. Article X of CGPFA's Articles of Incorporation and Article IX of its Restated Certificate of Formation track the amendment language of GHFC's Articles and Restated Certificate, even though there is no *statutory* requirement for City Council approval of an amendment to CGPFA's Certificate. As stated on page 1, City Council has recently approved Restated Certificates of Formation for both corporations.

AMENDMENT OF BYLAWS

The HFC law provides that an HFC may make and amend its bylaws. The method is not specified (Sec. 394.035). TEX. BUS. ORG. CODE Sec. 22.102(c) provides that a nonprofit corporation's bylaws may generally be amended by action of the board of directors. However, Article VI(D) of GHFC's Articles of Incorporation and Restated Certificate of Formation require that any amendments to GHFC's bylaws "shall be subject to approval by written resolution" of City Council. GHFC's Bylaws themselves require approval of amendments "by written resolution of the City Council of the City" (Article III, Sec. 2). Similarly, Article VII(b) and Article XIII(d) of CGPFA's Articles of Incorporation and Article VIII(b) and Article XI(d) of its Restated Certificate of Formation specify that all amendments to its bylaws must be approved by the City Council. This requirement is reiterated in the Bylaws themselves (Article IV, Sec. 4.2(b)).

As to GHFC, please note the distinction between amendments to articles of incorporation and amendments to Bylaws: while the HFC law *does* require that the Board's amendments to an HFC's articles of incorporation be approved by the city, the HFC law itself does *not* extend that requirement to HFC bylaws. The current restrictions on Bylaw amendments by GHFC's Board exist solely by reason of its own Articles of Incorporation and Restated Certificate of Formation and the Bylaws themselves. Similarly, CGPFA's

own Articles of Incorporation and Restated Certificate of Formation and Bylaws restrict its ability to amend either without City Council consent. Consideration should perhaps be given to requesting the City to eliminate these restrictions as to Bylaws amendments.

RECENT ACTIVITIES BY GHFC AND CGPFA

In approximately 2007-2008, GHFC cooperated with the City of Galveston (using CDBG funds) to construct several dwellings, four in the 2800 block of Church Street, and one further west on Sealy. Between 2006 and 2009, the Galveston Redevelopment and Community Enterprise Corporation (“GRACE”), a non-profit corporation allied to the Galveston Housing Authority, built the “Oaks” subdivision. After completion of the “Oaks” and prior to 2014, it did not appear that any *new* residential construction projects had been undertaken in this underserved area of the City.

To remedy this situation, in 2014 GHFC acquired three and one-half (3½) city lots in Block 334 of the City of Galveston (the one-quarter City block at the southeast corner of 35th Street and Avenue G), from the City of Galveston (as Trustee for the group of taxing entities under the Interlocal Agreement with the members of the Galveston Tax Foreclosed Property Resale Committee) with the intention of constructing single-family dwellings on the property. This property was formerly the location of a nightclub that was damaged by Hurricane Ike. The property was located one-half block to the West from the Galveston Housing Authority’s successful Cornerstone homeownership development, and GHFC’s Board considered the possibility of new homes on this property to be an important step in the further revitalization of the neighborhood. Beginning in early 2016, GHFC’s Board members actively planned and prepared for this construction program, and in that regard: Formed a Building Committee of three members to streamline the planning and

construction process; Contacted several local construction contractors to determine their interest in submitting home designs and prices to GHFC; Contacted non-profit foundations in an effort to secure financial contributions to the program; Solicited and tentatively hired a local contractor to manage the construction program; Reviewed the construction submissions of four construction contractors and chose SLSCO, Ltd. as the contractor; Refined the designs, plans, and pricing in the course of discussions and consultations with SLSCO, Ltd., and settled with SLSCO, Ltd. on specific plans and prices; Completed negotiations for a written contract with SLSCO, Ltd.; Completed arrangements for financing construction costs through a loan by Texas First Bank to GHFC at a favorable rate of interest, to be secured by CGPFA's deposits at Texas First Bank; Retained a home inspector to monitor SLSCO's progress and compliance with contract documents; Conducted discussions with the City Manager's office and made informal agreements for the City's waiver of permit fees and sewer and water tap fees, and possible curb, street, and sidewalk work or assistance (ultimately, however, the only assistance provided by the City was a waiver of permit fees); and obtained formal City Council approval for the construction and sale program and the financing arrangements (involving CGPFA cooperation) for the program. All of these tasks involved an enormous investment of personal time by Board members. The three and one-half (3½) Galveston lots were replatted into 5 lots, legally described as "Tracts A, B, C, D, and E of the Galveston Housing Finance Corporation Re-plat of Lots 1, 2, 3, and the West one-half of Lot 4, in the City and County of Galveston Texas," and these properties now have street addresses of 3415, 3419, 3423, and 3425 Winnie and 710 - 35th Street. SLSCO, Ltd. constructed three (3) single-family-homes (3 bedrooms, 2 baths) of approximate 1018 square feet each, and two (2) single-family homes (3 bedrooms, 1 bath) of approximately 959 square feet on these Lots.

GHFC determined and established that persons who were members of a household with a total household income for the calendar year prior to execution of the purchase contract not in excess of 140% of the Median Household Income for Galveston County, Texas (as determined from time-to-time by the United States Census Bureau), would be, for purposes of this Program, persons of low- to moderate-income, and therefore deemed to be "Eligible Buyers." This determination was consistent with other programs around the nation and state providing grant or loan assistance to home purchasers. Homes constructed under this Program were sold *only* to Eligible Buyers.

The base cost of GHFC construction of the 959 sq. ft. homes was estimated to be \$134,260.00. The base cost of GHFC of construction of the 1018 sq. ft. homes was estimated to be \$142,250.00. In order to arrive at a sales price for each of the homes and the Tract on which it is constructed, GHFC added amounts to cover GHFC's cost of acquisition of the land and cash investment into the undeveloped land (the "land cost"), and to cover expected expenses of sale. "Eligible Buyers" were expected to obtain an ordinary "market rate" first mortgage. However, in the interest of providing home ownership opportunities in the City of Galveston, encouraging sales and occupancy of the homes, and revitalizing the neighborhood, GHFC's Board voted to provide a forgivable second lien in the amount of \$8,000.00 (the approximate land cost portion of each home) to each of the Eligible Buyers, thereby reducing the amount of the required first mortgage. The sales prices of the homes (inclusive of the second lien amount) were in the low \$150,000's and the low \$160,000's. All of these homes have been sold.

GHFC's second lien on these homes will be forgiven on the condition that the homebuyers have continuously occupied the property as the buyers' primary residence for a period of five (5) years from the date of closing of purchase. The second liens are secured

and enforceable by a secondary deed of trust, which contains the usual “due on sale” language. Transfer of title due to death or divorce is not considered a “sale,” and the second lien will not be due and payable if a transferee under those circumstances will continue to occupy the property as the transferee’s primary residence for the remainder of the five-year period. If a buyer sells the home or defaults on any mortgage lien with priority over GHFC’s second lien prior to the fifth anniversary of purchase, the second lien will be due and payable in full in cash. If the buyer (or permissible transferee) has continued to occupy the home as their primary residence for the five-year period, on or after the fifth anniversary of the closing of the purchase, GHFC will release its second lien.

From its previous activities, CGPFA had at one time accumulated substantial reserves, which had been invested (as construction financing) in the Magnolia Court Townhomes. When the builder was unable to complete the six townhomes, CGPFA foreclosed on its mortgage and bought in the Townhomes, completing construction and operating them as rental property for several years. During this period, several Board members and legal counsel’s office were actively involved in management and maintenance of the townhomes. With the upward turn in real estate sales prices in 2015 and 2016, CGPFA successfully marketed and sold all of the townhomes and the proceeds were placed on deposit. This put CGPFA in the position of being able to assist GHFC in the building program described above. Texas First Bank agreed to lend GHFC up to \$750,000 for a period of one year to finance construction of the five homes. This amount was in excess of the projected construction costs of the five homes, and allowed for any cost overruns or unforeseen expenses. In order to secure a favorable loan interest rate for GHFC, CGPFA agreed to pledge a certificate of deposit at Texas First Bank as security for repayment of GHFC’s loans. GHFC, in turn, agreed to provide CGPFA with a mortgage

on the land and buildings to ensure that CGPFA would suffer no loss from pledging its certificate of deposit.

As homes in the construction program were sold, the net proceeds of each sale by GHFC were applied to pay Texas First Bank, thereby ultimately eliminating both the GHFC debt and CGPFA's exposure on its guarantee. As the last of the homes were being sold, GHFC's Board began seeking to acquire other vacant properties near this development and elsewhere in the City, but the Covid-19 pandemic interrupted its regular meeting schedule and any progress on this plan. It is hoped that continuation of the cooperative arrangement between CGPFA and GHFC, will enable GHFC to continue the construction of new homes and to provide homeownership opportunities for households of low- to moderate-income (as may be defined by GHFC from time-to-time).

DISPOSITION OF EXCESS PROPERTY, INCLUDING HABITAT

Over the course of the past several years, GHFC sold several properties scattered across the City which had been acquired over the years, and which were considered to be too small for new construction under the City's current requirements. GHFC also donated a lot to the City for use with an adjacent park. One other vacant property was sold to Bay Area Habitat for Humanity for *less* than its cost of acquisition so that a new home could be constructed there by that non-profit entity.

COOPERATION WITH SOUTHEAST TEXAS HOUSING FINANCE CORPORATION

As a result of information acquired by me at meetings of the Texas Association of Local Housing Finance Agencies in 2014 and 2015, GHFC has developed a cooperative relationship with the Southeast Texas Housing Finance Corporation (SETHFC), a large Houston-based HFC whose jurisdiction includes many communities in the Houston area

(including some in Galveston County, like Dickinson) which do not have housing finance corporations of their own. Representatives of SETHFC (including its Executive Director, Ron Williams, a past President of the National Association of Local Housing Finance Agencies) have visited GHFC meetings to speak to the Board about providing assistance and advice to GHFC in fostering homeownership in Galveston, and in regard to SETHFC's own homeownership loan programs. GHFC entered into a Participation Agreement with SETHFC in regard to the latter's "5 Star Texas Advantage Program" under which SETHFC can provide mortgage loans and down payment assistance to low- and moderate-income buyers in the City of Galveston. GHFC had been receiving a "participation fee" of .30% of the principal amount of each mortgage loan made under the 5 Star Program in the City of Galveston. In an effort to maintain the viability of the Program, SETHFC requested all participating HFC's to accept a reduction in the "participation fee" to .20% of the principal amount. This request was received on June 1, 2020, but there was apparently no opportunity to bring the request before GHFC's Board for action, and nothing further has been heard from SETHFC in this regard.

LAND BANKING

It has been suggested that GHFC or CGPFA might serve as a "land bank." The general term "land bank" refers to a variety of schemes across the nation (some statutory and some not, some governmental and some not) under which property is acquired and "parked" for re-sale to developers or homebuyers for new construction or redevelopment at attractive prices (or even given away for free under some programs with construction or development covenants attached). Texas statutes provide for the establishment of "land

trusts” (LOCAL GOVT. CODE Chap. 373B) and “land banks” (LOCAL GOVT. CODE Chap. 379E).

Section 373B.002 specifically provides that an HFC may be designated by a municipality as a “land trust,” but other organizations may also be so designated. The purpose of a land trust is to develop affordable housing for low- and moderate-income residents in the community and to promote resident ownership. There are statutory exceptions, but the general requirement is that a land trust may sell housing units only to families with a yearly income at 80% or below of the area median income adjusted for family size. In order to determine the feasibility of designating GHFC or CGPFA as a land trust, it would be advisable to estimate in advance an average income figure in that regard for comparison with the anticipated monthly payments on a newly-constructed home in Galveston (with or without some type of subsidy and the amount thereof). If homes cannot be constructed and sold for a price affordable by families with less than 80% of the adjusted area medium income, there is no point in designating either corporation as a statutory “land trust.”

Chapter 379E permits a local governing body to adopt a land bank plan and approve an entity to serve as an “urban land bank.” However, the only property that may be placed into this form of land bank is unimproved property which is subject to foreclosure for tax liens. It may be sold to the land bank if the market value is less than the amount of taxes owed, if the owner does not object after an attempt at notice to the owner, and if an interlocal agreement among the taxing entities exists which permits such sale (but which also allows any one of the entities to object). The property can then be resold by the land bank to a “community housing development organization” (a “CHODO,” as defined by federal regulation) which has been certified by the municipality, or (if the CHODO does

not exercise its right of first refusal) to a qualified developer under Section 379E.005. In either case, housing must be developed on the property. There are severe restrictions on the income levels of the ultimate owners (which are, in my opinion, unrealistically low, given construction costs and insurance premiums in Galveston).

If neither a statutory “land trust” or statutory “land bank” is intended, unimproved or previously-developed property can still probably be acquired and “parked” in either GHFC or CGPFA (particularly CGPFA, since it is not specifically a “housing” agency), pursuant to a Council-approved plan to make property available to developers for new construction or redevelopment at a later time.

OTHER POSSIBILITIES

In the past, when interest rates on home loans and commercial loans were higher than at present, GHFC successfully issued tax-exempt bonds to finance the construction of multi-family developments (via loans to the developers) and to raise funds to be loaned to home-mortgage lenders, who could then loan the funds to prospective buyers at prescribed interest-rates lower than general rates in the home-lending market. The key to success in both endeavors was the existence of a significant “gap” between the interest rate payable on tax-exempt bonds and the market rate for commercial loans or home loans, which covered the high costs of issuance of the bonds and their servicing, and allowed a reasonable profit margin to the lenders. A significant gap does not exist at present, but this possibility can be reconsidered if market interest rates rise. However, GHFC’s ability to issue bonds in prior years was not limited by a State-wide cap now in effect. Bonds programs must now be submitted to the Texas Bond Review Board for approval: each State receives an annual allocation from the Federal government for the dollar amount of bonds

that may be issued in that State. Any request by GHFC for a bond amount allocation would potentially be in competition with other requests from other governmental units in the state, although I understand that the dollar cap for single-family programs that is reserved for Texas HFC's is large. (In recent years, there has been almost no demand by HFC's for an allocation, presumably because of the low rates on home loans and the absence of the rate "gap." The Texas Department of Housing and Community Affairs has assisted another HFC through an assignment of that HFC's allocation to TDHCA, to effectively issue bonds for a single-family program, since TDHCA - as a high-volume issuer - enjoys economies of scale.)

There have been several home loan programs in existence for first-time homebuyers, healthcare professionals, public safety professionals, teachers, etc. (SETHFC's First Star Texas Advantage program is one example), which provide either down-payment assistance, reduced interest rates, or both. It appears that the existence of some of these programs is not well-known to real estate professionals or mortgage brokers in the area. With adequate staffing (which has not existed in the past), GHFC or CGPFA could serve as a clearinghouse for information on these programs, making such information available to prospective homebuyers, real estate professionals, locally-based mortgage brokers, and the staff of large Galveston employers to promote homeownership in Galveston.

ARTICLES OF INCORPORATION
OF
GALVESTON HOUSING FINANCE CORPORATION

FILED
In the Office of the
Secretary of State of Texas

DEC 27 1979

We, the undersigned natural persons, each of whom is at least eighteen (18) years of age, a citizen of the State of Texas, and a resident of the City of Galveston, Texas, acting as incorporators of a corporation under the Texas Housing Finance Corporations Act, Article 12691-7, Vernon's Annotated Texas Civil Statutes, as amended, do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE I

The name of the Corporation is GALVESTON HOUSING FINANCE CORPORATION.

ARTICLE II

The Corporation is a public non-profit corporation.

ARTICLE III

The duration of the Corporation shall be perpetual.

ARTICLE IV

The Corporation is organized solely to carry out the purposes of the Texas Housing Finance Corporations Act.

ARTICLE V

The Corporation shall have no members.

ARTICLE VI

A. The Corporation shall have and possess all powers enumerated in the Texas Housing Finance Corporations Act, including the powers specified in subsections (13) through (19), both inclusive, of Section 13 of the Act relating to the making and acquiring of home mortgages and the making of loans to lending institutions for the purpose of making home mortgages.

B. All powers of the Corporation shall be vested in a Board of Directors consisting of seven (7) persons, each of whom shall be appointed by written resolution of the governing body of the City of Galveston, Texas, and each of whom shall be a resident of the City of Galveston, Texas. A change in the number of directors shall be made only by amendment to these Articles of Incorporation. Each initial director named in Article VIII hereof shall hold office for the term specified beside his or her name in Article VIII hereof and each subsequent director shall hold office for a term of two (2) years. Each director shall serve for the term of office for which he or she is appointed or until his or her successor shall have been appointed and shall have qualified. Notwithstanding the foregoing, any director may be removed from office at any time, with or without cause, by written resolution of the governing body of the City of Galveston, Texas.

C. These Articles of Incorporation may be amended at any time and from time to time by the Board of Directors with the approval of the governing body of the City of Galveston, Texas, or by written resolution of the governing body of the City of Galveston, Texas, in its sole discretion, subject, however, to limitations on the impairment of contracts entered into by the Corporation, all under and in accordance with the Texas Housing Finance Corporations Act.

D. All other matters pertaining to the internal affairs of the Corporation shall be governed by the bylaws of the Corporation, so long as such bylaws are not inconsistent with these Articles of Incorporation, the Texas Housing Finance Corporations Act, or any other law of the State of Texas. The initial bylaws of the Corporation and any amendments thereto shall be subject to approval by written resolution of the governing body of the City of Galveston, Texas.

ARTICLE VII

The street address of the initial registered office of the Corporation is Galveston City Hall, 823 Rosenberg, Galveston, Texas, 77550, and the name of its initial registered agent at such address is Patsy M. Poole.

ARTICLE VIII

The number of directors constituting the initial Board of Directors of the Corporation is seven (7). The names and addresses of the members of the initial Board of Directors, each of whom resides within the City of Galveston, Texas, are:

<u>NAME</u>	<u>TERM</u>	<u>ADDRESS</u>
Claud H. Bolton, Jr.	One (1) Year	2901 Beluche Galveston, Texas
Robert E. Hoskins	One (1) Year	Five Lakeview Galveston, Texas
Dominick S. Tramonte, Jr.	One (1) Year	2623 Christopher Galveston, Texas
John E. Carter	Two (2) Years	18 Back Bay Circle Galveston, Texas
Ralph Cagnola, Jr.	Two (2) Years	1910 Back Bay Drive Galveston, Texas
Burdette Eberhardt	Two (2) Years	2874 Dominique Galveston, Texas
Vallory J. Tramonte	Two (2) Years	7750 Beaudelaire Galveston, Texas

ARTICLE IX

The names and street addresses of the incorporators, each of whom resides within the City of Galveston, Texas,

NAME

ADDRESS

Claud H. Bolton, Jr.

2901 Beluche
Galveston, Texas

John E. Carter

18 Back Bay Circle
Galveston, Texas

Vallory J. Tramonte

7750 Beaudelaire
Galveston, Texas

ARTICLE X

On December 20, 1979, the governing body of the City of Galveston, Texas, duly adopted a resolution approving the form of these Articles of Incorporation and approving the creation of the Corporation.

IN WITNESS WHEREOF, we have hereunto set our hands this 20th day of December, 1979.

Claud H. Bolton, Jr.
Claud H. Bolton, Jr.

John E. Carter
John E. Carter

Vallory J. Tramonte
Vallory J. Tramonte

THE STATE OF TEXAS §
COUNTY OF GALVESTON §

I, Adeline Iakovich, a Notary Public, do hereby certify that on this 20th day of December, 1979, personally appeared before me:

Claud H. Bolton, Jr.,

John E. Carter, and

Vallory J. Tramonte,

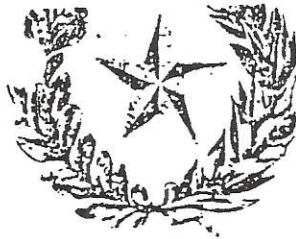
who each being by me first duly sworn, severally declared that they are the persons who signed the foregoing document as incorporators, and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and the day and year above written.

Adeline Iakovich
Notary Public, Galveston County,
Texas

My Commission Expires:

July 31, 1979



The State of Texas

SECRETARY OF STATE

CERTIFICATE OF INCORPORATION

OF

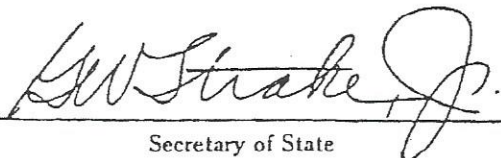
GALVESTON HOUSING FINANCE CORPORATION

The undersigned, as Secretary of State of the State of Texas, hereby certifies that Articles of Incorporation for the above corporation duly signed and verified pursuant to the provisions of the Texas Housing Finance Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY, the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Incorporation and attaches hereto a copy of the Articles of Incorporation.

Dated DECEMBER 27 19 79




Secretary of State

ceb

hereof and each subsequent director shall hold office for a term of two (2) years. Each director shall serve for the term of office for which he or she is appointed or until his or her successor shall have been appointed and shall have qualified. Notwithstanding the foregoing, any director may be removed from office at any time, with or without cause, by written resolution of the governing body of the City of Galveston, Texas.

**RESTATED CERTIFICATE OF FORMATION
OF
GALVESTON HOUSING FINANCE CORPORATION**

The Articles of Incorporation (the "Articles") of the Galveston Housing Finance Corporation (the Corporation) were initially adopted and filed with the Texas Secretary of State on December 27, 1979 by the incorporators, all qualified electors of the City of Galveston, acting as incorporators of a corporation under the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, (the "Act"), with the approval of the City Council of the City of Galveston, Texas (the "City Council").

With approval of the City Council by resolution, the Articles, now referred to as the Certificate of Formation, were restated with amendments; each new amendment conforms to the requirements of the Act. The following Restated Certificate of Formation, accurately states the text of the Certificate of Formation being restated and each amendment to the Certificate of Formation being restated that is in effect, and as further amended by the Restated Certificate of Formation. The Restated Certificate of Formation does not contain any other change in the Certificate of Formation being restated except for the information permitted to be omitted by the provisions of the Act. This Restated Certificate of Formation becomes effective when the document is filed with the Texas Secretary of State.

ARTICLE I

The name of the corporation is GALVESTON HOUSING FINANCE CORPORATION.

ARTICLE II

The Corporation is a public nonprofit corporation.

ARTICLE III

The duration of the Corporation shall be perpetual.

ARTICLE IV

The Corporation is organized solely to carry out the purposes of the Texas Housing Finance Corporations Act.

ARTICLE V

The Corporation shall have no members.

ARTICLE VI

A. The Corporation shall have and possess all powers enumerated in the Texas Housing Finance Corporations Act, including the powers specified in subsections 394.31 through 394.42 relating to the making and acquiring of home mortgages and the making of loans to lending institutions for the purpose of making home mortgages.

B. All powers of the Corporation shall be vested in a Board of Directors, consisting of seven (7) persons, each of whom shall be appointed by written resolution of the governing body of the City of Galveston, Texas, and each of whom shall be a resident of the City of Galveston, Texas. At least one Director shall have experience in finance, and at least one Director shall have experience in construction. A change in the number of directors shall be made only by amendment to this Certificate of Formation. Each director named shall hold office for a term of two (2) years or until his or her successor shall have been appointed and shall have qualified. Notwithstanding the foregoing, any director may be removed from office at any time, with or without cause, by written resolution of the governing body of the City of Galveston, Texas (the "City Council"). The City Council shall appoint the President of the Board. All other officers of the Board shall be appointed by the Board.

C. The Certificate of Formation may be amended at any time and from time to time by the Board of Directors with the approval of the City Council, or by written resolution of the City Council, in its sole discretion, subject, however, to limitations on the impairment of contracts entered into by the Corporation, all under and in accordance with the Texas Housing Finance Corporations Act.

D. All other matters pertaining to the internal affairs of the Corporation shall be governed by the bylaws of the Corporation so long as such bylaws are not inconsistent with the Certification of Formation, or any other law of the State of Texas. The bylaws of the Corporation and any amendments thereto shall be subject to approval by written resolution of the City Council.

ARTICLE VII

The street address of the registered office of the Corporation, which is identical to the business office address of the registered agent in Texas, is City Hall, 823 Rosenberg, Galveston, Texas 77550, and the name of its registered agent at such address is Donald Glywasky. The registered agent has consented to the appointment in writing pursuant to Section 5.201(b) of the Texas Business Organizations Code. The written consent shall be maintained in the Corporation's records.

ARTICLE VIII

The number of directors constituting the initial Board of Directors of the Corporation is seven (7). The names and addresses of the current members of the Board of Directors, each of whom resides within the City of Galveston, Texas, are:

<u>NAME</u>	<u>ADDRESS</u>
Maureen McCutchen	2925 Beluche Dr., Galveston, Texas
Mark McKenna	22109 Matagorda Dr., Galveston, Texas
Sam Dell'Olio	5 Gentry Lane, Galveston, Texas
Leon Phillips	1212 38 th Street, Galveston, Texas
Patricia Bolton-Legg	1927 Broadway, Galveston, Texas
Christopher Robb	47 Pirates Beach W, Galveston, Texas
John Lightfoot	4103 Courageous Ln, Galveston, Texas

ARTICLE IX

On November 18, 2021, the City Council duly adopted a resolution approving the form of this Restated Certificate of Formation and authorizing the Corporation to act in its behalf to further the public purpose stated herein.

ARTICLE X

(1) The Restated Certificate of Formation ("Restatement") is submitted for filing pursuant to Section 3.057-3.063 and 22.107-22.109 of the Texas Business Organizations Code. This Restatement accurately copies the Articles of Incorporation of the Galveston Housing Finance Corporation (the "Corporation") that was filed with the Texas Secretary of State on December 27, 1979, under file number 50163001, as further amended by this Restatement. The Articles of Incorporation are amended by the Restatement in accordance with the provisions of the Texas Business Organizations Code. These Articles may not be changed or amended unless approved by the City Council of the City.

(2) Each of the amendments contained in this Restated Certificate of Formation has been affected in accordance with the requirements of the Texas Business Organizations Code and the Corporation's governing documents.

The amendments specifically contained in this Restated Certificate of Formation are:

- a) Article VI has been changed to provide that City Council will appoint the President of the Corporation;
- b) Article VII has been changed to add a new registered agent of the corporation;
- c) Article VIII has been changed to list the current Board of Directors;

- d) The original incorporators of the Corporation have been deleted and the subsequent Articles renumbered;
- e) In accordance with Tex. Bus. Org. Code 3.059(d) the Restated Certificate of Formation accurately states the text of the certificate of formation (articles) being restated and each amendment to the certificate of formation (articles) being restated; such amendments are set forth in Art. X(2)(a-d).

(3) This Restated Certificate of Formation becomes effective upon filing with the Texas Secretary of State.

IN WITNESS WHEREOF, we have hereunto set our hands this 4th day of Jan, 2021

VERIFIED:

Craig K. Brown
Presiding Officer (Mayor)
City Council of the City of Galveston
Mayor Craig Brown

ATTEST:

Janelle Williams
City Secretary
Janelle Williams



THE STATE OF TEXAS

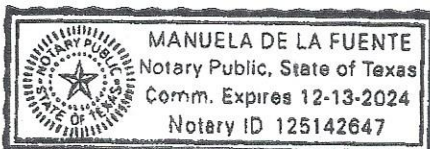
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COUNTY OF GALVESTON

Craig Brown BEFORE ME, the undersigned authority, on this day personally appeared, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this th. 4th day of JANUARY, 2021

Manuela De La Fuente
Notary Public in and for
The State of Texas



THE STATE OF TEXAS

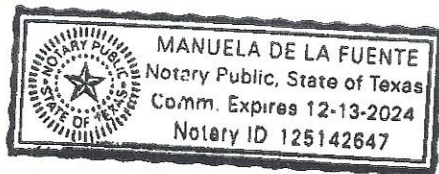
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COUNTY OF GALVESTON

Janette Williams BEFORE ME, the undersigned authority, on this day personally appeared Janette Williams, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 4th day of January, 2022

Manuela De La Fuente
Notary Public in and for
The State of Texas



ARTICLES OF INCORPORATION

OF

CITY OF GALVESTON PROPERTY FINANCE AUTHORITY, INC.

We, the undersigned natural persons, each of whom is qualified as an incorporator of a corporation under the Texas Non-Profit Corporation Act, Article 1396-1.01, et seq., as amended, Vernon's Texas Civil Statutes, as amended (the "Act"), do hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE I

The name of the corporation is "City of Galveston Property Finance Authority, Inc." (the "Authority").

ARTICLE II

The Authority is a nonprofit corporation.

ARTICLE III

The duration of the Authority is perpetual.

ARTICLE IV

(a) The Authority is organized for the purpose of acquiring, owning, holding, leasing and selling real or personal property to or for the benefit of the City of Galveston, Texas (the "City") for and in furtherance of its public purposes, and collecting, receiving, borrowing, lending or otherwise obtaining and lending funds to or for the use of the City or to others for the City's public purposes, to the extent necessary and appropriate in the establishment and administration of lawfully created governmental programs and activities ("Approved Programs") that are from time to time approved by ordinance or resolution duly adopted by the City Council of the City, all to be done and accomplished by the Authority as the duly constituted and authorized authority and instrumentality of the City acting on its behalf and for the benefit and welfare of the public.

(b) In the fulfillment of its purposes, the Authority may exercise all powers granted under the Act, subject to such limitations thereon as may be contained herein or in any ordinance or resolution duly adopted by the City Council of the City.

ARTICLE V

The Authority shall have no members and shall be a nonstock corporation.

ARTICLE VI

The street address of the initial registered office of the Authority is 2127 Broadway, Galveston, Texas, and the name of the initial registered agent at such address is Barney Rapp.

ARTICLE VII

(a) All powers of the Authority shall be vested in a Board of Directors, each member of which shall be appointed by the City Council of the City. Except for the initial Directors herein specified, the number of Directors and the terms of office shall be fixed by the bylaws of the Authority consistent with the Act. The Directors shall serve without compensation, except that they shall be reimbursed for their actual expenses incurred in the performance of their official duties.

(b) All other matters pertaining to the internal affairs of the Authority shall be governed by the bylaws of the Authority so long as such bylaws are not inconsistent with these Articles of Incorporation, any law of the State of Texas or any ordinance or resolution of the City Council of the City. Such bylaws and any amendments thereto shall be approved by the City Council of the City.

ARTICLE VIII

The number of directors constituting the initial Board of Directors is six. The names, addresses and the expirations of the respective terms of the initial directors are:

NAME:	ADDRESS:	EXPIRATION OF TERM:
Barney Rapp	1703 Broadway Galveston, Texas 77550	June 1, 1989
Louis Pauls	1413 Tremont Galveston, Texas 77550	June 1, 1988
Dolores Ward	3328 Avenue M Galveston, Texas 77550	June 1, 1989
Michael C. Doherty	First Republic Bank 2200 Market Street Galveston, Texas 77550	June 1, 1989
Bill Leopold	1619 Tremont Galveston, Texas 77550	June 1, 1989
Clarence Murphy	3713 Avenue K Galveston, Texas 77550	June 1, 1988

ARTICLE IX

The names and street addresses of the incorporators, each of whom is a citizen of the State of Texas and is at least 18 years old, are:

NAME:

Barney Rapp

Louis Pauls

Dolores Ward

ADDRESS:

1703 Broadway
Galveston, Texas 77550

1413 Tremont
Galveston, Texas 77550

3328 Avenue M
Galveston, Texas 77550

ARTICLE X

These Articles of Incorporation may at any time and from time to time be amended by either of the following methods: (a) the members of the Board of Directors of the Authority may file with the City Council of the City a written application seeking permission to amend these Articles of Incorporation, specifying in such application the amendment proposed to be made, and if the City Council finds and determines that it is advisable that the proposed amendment be made and approves the form and substance of the amendment and authorizes the same to be made, the Board of Directors may amend these Articles of Incorporation by adopting such amendment and delivering articles of amendment to the Secretary of State of the State of Texas; or (b) the City Council of the City, in its sole discretion and at any time, may adopt an amendment to these Articles of Incorporation and direct the Board of Directors to amend the same, whereupon the Board of Directors shall amend the same by filing articles of amendment with the Secretary of State of the State of Texas.

ARTICLE XII

(a) No dividends shall ever be paid by the Authority, and no part of its net earnings (beyond that necessary for retirement of the indebtedness of the Authority or to implement the public purposes of the City for which the Authority has been created) shall be distributed to or inure to the benefit of its directors or officers or any private person, firm, corporation or association except in reasonable amounts for services rendered. In the event the Board of Directors of the Authority determines that sufficient provision has been made for the full payment of the expenses, bonds, notes and other obligations of the Authority issued to finance the costs of any Approved Program, any net earnings of the Authority thereafter accruing with respect to that Approved Program shall be paid to the City.

(b) No substantial part of the Authority's activities shall be carrying on propaganda or otherwise attempting to influence legislation, and it shall not participate or intervene (including the publishing or distributing of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE XIII

(a) In addition to the power to amend these Articles of Incorporation, as provided elsewhere herein, the City Council of the City, in its sole discretion and at any time, may alter the structure, organization, programs or activities of the

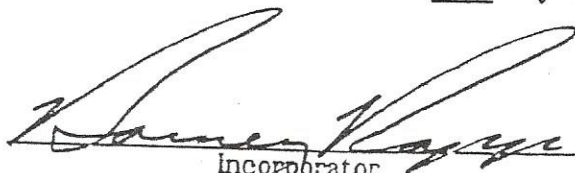
Authority or terminate and dissolve the Authority, subject only to any limitations provided by the laws of the State of Texas or of the United States of America, including provisions prohibiting the impairment of contracts entered into by the Authority.

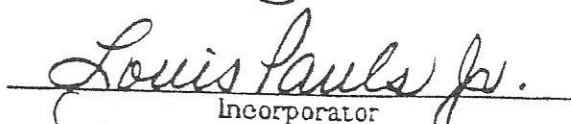
(b) If the Board of Directors determines that the purposes for which the Authority was formed have been substantially accomplished and that all expenses, bonds, notes and other obligations theretofore issued or incurred by the Authority have been fully paid or payment has been provided therefor, the Board of Directors, upon approval by the City Council of the City, thereupon shall dissolve the Authority in the manner provided by law, subject to the same limitations referred to in paragraph (a) of this Article XIII pertaining to a dissolution directed by the City.

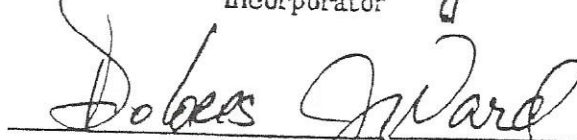
(c) If the Authority is ever dissolved, whether instituted by the City Council of the City or by the Board of Directors, all interests in any funds or other property of the Authority shall be transferred to the City after satisfaction has been made of all debts and claims against the Authority. This provision is included under the express authority of Article 1396-6.02A.(3) of the Act, and the transfers on dissolution herein required are in lieu of the distributions required otherwise by Article 1396-6.02A.(3) of the Act.

(d) The initial bylaws of the Authority and all amendments thereto shall be subject to the approval of the City Council of the City.

IN WITNESS WHEREOF, we have hereunto set our hands this 5th day of May, 1988


Incorporator


Incorporator

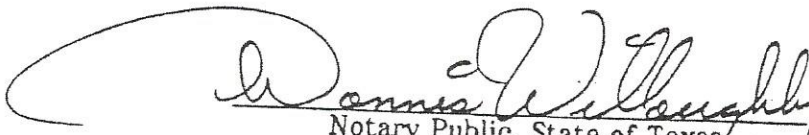

Incorporator

STATE OF TEXAS

COUNTY OF Galveston §
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I, the undersigned, a Notary Public in the State of Texas, do hereby certify that on this 5th day of May, 1988, personally appeared before me Barney Rapp, who, being by me first duly sworn, declared that (s)he is the person who signed the foregoing documents as an incorporator and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereto set my hand and seal the date and year above written.


Notary Public, State of Texas
DONNIS WILLOUGHBY
Notary Public, State of Texas

My Commission Expires: 10-4-89

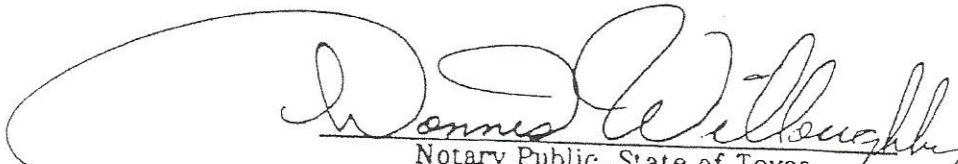
[SEAL]

STATE OF TEXAS

COUNTY OF Galveston §
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I, the undersigned, a Notary Public of the State of Texas, do hereby certify that on this 5th day of May, 1988, personally appeared before me Louis Paula, Jr., who, being by me first duly sworn, declared that (s)he is the person who signed the foregoing document as an incorporator and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the date and year above written.


Notary Public, State of Texas
DONNIS WILLOUGHBY
Notary Public, State of Texas

My Commission Expires: 10-4-89

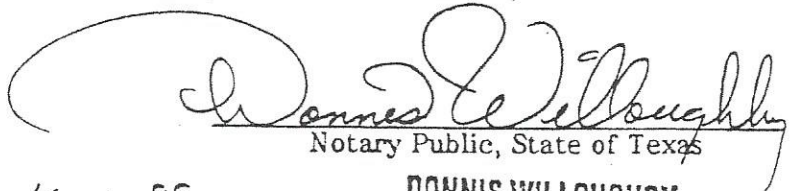
[SEAL]

STATE OF TEXAS

COUNTY OF Galveston

I, the undersigned, a Notary Public of the State of Texas, do hereby certify that on this 57th day of May, 1988, personally appeared before me Dolores L. Ward, who, being by me first duly sworn, declared that (s)he is the person who signed the foregoing document as an incorporator and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the date and year above written.


Notary Public, State of Texas

My Commission Expires: 10-4-89

DONNIS WILLOUGHBY

[SEAL]

**RESTATED CERTIFICATE OF FORMATION
OF
CITY OF GALVESTON PROPERTY FINANCE AUTHORITY, INC.**

The Articles of Incorporation (the "Articles") of the City of Galveston Property Finance Authority, Inc. (the Corporation) were initially adopted and filed with the Texas Secretary of State on May 11, 1988 by the incorporators, all qualified electors of the City of Galveston, acting as incorporators of a public instrumentality and nonprofit corporation under the Texas Non-Profit Corporation Act, Texas Business Organizations Code, Title 2, Chapter 22, et seq., as amended (the "Act"), with the approval of the City Council of the City of Galveston, Texas.

With approval of the City Council by resolution, the Articles, now referred to as the Certificate of Formation, were restated with amendments; each new amendment conforms to the requirements of the Act. The following Restated Certificate of Formation, accurately states the text of the Certificate of Formation being restated and each amendment to the Certificate of Formation being restated that is in effect, and as further amended by the Restated Certificate of Formation. The Restated Certificate of Formation does not contain any other change in the Certificate of Formation being restated except for the information permitted to be omitted by the provisions of the Act. This Restated Certificate of Formation becomes effective when the document is filed with the Texas Secretary of State.

ARTICLE I

The name of the corporation is the "City of Galveston Property Finance Authority, Inc." (the "Authority").

ARTICLE II

The Authority is a nonprofit corporation.

ARTICLE III

The duration of the Authority is perpetual.

ARTICLE IV

(a) The Authority is organized for the purpose of acquiring, owning, holding, leasing and selling real or personal property to or for the benefit of the City of Galveston, Texas (the "City") for and in furtherance of its public purposes, and collecting, receiving, borrowing, lending or otherwise obtaining and lending funds to or for the use of the City or to others for the City's public purposes, to the extent necessary and appropriate in the establishment and administration of lawfully created governmental programs and activities ("Approved Programs") that are from time to time approved by ordinance or resolution duly adopted by the City Council of the City, all to be done and accomplished by the

Authority as the duly constituted and authorized authority and instrumentality of the City acting on its behalf and for the benefit and welfare of the public.

(b) In the fulfillment of its purposes, the Authority may exercise all powers granted under the Act, subject to such limitations thereon as may be contained herein or in any ordinance or resolution duly adopted by the City Council of the City.

ARTICLE V

The Authority shall have no members and shall be a nonstock corporation.

ARTICLE VI

The street address of the registered office of the Authority, which is identical to the business office address of the registered agent in Texas is City Hall, 823 Rosenberg, Galveston, Texas 77550, and the name of its registered agent at such address is Donald Glywasky. The registered agent has consented to the appointment in writing pursuant to Section 5.201(b) of the Texas Business Organizations Code. The written consent shall be maintained in the Authority's records.

ARTICLE VII

(a) All powers of the Authority shall be vested in a Board of Directors, each member of which shall be appointed by the City Council of the City. The number of Directors shall be seven (7), and the terms of office shall be two-years. At least one Director shall have experience in finance and at least one Director shall have experience in construction. The Directors shall serve without compensation, except that they shall be reimbursed for their actual expenses incurred in the performance of their official duties. The City Council shall appoint the President of the Authority. All other officers of the Board shall be appointed by the Board.

(b) All other matters pertaining to the internal affairs of the Authority shall be governed by the bylaws of the Authority so long as such bylaws are not inconsistent with the Certificate of Formation, any law of the State of Texas or any ordinance or resolution of the City Council of the City. Such bylaws and any amendments thereto shall be approved by the City Council of the City.

ARTICLE VIII

The number of directors constituting the Board of Directors is seven (7). The names and addresses of the directors are:

<u>NAME</u>	<u>ADDRESS</u>
Maureen McCutchen	2925 Beluche Dr., Galveston, Texas
Mark McKenna	22109 Matagorda Dr., Galveston, Texas
Sam Dell'Olio	5 Gentry Lane, Galveston, Texas
Leon Phillips	1212 38 th Street, Galveston, Texas
Patricia Bolton-Legg	1927 Broadway, Galveston, Texas
Christopher Robb	47 Pirates Beach W, Galveston, Texas
John Lightfoot	4103 Courageous Ln, Galveston, Texas

ARTICLE IX

The Certificate of Formation may at any time and from time to time be amended by either of the following methods: (a) the members of the Board of Directors of the Authority may file with the City Council of the City a written application seeking permission to amend the Certificate of Formation, specifying in such application the amendment proposed to be made, and if the City Council finds and determines that it is advisable that the proposed amendment be made and approves the form and substance of the amendment and authorizes the same to be made, the Board of Directors may amend the Certificate of Formation by adopting such amendment and delivering it to the Secretary of State of the State of Texas; or (b) at a meeting, the City Council of the City, in its sole discretion may adopt an amendment to the Certificate of Formation and shall amend the same by filing it with the Secretary of State of the State of Texas.

ARTICLE X

(a) No dividends shall ever be paid by the Authority, and no part of its net earnings (beyond that necessary for retirement of the indebtedness of the Authority or to implement the public purposes of the City for which the Authority has been created) shall be distributed to or inure to the benefit of its directors or officers or any private person, firm, corporation or association except in reasonable amounts for services rendered. In the event the Board of Directors of the Authority determines that sufficient provision has been made for the full payment of the expenses, bonds, notes and other obligations of the Authority issued to finance the costs of any Approved Program, any net earnings of the Authority thereafter accruing with respect to that Approved Program shall be paid to the City.

(b) No substantial part of the Authority's activities shall be carrying on propaganda or otherwise attempting to influence legislation, and it shall not participate or intervene (including the publishing or distributing of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE XI

(a) In addition to the power to amend the Certificate of Formation, as provided elsewhere herein, the City Council of the City, in its sole discretion, at a meeting, may alter the structure, organization, programs or activities of the Authority or terminate and dissolve the Authority, subject only to any limitations provided by the laws of the State of Texas or of the United States of America, including provisions prohibiting the impairment of contracts entered into by the Authority.

(b) If the Board of Directors determines that the purposes for which the Authority was formed have been substantially accomplished and that all expenses, bonds, notes and other obligations theretofore issued or incurred by the Authority have been fully paid or payment has been provided therefor, the Board of Directors, upon approval by the City Council of the City, thereupon shall dissolve the Authority in the manner provided by law, subject to the same limitations referred to in paragraph (a) of this Article XIII pertaining to a dissolution directed by the City.

(c) If the Authority is ever dissolved, whether instituted by the City Council of the City or by the Board of Directors, all interests in any funds or other property of the Authority shall be transferred to the city after satisfaction has been made of all debts and claims against the Authority. This provision is included under the express authority of Chapter 394 of the Texas Housing Finance Act.

(d) The initial bylaws of the Authority and all amendments thereto shall be subject to the approval of the City Council of the City.

ARTICLE XII

On November 18, 2021, the City Council duly adopted a resolution approving the form of this Restated Certificate of Formation and authorizing the Corporation to act in its behalf to further the public purpose stated herein.

ARTICLE XIII

(1) The Restated Certificate of Formation ("Restatement") is submitted for filing pursuant to Section 3.057-3.063 and 22.107-22.109 of the Texas Business Organizations Code. This Restatement accurately copies the Articles of Incorporation of the Galveston Property Authority (the "Authority") that was filed with the Texas Secretary of State on May 11, 1988, under file number 107664401, as further amended by this Restatement. The Articles of Incorporation are amended by the Restatement in accordance with the provisions of the Texas Business Organizations Code. These Articles may not be changed or amended unless approved by the City Council of the City.

(2) Each of the amendments contained in this Restated Certificate of Formation has been affected in accordance with the requirements of the Texas Business Organizations Code and the Corporation's governing documents.

The amendments specifically contained in this Restated Certificate of Formation are:

- a) Article VI has been changed to add a new registered office and registered agent of the Authority;
- b) Article VII has been changed to provide that the number of Directors shall be seven and they shall serve two-year terms and that City Council will appoint the President of the Corporation and all other officers shall be appointed by the Board;
- c) Article VIII has been changed to remove the initial Board of Directors and the expiration of their terms and to add the current Board of Directors;
- d) The original incorporators of the Corporation have been deleted and the subsequent Articles renumbered;
- e) In accordance with Tex. Bus. Org. Code 3.059(d) the Restated Certificate of Formation accurately states the text of the certificate of formation (articles) being restated and each amendment to the certificate of formation (articles) being restated; such amendments are set forth in Art. XIII(2)(a-d).

(3) This Restated Certificate of Formation becomes effective upon filing with the Texas Secretary of State.

IN WITNESS WHEREOF, we have hereunto set our hands this 4th day of Jan, 2022

VERIFIED:

Craig K. Brown
Presiding Officer (Mayor)
City Council of the City of Galveston
Mayor, Craig Brown

ATTEST:

Janelle Williams
City Secretary
Janelle Williams



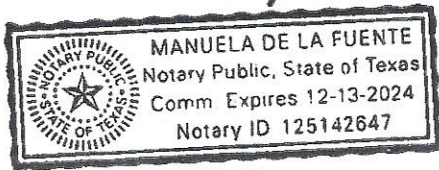
THE STATE OF TEXAS

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COUNTY OF GALVESTON

Craig K. Baur BEFORE ME, the undersigned authority, on this day personally appeared
known to me to be the person whose name is subscribed to the foregoing
instrument and acknowledged to me that he executed the same for the purposes and
consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 4th day of
January, 2021



Manuela De La Fuente
Notary Public in and for
The State of Texas

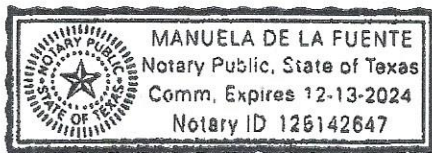
THE STATE OF TEXAS

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COUNTY OF GALVESTON

Janelle Williams BEFORE ME, the undersigned authority, on this day personally appeared
known to me to be the person whose name is subscribed to the foregoing
instrument and acknowledged to me that he executed the same for the purposes and
consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 4th day of
January, 2021



Manuela De La Fuente
Notary Public in and for
The State of Texas

BYLAWS OF
GALVESTON HOUSING FINANCE CORPORATION

ARTICLE I

BOARD OF DIRECTORS

Section 1. Powers, Number and Term of Office. Subject to the restrictions contained in the Texas Housing Finance Corporations Act, Article 12691-7, Vernon's Annotated Texas Civil Statutes, as amended (the "Act"), and the Articles of Incorporation of the Corporation (the "Articles of Incorporation"), all powers of the Corporation shall be vested in a Board of Directors consisting of seven (7) persons, each of whom shall be appointed and hold office in accordance with the provisions of Article VI of the Articles of Incorporation.

In addition to the requirements contained in Article VI of the Articles of Incorporation, no person shall serve as a director for a period longer than six consecutive years.

Section 2. Meetings of Directors. The directors may hold their meetings at such place or places in the State of Texas as the Board of Directors may from time to time determine; provided, however, in the absence of any such determination by the Board of Directors, the meetings shall be held at the principal office of the Corporation.

Section 3. Regular Meetings. Regular meetings of the Board of Directors may be held, without the necessity for advance notice, at such times and places as shall be designated from time to time by resolution of the Board of Directors. No notice shall be required for a regular meeting.

Section 4. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the president, by the secretary, by a majority of the directors then in office, or upon request by the City Council of the City of Galveston, Texas (the "City").

The secretary shall give notice of each special meeting to each director in person or by mail, telephone, or telegraph, at least two (2) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Corporation may be considered and acted upon at a special meeting. At any meeting at which every director shall be present, even though without any notice, any matter pertaining to the purpose of the Corporation may be considered and acted upon.

Section 5. Quorum. A majority of the directors fixed by the Articles of Incorporation shall constitute a quorum for the consideration of any matter pertaining to the purposes of the Corporation. The act of a majority of the directors present at a meeting at which a quorum is in attendance shall constitute the act of the Board of Directors.

Section 6. Conduct of Business. At the meetings of the Board of Directors, matters pertaining to the purposes of the Corporation shall be considered in such order as from time to time the Board of Directors may determine.

At all meetings of the Board of Directors, the president shall preside, and in the absence of the president, the vice-president shall exercise the powers of the president.

The secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the secretary, the presiding officer may appoint any person to act as secretary of the meeting.

Section 7. Executive Committee. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate four or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Corporation, except where action of the Board of Directors is specified by law. The executive committee shall act in the manner provided in such resolution. The executive committee so designated shall keep regular minutes of the transactions of its meetings, shall cause such minutes to be recorded in books kept for that purpose in the office of the Corporation, and shall report the same to the Board of Directors from time to time. The executive committee shall give notice of each meeting of the executive committee to each member of the Board of Directors in person or by mail, telegraph or telephone, at least two (2) hours before such meeting.

ARTICLE II

OFFICERS

Section 1. Titles and Terms of Office. The officers of the Corporation shall be a president, a vice president, a secretary and a treasurer, and such other officers as the Board of Directors may from time to time elect or appoint. One person may hold more than one office, except that the president shall not hold the office of secretary.

All officers shall be subject to removal from office, with or without cause, at any time, by a vote of a majority of the whole Board of Directors.

A vacancy in the office of any officer shall be filled by a vote of a majority of the directors.

Section 2. Powers and Duties of the President. The president shall be the chief executive officer of the Corporation and, subject to approval by the Board of Directors, he shall be in general charge of the properties and affairs of the Corporation; he shall preside at all meetings of the Board of Directors; in furtherance of the purposes of this Corporation, he may sign and execute all bonds, deeds, conveyances, franchises, assignments, mortgages, notes, contracts and other obligations in the name of the Corporation.

Section 3. Vice President. The vice president shall have such powers and duties as may be assigned to him by the Board of Directors and shall exercise the powers of the president during that officer's absence or inability to act. Any action taken by a vice president in the performance of the duties of the president shall be conclusive evidence of the absence or inability to act of the president at the time such action was taken.

Section 4. Treasurer. The treasurer shall have custody of all the funds and securities of the Corporation which come into his hands. When necessary or proper, he may endorse for collection, on behalf of the Corporation, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as shall be designated in the manner prescribed by the Board of Directors; he may sign all receipts and vouchers for payments made to the Corporation, either alone or jointly with such other officers as may be designated by the Board of Directors; whenever required by the Board of Directors, he shall render a statement of his cash accounts; he shall enter or cause to be entered regularly in the books of the Corporation to be kept by him for that purpose full and accurate accounts of all monies received and paid out on account of the Corporation; he shall perform all acts incident to the position of treasurer, subject to the control of the Board of Directors; and he shall, if required by the Board of Directors, give such bond for the faithful discharge of his duties as the Board of Directors may require.

Section 5. Assistant Treasurers. Each assistant treasurer shall have the usual powers and duties pertaining to his office, together with such other powers and duties as may be assigned to him by the Board of Directors. The assistant treasurers shall exercise the powers of the treasurer during that officer's absence or inability to act.

Section 6. Secretary. The secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; he shall attend to the giving and serving of all notices; in furtherance of the purposes of this Corporation, he may sign with the president in the name of the Corporation and/or attest the signature thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Corporation; he shall have charge of the corporate books, records, documents, and instruments, except the books of account and financial records and securities of which the treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection upon application at the office of the Corporation during normal business hours; and he shall, in general, perform all duties incident to the office of secretary, subject to the control of the Board of Directors.

Section 7. Assistant Secretaries. Each assistant secretary shall have the usual powers and duties pertaining to his office; together with such other powers and duties as may be assigned to him by the Board of Directors or the secretary. The assistant secretaries shall exercise the powers of the secretary during that officer's absence or inability to act.

ARTICLE III

PROVISIONS REGARDING ARTICLES OF INCORPORATION AND BYLAWS

Section 1. Effective Date. These Bylaws shall become effective upon their adoption by the Board of Directors of the Corporation and their approval by written resolution of the City Council of the City.

Section 2. Amendments to Bylaws. These Bylaws may be amended at any time and from time to time by majority vote of the Board of Directors, with the approval by written resolution of the City Council of the City.

Section 3. Interpretation of Bylaws. These Bylaws and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein. If any word, phrase, clause, sentence, paragraph, section or other part of these Bylaws, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of these Bylaws and the application of such word, phrase, clause, sentence, paragraph, section or other part of these Bylaws to any other person or circumstances shall not be affected thereby.

ARTICLE IV

GENERAL PROVISIONS

Section 1. Principal Office. The principal office of the Corporation shall be as determined by resolution of the Board of Directors; provided, however, that the principal office of the Corporation shall be located in the City.

Section 2. Registered Office and Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office, and a registered agent whose business office is identical with such registered office, as required by the Act. The registered office may be, but need not be, identical with the principal office of the Corporation. The registered agent and the registered office may be changed from time to time by the Board of Directors, in accordance with the requirements of the Act.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be as determined by resolution of the Board of Directors.

Section 4. Seal. The seal of the Corporation shall be as determined by resolution of the Board of Directors.

Section 5. Notice and Waiver of Notice. Whenever any notice whatsoever is required to be given under the provisions of the Act, the Articles of Incorporation or these Bylaws, said notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his post office address, as it appears on the books of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting, unless required by the Board of Directors. A waiver of notice in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 6. Resignations. Any director or officer may resign at any time; provided, however, that any such resignation shall be made in writing and shall not take effect until the successor to such director or officer shall have been elected or appointed and shall have qualified.

Section 7. Action Without a Meeting of Directors or Committees. Any action which may be taken at a meeting of the Board of Directors or of any committee may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote of the Board of Directors taken at a regular or special meeting duly called and convened.

Section 8. Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Board of Directors. All such books, records and minutes shall be available for inspection by any director or officer or a duly authorized representative thereof or by any duly authorized representative of the City.

Section 9. Annual Fiscal Report. The Corporation shall prepare or cause to be prepared an annual report on the fiscal affairs and activities of the Corporation and shall submit copies of such reports to the Mayor and City Council of the City within ninety (90) days after the end of each fiscal year of the Corporation.

Section 10. Compensation of Directors, Officers and Certain Employees. Directors and officers of the Corporation, and any employee of the Corporation who is also a director or officer of the Corporation, may receive reasonable compensation for services performed in connection with the business of the Corporation in such amounts as may be fixed by the Board of Directors and approved by written resolution of the City Council of the City.

BYLAWS
OF
CITY OF GALVESTON PROPERTY FINANCE AUTHORITY, INC.

ARTICLE I

POWERS AND PURPOSES

Section 1.1. Books and Records. (a) The City of Galveston Property Finance Authority, Inc. (the "Authority") shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its board of directors (the "Board of Directors") and any committees having any of the authority of the Board of Directors.

(b) All books and records of the Authority may be inspected by any director or his agent or attorney for any proper purpose at any reasonable time; and at all times the City Council of the City of Galveston, Texas (the "City") will have access to the books and records of the Authority.

(c) The Authority shall prepare or cause to be prepared an annual report on the fiscal affairs and activities of the Authority and shall submit copies of such reports to the City Council of the City within 90 days after the end of each fiscal year of the Authority.

Section 1.2. Rights of City. The City Council of the City (the "City Council") may review and to revise the financial affairs, programs and activities of the Authority at any time and from time to time, and the City shall have all other rights reserved to it in the Articles of Incorporation of the Authority (the "Articles") and in the ordinance of the City ordering the creation of the Authority.

Section 1.3. Nonprofit Corporation. The Authority shall be a nonprofit corporation, and no part of its earnings remaining after payment of its expenses, bonds, notes or other obligations shall ever inure to the benefit of any individual or private association or corporation, except that, in the event sufficient provision has been made for the full payment of the expenses, bonds, notes and other obligations of the Authority, any net earnings of the Authority thereafter accruing shall be paid to the City.

Section 1.4. Effect of Articles and Creation Ordinance. The affairs of the Authority shall at all times be conducted in a manner subject to and in compliance with the Articles and the ordinance of the City ordering the creation of the Authority.

Section 1.5. Staff Functions. Staff functions for the Authority may be performed by the City, under direction of a duly authorized representative of the City, subject to payment of any costs of such services by the Authority as billed from time to time by the City. The Authority shall make payments as billed therefor from funds available to the Authority.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1. Powers, Number, and Term of Office. (a) The property and affairs of the Authority shall be managed and controlled by the Board of Directors, and, subject to the restrictions imposed by law, the Articles, these Bylaws and any ordinance or resolution of the City Council, the Board of Directors shall exercise all of the powers of the Authority.

(b) The Board of Directors shall consist of not fewer than three nor more than seven directors, each of whom shall be appointed by the City Council and each of whom shall be a resident of the City. The initial Board of Directors shall consist of six members, which size shall continue until changed by ordinance or resolution of the City Council.

(c) The directors constituting the initial Board of Directors shall be those directors named in the Articles, each of whom shall serve until the expiration date specified in the Articles or until his or her successor is appointed by City Council. Any subsequent directors shall serve for a term of two years or until his or her successor is appointed by the City Council.

(d) Any director may be removed from such position at any time, with or without cause, by ordinance or resolution of the City Council. All vacancies shall be filled by appointment by the City Council.

Section 2.2. Place of Meetings. The Board of Directors may hold its meetings at any place that the Board of Directors from time to time may designate; provided that, in the absence of any such designation, the meetings shall be held at the registered office of the Authority.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors shall be held without necessity of notice at such times and places as shall be designated, from time to time, by resolution of the Authority.

Section 2.4. Special Meetings. (a) Special meetings of the Board of Directors shall be held whenever called by the president, the secretary or a majority of the directors then in office or upon advice of or request by the City Council. At least three days prior to any special meeting, the Authority shall notify the City Council of the City or an authorized representative of the City that such meeting is to be held and the purposes thereof. However, with the approval of the City Council of the City or an authorized representative of the City, a special meeting may be held without such notice.

(b) The Authority shall give notice to each director of each special meeting in person or by mail, telephone or telegraph, at least two hours before the meeting. However, such notice to the directors is not required for any special meeting at which all directors then in office are present.

(c) Any matter that may be considered and acted upon at a regular meeting of the Board of Directors may be considered and acted upon at a special meeting unless otherwise indicated in the notice of the special meeting.

Section 2.5. Quorum. A majority of the number of directors constituting the Board of Directors shall constitute a quorum for the consideration of matters pertaining to the purposes of the Authority. The act of a majority of the directors present at a meeting at which a quorum is in attendance shall constitute the act of the Board of Directors, unless the act of a greater number is required by law or by these Bylaws.

Section 2.6. Conduct of Business. (a) At the meetings of the Board of Directors, the matters on the agenda shall be considered in such order as from time to time the Board of Directors may determine.

(b) At all meetings of the Board of Directors, the president shall preside, and in the absence of the president, the vice president shall preside.

(c) The secretary shall act as secretary of all meetings of the Board of Directors, but in the absence of the secretary, the presiding officer, subject to Section 3.1(a) of these Bylaws, may appoint any person to act as secretary of the meeting.

Section 2.7. Executive Committee. The Board of Directors, by resolution passed by a majority of the directors in office, may designate two or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, shall have all of the authority of the Board of Directors in the management of the Authority, except where action of the Board of Directors is required by law or by the Articles. The executive committee shall act in the manner provided in such resolution. The executive committee shall keep regular minutes of its proceedings, shall cause such minutes to be recorded in books kept for that purpose in the office of the Authority and shall file such minutes with the Board of Directors from time to time.

Section 2.8. Compensation of Directors. Directors as such shall not receive any salary or other compensation for their services, except that they may be reimbursed for their actual expenses incurred in performing such services.

ARTICLE III

OFFICERS

Section 3.1. Titles and Term of Office. (a) The offices of the Authority shall be a president, a vice president, a secretary, a treasurer and such other offices as the Board of Directors from time to time may determine. The offices of secretary and treasurer may be combined, and the offices of vice president and assistant secretary (if any) may be combined. In the absence of the secretary, any officer other than the president may act in the secretary's place. The term of each office shall be two years.

(b) Each officer shall be elected or appointed by the Board of Directors.

(c) All officers shall be subject to removal from office, with or without cause, at any time by a vote of a majority of the directors then in office.

(d) A vacancy in any office shall be filled by election or appointment by the Board of Directors for the unexpired term.

Section 3.2. President. The president shall be the chief executive officer of the Authority, and, subject to the control of Board of Directors, the president shall be in general charge of the properties and affairs of the Authority. The president shall preside at the meetings of the Board of Directors. In furtherance of the purposes of the Authority, the president may sign and execute contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments in the name of the Authority.

Section 3.3. Vice President. The vice president shall have such powers and duties as may be assigned by the Board of Directors. The vice president shall exercise the powers and perform the duties of the president during the president's absence or inability to act, and any action so taken by the vice president shall be conclusive evidence of the absence or inability of the president to act at the time such action was taken.

Section 3.4. Treasurer. The treasurer is the custodian of all the funds and securities of the Authority that come into the treasurer's hands. When necessary or proper, the treasurer may endorse, on behalf of the Authority, for collection or payment, checks, notes and other obligations and shall deposit the same to the credit of the Authority in such depository or depositories as have been designated in the manner prescribed by the Board of Directors. The treasurer may sign all receipts and vouchers for payment made to the Authority either alone or jointly with such other officer as is designated by the Board of Directors. Whenever required by the Board of Directors, the treasurer shall render a statement of the Authority's cash account, and the treasurer shall enter or cause to be entered regularly in the books of the Authority to be kept for that purpose full and accurate amounts of all monies received and paid out on account of the Authority. The treasurer shall perform all acts incident to the position of treasurer, subject to the control of the Board of Directors.

Section 3.5. Secretary. (a) The secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose and shall attend to the giving and serving of all notices for or on behalf of the Authority. In furtherance of the purposes of the Authority, the secretary may sign with the president in the name of the Authority and/or attest the signature of the president on contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Authority. The secretary shall have charge of the Authority's corporate books and records and such other property of the Authority as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection upon application at the office of the Authority during business hours. The secretary shall perform all duties incident to the office of secretary, subject to the control of the Board of Directors.

(b) An assistant secretary may perform any of the duties and exercise any of the authority of the secretary, subject to the control of the Board of Directors.

Section 3.6. Compensation. Officers as such shall not receive any salary or other compensation for their services, except that they may be reimbursed for their actual expenses incurred in performing such services.

ARTICLE IV
PROVISIONS REGARDING ARTICLES OF INCORPORATION
AND BYLAWS

Section 4.1. When Bylaws Take Effect. These Bylaws shall become effective upon the approval of these Bylaws by the City Council of the City and the adoption of these Bylaws by the Board of Directors.

Section 4.2. Amendments to Articles and Bylaws. (a) The Articles may be amended as prescribed therein.

(b) These Bylaws may be amended at any time and from time to time by the Board of Directors, with approval of the City Council of the City.

ARTICLE V
GENERAL PROVISIONS

Section 5.1. Principal Office. The principal office of the Authority shall be located at the principal offices of the City.

Section 5.2. Fiscal Year. The fiscal year of the Authority shall be as determined by the Board of Directors.

Section 5.3. Seal. The seal of the Authority shall be as determined by the Board of Directors.

Section 5.4. Resignations. Any director or officer may resign at any time. Such a resignation shall be made in writing directed to the Mayor of the City and the president of the Authority. A resignation shall take effect at the time specified therein, or, if no time is so specified, at the time of its receipt by the Mayor and the president. The acceptance of a resignation is not necessary to make it effective, unless expressly so provided in the resignation.

Section 5.5. Action Without a Meeting of Directors or Committee. Any action that may be taken at a meeting of the Board of Directors or of any committee may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by all of the directors then in office, or all of the members of the committee, as the case may be, and by an authorized representative of the City. Such consent shall have the same force and effect as a unanimous vote of the Board of Directors.

Section 3. Regular Meetings. Meetings of the Board of Directors shall be regularly held on such days and at such times and places as shall be designated from time to time by resolution of the Board of Directors. No notice to Directors shall be required for a Regular Meeting.

Section 4. Special Meetings. Special Meetings of the Board of Directors shall be held whenever called by the president (or the vice-president in the absence of the president), the secretary, by a majority of the Board of Directors, or upon request of the City Council of the City of Galveston, Texas. The Secretary shall give notice of the day, time, and place of a Special Meeting to each Director by mail, telephone, or e-mail at least seventy-two (72) hours in advance of each Special Meeting.

Section 4a. Emergency Meetings. In an emergency or when there is an urgent public necessity (as defined in Section 551.045 of the Texas Government Code), a meeting to deliberate or take action on the emergency or urgent public necessity may be held on two hours' notice to each Director of the day, time, and place of such Emergency Meeting, such notice to be delivered in the manner specified above for Special Meetings. The emergency or urgent public necessity shall be clearly identified in the notice.

Section 6. Conduct of Business. [1st paragraph only] At all meetings of the Board of Directors, matters pertaining to the purposes of the Corporation shall be considered in such order as from time to time the Board of Directors may determine. Except as may be required by the Texas Open Meetings Law, and unless otherwise indicated in the notice thereof, at any Regular or Special Meeting and at any meeting at which all of the Directors are present, even though without any notice, any and all matters pertaining to the business of the Corporation may be considered and acted upon.

**RESTATED CERTIFICATE OF FORMATION
OF
GALVESTON ISLAND REDEVELOPMENT AUTHORITY**

The Articles of Incorporation (the “Articles”) of the Galveston Island Development Authority (the Authority) were initially adopted and filed with the Texas Secretary of State on October 7, 2002 by the incorporators, all qualified electors of the City of Galveston, acting as incorporators of a corporation under Subchapter D of Chapter 431, Texas Transportation Code and Chapter 394, Texas Local Government Code, (the “Act”), with the approval of the City Council of the City of Galveston, Texas (the “City Council”).

With approval of the City Council by ordinance, the Articles, now referred to as the Certificate of Formation, were restated with amendments; each new amendment conforms to the requirements of the Act. The following Restated Certificate of Formation, accurately states the text of the Certificate of Formation being restated and each amendment to the Certificate of Formation being restated that is in effect, and as further amended by the Restated Certificate of Formation. The Restated Certificate of Formation does not contain any other change in the Certificate of Formation being restated except for the information permitted to be omitted by the provisions of the Act. This Restated Certificate of Formation becomes effective when the document is filed with the Texas Secretary of State.

ARTICLE I

The name of the corporation is GALVESTON ISLAND REDEVELOPMENT AUTHORITY (the “Authority”).

ARTICLE II

The Authority is a public non-profit corporation.

ARTICLE III

The period of duration of the Authority shall be perpetual.

ARTICLE IV

The Authority is organized and will be operated exclusively for one or more charitable purposes, within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). The Authority is organized for the purpose: of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the following areas: (i) Reinvestment Zone Number Thirteen, City of Galveston, Texas (“TIRZ 13”), (ii) any other tax increment reinvestment zones created in the future by the City pursuant to Chapter 311 of the Texas Tax Code (collectively, the “Zones”) and neighboring areas, and as the boundaries of the Zones may be amended from time to time (the “TIRZ Area”), (iii) any area where a project is to be wholly or partially funded by federal grant funds, (iv) any areas designated as a state or federal enterprise or empowerment zone, (v) any areas designated as special district or economic development district created by or consented to by the City pursuant to Texas law, and (vi) any area so designated by the City Council of the City and the

Authority that is determined to be consistent with this Article IV (collectively, items (iii)-(vi), ("Economic Development Areas")); to promote, develop, encourage and maintain housing, employment, commerce, transportation and economic development in the City; to administer, manage and supervise economic development vehicles and tools, including land banks and City approved 380 agreements, implemented by or on behalf of the City.

The Authority is further organized to aid, assist and act on behalf of the City and the Board of Directors of the Zones:

(a) in the implementation of the Project Plans and the Reinvestment Zone Financing Plans for the Zones and the preparation and implementation of amendments thereto;

(b) in the development of policies to finance development of residential, commercial, transportation and public properties in the TIRZ Area and Economic Development Areas;

(c) in the development and implementation of development policies for the TIRZ Area and Economic Development Areas, including the acquisition of land for development purposes; and

(d) in the development, construction, acquisition, maintenance and administration of any other project in the TIRZ Area or Economic Development Area.

The Authority is formed pursuant to the provisions of the Act as it now or may hereafter be amended, and Chapter 394, Texas Local Government Code, which authorizes the Authority to assist and act on behalf of the City and to engage in activities in the furtherance of the purposes for its creation, provided that the Authority shall not be authorized to make or acquire home mortgages, or to make loans to lending institutions or other entities the proceeds of which are to be used to make home mortgages or to make loans on residential developments.

The Authority shall have and exercise all of the rights, powers, privileges, authority, and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, Texas Business Organizations Code Ch. 22 Non-Profit Corporations.

The Authority shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Authority to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created, provided that the Authority shall not issue bonds without the consent of the City Council of the City.

The Authority is created as a local government corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Section 101.001, Texas Civil Practice and Remedies Code. The operations of the Authority are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Section 101.001 et seq., Texas Civil Practice and Remedies Code. The Authority shall have the power to acquire land in accordance with the Act as amended from time to time.

ARTICLE V

The Authority shall have no members and shall have no stock.

ARTICLE VI

All powers of the Authority shall be vested in a Board consisting of seven (7) persons that shall serve two (2) year terms. Additional persons may be added to the Board in accordance with the provisions of the Bylaws. The current directors of the Authority ("Director" or "Directors") are persons named in Article VIII. Subsequent Directors shall be appointed by position to the Board by the City Council. Any Director may be removed from office at any time, with or without cause, by the Mayor and City Council. At least one Director shall have experience in finance, and at least one Director shall have experience in construction.

The City Council shall designate each President of the Board.

If any of the following persons is not serving as a member of the Board, he or she shall serve as ex-officio, non-voting member of the Board:

- (1) City Manager;
- (2) Director of the City Department of Public Works and Municipal Utilities;
- (3) City Attorney;
- (4) Director of the City Planning and Development Department;
- (5) Director of Galveston Economic Development Partnership;
- (6) City Finance Director;
- (7) The Chairpersons of the Boards of Directors of the Zones; and
- (8) A member from the City Finance and Fiscal Affairs Committee.

In addition, the Board of Directors of the Authority may designate one or more representatives of Galveston County, Galveston College, Galveston County Navigation District No. 1, or other political subdivisions as ex officio, non-voting members of the Board of Directors.

All other matters pertaining to the internal affairs of the Authority shall be governed by the Bylaws of the Authority, so long as such Bylaws are not inconsistent with these Articles of Incorporation, or the laws of the State of Texas.

ARTICLE VII

The Authority's registered agent is Donald Glywasky, City Attorney, City of Galveston, Texas. The registered address of the Authority is 823 Rosenberg, Galveston, Texas 77550. The registered agent has consented to the appointment in writing pursuant to Section 5.201(b) of the Texas Business Organizations Code. The written consent shall be maintained in the Authority's records.

ARTICLE VIII

The names and addresses of the seven (7) current Directors, each of whom resides within the City, are:

<u>POS. NO</u>	<u>NAME</u>	<u>ADDRESS</u>
1	Maureen McCutchen	2925 Beluche Dr., Galveston, Texas
2	Mark McKenna	22109 Matagorda Dr., Galveston, Texas
3	Sam Dell'Olio	5 Gentry Lane, Galveston, Texas
4	Leon Phillips	1212 38 th Street, Galveston, Texas
5	Patricia Bolton-Legg	1927 Broadway, Galveston, Texas
6	Christopher Robb	47 Pirates Beach W, Galveston, Texas
7	John Lightfoot	4103 Courageous Ln, Galveston, Texas

ARTICLE IX

Ordinance No. 02071 approving the original Articles of Incorporation was adopted by the City Council of the City on August 22, 2002; Ordinance No. 06-055 approving the form of this Restated Certificate of Formation was adopted on June 26, 2006. Ordinance No. 21-071 approving this Restated Certificate of Formation was passed by City Council on November 18, 2021.

ARTICLE X

No Director shall be liable to the Authority for monetary damages for an act or omission in the Director's capacity as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the Authority, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for any transaction from which the Director received an improper benefit, whether or not the benefit resulted from an act taken within the scope of the Director's office, or (iv) for acts or omissions for which the liability of a Director is expressly provided by statute. Any repeal or amendment of this Article by the Directors shall be prospective only, and shall not adversely affect any limitation on the personal liability of a Director existing at the time of such repeal or amendment. In addition to the circumstances in which a Director is not personally liable as set forth in the preceding sentences, a Director shall not be liable to the fullest extent permitted by any amendment to the Texas statutes hereafter enacted that further limits the liability of a Director.

ARTICLE XI

In accordance with the provisions of Section 501(c)(3) of the Code, and regardless of any other provisions of these Articles of Incorporation or the laws of the State of Texas, the Authority:

(a) shall not permit any part of the net earnings of the Authority to inure to the benefit of any private individual (except that reasonable compensation may be paid for personal services rendered to or for the Authority in effecting one or more of its purposes); (b) shall not devote more than an insubstantial part of its activities to attempting to influence legislation by propaganda or otherwise; (c) shall not participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office; and (d) shall not attempt to influence the outcome of any election for public office or to carry on, directly or indirectly, any voter registration drives. Any income earned by the Authority after payment of reasonable expenses, debt and establishing a reserve shall accrue to the City.

The City shall, at all times, have an unrestricted right to receive any income earned by the Authority, exclusive of amounts needed to cover reasonable expenditures and reasonable reserves for future activities. No part of the Authority's income shall inure to the benefit of any private interests.

If the Board of Directors determines by resolution that the purposes for which the Authority was formed have been substantially met and all bonds issued by and all obligations incurred by the Authority have been fully paid, the Board shall execute a certificate of dissolution which states those facts and declares the Authority dissolved in accordance with the requirements of Section 394.026 of Texas Local Government Code, or with applicable law then in existence. In the event of dissolution or liquidation of the Authority, all assets will be turned over to the City for deposit, as appropriate, in the Tax Increment Funds for the Zones, unless the City Council shall otherwise direct.

If required by the City, any capital project(s) of the Authority as well as all plans and specifications of any improvement to be made by the Authority shall be approved by the Director of the Department of Public Works and Municipal Utilities of the City or his designee.

ARTICLE XII

If the Authority is a private foundation within the meaning of Section 509(a) of the Code, the Authority: (a) shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code; (b) shall not engage in any act of self-dealing as defined in Section 4941(d) of the code; (c) shall not retain any excess business holdings as defined in Section 4943(c) of the Code; (d) shall not make any investments in such manner as to subject it to tax under Section 4944 of the Code; and (e) shall not make any taxable expenditures as defined in Section 4945(d) of the Code.

ARTICLE XIII

The City Council may at any time consider and approve an ordinance directing the Board to proceed with the dissolution of the Authority, at which time the Board shall proceed with the dissolution of the Authority in accordance with applicable state law. The failure of the Board to proceed with the dissolution of the Authority in accordance with this Section shall be deemed a cause for the removal from office of any or all of the Directors as permitted by Article VI of these Articles of Incorporation.

ARTICLE XIV

(1) This Restated Certificate of Formation ("Restatement") is submitted for filing pursuant to Sections 3.057-3.063 and 22.107-22.109 of the Texas Business Organizations Code. This Restatement accurately copies the Restated and Amended Articles of Incorporation of the Galveston Island Redevelopment Authority (the "Authority") that was filed with the Texas Secretary of State on July 25, 2008, under file number 800133231, as further amended by this Restatement. The Restated and Amended Articles of Incorporation is amended by the Restatement in accordance with the provisions of the Texas Business Organizations Code. These Articles may not be changed or amended unless approved by the City Council of the City.

(2) Each of the amendments contained in this Restated Certificate of Formation has been affected in accordance with the requirements of the Texas Business Organizations Code and the Authority's governing documents.

The amendments specifically contained in this Restated Certificate of Formation are:

- a) Article IV is amended to provide that the Authority may include land banks and city approved agreements authorized under Tex. Loc. Gov't Code Ch. 380 ("380 agreements").
- b) Article VI is amended to expand the Board from five members to seven members with a two (2) year term;
- c) Article VII has been changed to designate a new registered agent;
- d) Article VIII has been changed to list the current Board of Directors;
- e) Article IX, which listed the names of the original incorporators of the Authority, has been deleted and subsequently the Articles renumbered;
- f) Renumbered Article IX has been changed to include a reference to the approval of the City Council of the City of Galveston, Texas, to these changes; and
- g) References to the position of "Chairman" in Articles VI and VIII has been changed to the title of "President" in conformity with Tex. Loc. Gov't Code 394.016(d).
- h) In accordance with Tex. Bus. Org. Code 3.059(d) the restated certificate of formation accurately states the text of the certificate of formation being restated and each amendment to the certificate of formation being restated; such amendments are set forth in Art. XIV (2)(a-g).

(3) This Restated Certificate of Formation becomes effective upon filing with the Texas Secretary of State.

IN WITNESS WHEREOF, as we have hereunto set our hands this 4th day, Jan., 2022

VERIFIED:

Craig K. Brown
Presiding Officer (Mayor)
City Council of the City of Galveston
Mayor Craig Brown

ATTEST:

Janelle Williams
City Secretary
Janelle Williams



THE STATE OF TEXAS §

COUNTY OF GALVESTON §

BEFORE ME, the undersigned authority, on this day personally appeared Craig K. Brown, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 4th day of January, 2022



Manuela de la Fuente
Notary Public in and for
The State of Texas

THE STATE OF TEXAS §

COUNTY OF GALVESTON §

BEFORE ME, the undersigned authority, on this day personally appeared Janelle Williams, known to me to be the person whose name is subscribed to the foregoing

instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 4th day of January, 2022

Manuela De La Fuente
Notary Public in and for
The State of Texas



AMENDED AND REVISED BYLAWS
OF
GALVESTON ISLAND REDEVELOPMENT AUTHORITY

A Texas Local Government Corporation
(Created on behalf of the City of Galveston)

Date of Adoption: September 14, 2020

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AMENDED AND REVISED BYLAWS
OF
GALVESTON ISLAND REDEVELOPMENT AUTHORITY

ARTICLE I
PURPOSES

The Galveston Island Redevelopment Authority (the "Authority") is organized and will be operated exclusively for one or more charitable purposes, within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The Authority is organized for the purpose of aiding, assisting, and acting on behalf of the City of Galveston, Texas (the "City") in the performance of its governmental functions to promote the common good and general welfare of the following areas: (i) Reinvestment Zone Number Thirteen, City of Galveston, Texas ("TIRZ 13"), (ii) any other tax increment reinvestment zones created in the future by the City pursuant to Chapter 311 of the Texas Tax Code (collectively, the "Zones") and neighboring areas, and as the boundaries of the Zones may be amended from time to time (the "TIRZ Area"), (iii) any area where a project is to be wholly or partially funded by federal grant funds, (iv) any areas designated as a state or federal enterprise or empowerment zone, (v) any areas designated as special district or economic development district created by or consented to by the City pursuant to Texas law, and (vi) any area so designated by the City Council of the City and Chair of the Authority that is determined to be a consistent with this Article I (collectively, items (iii)-(v), ("Economic Development Areas"); to promote, develop, encourage and maintain housing, employment, commerce, transportation and economic development in the City; to administer, manage and supervise economic development vehicles and tools, including land banks and City approved 380 agreements, implemented by or on behalf of the City.

The Authority is further organized to aid, assist and act on behalf of the City and the Board of Directors of the Zones:

- (a) in the implementation of the Project Plans and the Reinvestment Zone Financing Plans for the Zones and the preparation and implementation of amendments thereto;
- (b) in the development of policies to finance development of residential, commercial, transportation and public properties in the TIRZ Area and Economic Development Areas;
- (c) in the development and implementation of development policies for the TIRZ Area and Economic Development Areas, including the acquisition of land for development purposes; and
- (d) in the development, construction, acquisition, maintenance and administration of any other project in the TIRZ Area or Economic Development Area.

The Authority is formed pursuant to the provisions of Subchapter D of Chapter 431, Texas Transportation Code (the "Act"), as it now or may hereafter be amended, and Chapter 394, Texas Local Government Code, which authorizes the Authority to assist and act on behalf of the

City and to engage in activities in the furtherance of the purposes for its creation, provided that the Authority shall not be authorized to make or acquire home mortgages, or to make loans to lending institutions, the proceeds of which are to be used to make home mortgages or to make loans on residential developments.

The Authority shall have and exercise all of the rights, powers, privileges, authority, and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, Texas Business Organizations Code Ch. 22 Texas Non-Profits.

he Authority shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Authority to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created, provided that the Authority shall not issue bonds without the consent of the City Council of the City.

The Authority is created as a local government corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Section 101.001, Texas Civil Practice and Remedies Code. The operations of the Authority are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Section 101.001 et seq., Texas Civil Practice and Remedies Code. The Authority shall have the power to acquire land in accordance with the Act as amended from time to time.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Appointment, Classes, Powers, Number, and Term of Office. All powers of the Authority shall be vested in the Board of Directors (the “Board”). The Board shall consist of seven persons. Directors of the Authority (“Director” or Directors”) shall be appointed by position to the Board by the Mayor and City Council of the City.

Each Director shall serve for a term of three years, or until his or her successor is appointed by the City unless such Director has been appointed to fill an unexpired term in which case the term of the Director shall expire on the expiration date of the term of the Director whose position he or she was appointed to fill. These three-year terms shall begin on the filing of the Authority’s Restated Certificate of Formation with the Texas Secretary of State. Any Director may be removed from office at any time, with or without cause, by the City Council. The number of Directors may only be increased or decreased by an amendment to these Bylaws by the Board with the consent of the City Council of the City.

If any of the following persons are not serving as a member of the Board, he or she shall serve as ex-officio, non-voting member of the Board:

- (1) City Manager;
- (2) Director of the City Department of Public Works and Municipal Utilities;

- (3) City Attorney;
- (4) Director of the City Development Department;
- (5) City Finance Director.

Any person designated as an ex-officio member of the Board is entitled to notice of and to attend meetings of the Board.

Section 2. Meetings of Directors. The Directors may hold their meetings and may have an office and keep the books of the Authority at such place or places within the City as the Board may from time to time determine; provided, however, in the absence of any such determination, such place shall be the registered office of the Authority in the State of Texas.

The Board shall meet in accordance with and file notice of each meeting of the Board for the same length of time and in the same manner and location as is required of a City under Chapter 551, Texas Government Code (the "Open Meetings Act").

The Authority, the Board, and any committee of the Board exercising the powers of the Board are subject to Chapter 552, Texas Government Code (the "Open Records Act").

Section 3. Annual Meetings. The annual meeting of the Board shall be held at the time and at the location in the City designated by the resolution of the Board for the purposes of transacting such business as may be brought before the meeting.

Section 4. Regular Meetings. Regular meetings of the Board shall be held at such times and places as shall be designated, from time to time, by resolution of the Board.

Section 5. Special and Emergency Meetings. Special and emergency meetings of the Board shall be held whenever called by the President of the Board or the Secretary or by a majority of the Directors who are serving duly appointed terms of office at the time the meeting is called.

The Secretary shall give notice of each special meeting in person, by telephone, facsimile, mail or telegraph at least three (3) days before the meeting to each Director and to the public in compliance with the Open Meetings Act. Notice of each emergency meeting shall also be given in the manner required of the City under Section 551.045 of the Open Meetings Act. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Authority may be considered and acted upon at a special or emergency meeting. At any meeting at which every Director shall be present, even though without any notice, any matter pertaining to the purposes of the Authority may be considered and acted upon to the extent allowed by the Open Meetings Act.

Section 6. Quorum. A majority of the Board then appointed and serving shall constitute a quorum for the consideration of matters pertaining to the purposes of the Authority. If at any meeting of the Board there is less than a quorum present, a majority of those present may adjourn the meeting from time to time. The act of a majority of the Directors present and voting at a meeting at which a quorum is in attendance shall constitute the act of the Board,

unless the act of a greater number is required by law, by the Articles of Incorporation, or by these Bylaws.

A Director who is present at a meeting of the Board at which any corporate action is taken shall be presumed to have assented to such action unless his dissent or abstention shall be entered in the minutes of the meeting or unless he shall file his written dissent or abstention to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent or abstention by registered mail to the Secretary of the Authority immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a Director who voted in favor of the action.

Section 7. Conduct of Business. At the meetings of the Board, matters pertaining to the purposes of the Authority shall be considered in such order as from time to time the Board may determine.

At all meetings of the Board, the President shall preside, and in the absence of the President, the Vice President shall preside. In the absence of the President and the Vice President, a chairperson shall be chosen by the Board from among the Directors present.

The Secretary of the Authority shall act as secretary of all meetings of the Board, but in the absence of the Secretary, the presiding officer may appoint any person to act as secretary of the meeting.

Section 8. Executive Committee, Other Committees. The Board may, by resolution passed by a majority of the Directors, designate three (3) or more Directors to constitute an executive committee or other type of committee. To the extent provided in the authorizing resolution, a committee shall have and may exercise all of the authority of the Board in the management of the Authority, except where action of the Board is specified by statute. A committee shall act in the manner provided in the authorizing resolution. Each committee so designated shall keep regular minutes of the transactions of its meetings and shall cause such minutes to be recorded in books kept for that purpose in the office of the Authority, and shall report the same to the Board from time to time. Committees authorized to exercise the powers of the Board shall give notice of any meeting in the manner required for a meeting of the Board.

Section 9. Compensation of Directors. Directors, as such, shall not receive any salary or compensation for their services as Directors; provided, that nothing contained herein shall be construed to preclude any Director from receiving compensation which is not excessive and which is at commercially reasonable rates for personal services (rendered in other than a "Director" capacity) which are reasonable and necessary in carrying out the Authority's purposes.

Section 10. Board of Advisory Directors. The Board may establish a Board of Advisory Directors composed of citizens of the City of Galveston who are, in the judgment of the Board, qualified to advise with respect to the activities of the Authority. Members of the Board of Advisory Directors shall serve for a term of one (1) year or such longer term as may be fixed by the Board, not to exceed three years. Advisory Directors may be removed by the Board at any time with or without cause. The number of members of the Board of Advisory Directors

shall be fixed from time to time by the Board. The officers and Directors of the Authority may consult with the Board of Advisory Directors from time to time with respect to the activities of the Authority but the Board of Advisory Directors shall in no way restrict the powers of the Board nor limit its responsibilities or obligations. The Board of Advisory Directors shall have no responsibility for the management of the affairs of the Authority. Advisory Directors shall not receive any salary or compensation for their services as Advisory Directors; provided, that nothing contained herein shall be construed to preclude any Advisory Director from receiving compensation which is not excessive and which is at commercially reasonable rates for personal services (rendered in other than an "Advisory Director" capacity) which are reasonable and necessary in carrying out the Authority's purposes.

Section 11. Director's Reliance on Consultant Information. A Director shall not be liable if while acting in good faith and with ordinary care, he relies on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Authority or another person, that were prepared or presented by:

- (a) one or more other officers or employees of the Authority;
- (b) legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence; or
- (c) a committee of the Board of which the Director is not a member.

ARTICLE III

OFFICERS

Section 1. Titles and Term of Office. The officers of the Authority shall be a, a president, one or more vice presidents, a secretary, a treasurer, an investment officer, and such other officers as the Board may from time to time elect or appoint. One person may hold more than one office, except that the President shall not hold the office of Secretary. The term of office for each officer (other than the President) shall commence on the date of such officer's election and terminate on the earlier of: one year; the date that the officer is replaced by the board; or, if the officer is a member of the Board, the date that the officer is no longer a member of the Board. The President shall serve for the term designated by the Mayor and City Council of the City.

Section 2. Powers and Duties of the President. The President shall be a member of the Board and shall preside at all meetings of the Board. The President shall be designated by the Mayor and the City Council of the City. The President shall be the principal executive officer of the Authority and, subject to the Board, he or she shall be in general charge of the properties and affairs of the Authority. In furtherance of the purposes of the Authority and subject to the limitations contained in the Articles of Incorporation, the President, or Vice President may sign and execute all bonds, notes, deeds, conveyances, franchises, assignments, mortgages, notes, contracts and other obligations in the name of the Authority. He or she shall have such other duties as are assigned by the Board. The President may call special or emergency meetings of the Board.

Section 3. Powers and Duties of the Vice President. The Vice President shall be a member of the Board. A Vice President shall have such powers and duties as may be assigned to him or her by the Board or the President. The Vice President shall perform the duties and exercise the powers of the President upon the President's death, absence, disability, or resignation, or upon the President's inability to perform the duties of his or her office. Any action taken by the Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

Section 4. Reserved.

Section 5. Reserved, Treasurer. The Treasurer shall have custody of all the funds and securities of the Authority which come into his or her hands. When necessary or proper, he or she may endorse, on behalf of the Authority, for collection, checks, notes and other obligations and shall deposit the same to the credit of the Authority in such bank or banks or depositories as shall be designated in the manner prescribed by the Board; he or she may sign all receipts and vouchers for payments made to the Authority, either alone or jointly with such other officer as is designated by the Board; whenever required by the Board, he or she shall render a statement of his or her case account; he or she shall enter or cause to be entered regularly in the books of the Authority to be kept by him or her for that purpose full and accurate accounts of all moneys received and paid out on account of the Authority; he or she shall perform all acts incident to the position of Treasurer subject to the control of the Board; and he or she shall, if required by the Board, give such bond for the faithful discharge of his or her duties in such form as the Board may require.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board in books provided for that purpose; he or she shall attend to the giving and serving of all notices; in furtherance of the purposes of the Authority and subject to the limitations contained in the Articles of Incorporation, he or she may sign with the President in the name of the Authority and/or attest the signatures thereof, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Authority; he or she shall have charge of the Authority's books, records, documents and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board may direct, all of which shall at all reasonable times be open to the inspection of any Director upon application at the office of the Authority during business hours; and, he or she shall in general perform all duties incident to the office of Secretary subject to the control of the Board.

Section 7. Compensation. Officers may be entitled to receive such salary or compensation for personal services which are necessary and reasonable in carrying out the Authority's purposes as the Board may from time to time determine, provided, that in no event shall the salary or compensation be excessive. Board members, even in their capacity as officers, are not entitled to compensation except as otherwise provided in Article II, Section 9.

Section 8. Officer's Reliance on Consultant Information. In the discharge of a duty imposed or power conferred on an officer of the Authority, the officer may in good faith and with ordinary care rely on information, opinions, reports, or statements, including financial

statements and other financial data, concerning the Authority or another person, that were prepared or presented by:

(a) one or more other officers or employees of the Authority, including members of the Board; or

(b) legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence.

ARTICLE IV

MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Authority shall begin October 1 of each year.

Section 2. Seal. The seal of the Authority shall be such as from time to time may be approved by the Board.

Section 3. Notice and Waiver of Notice. Whenever any notice whatever, other than public notice of a meeting given to comply with the Open Meetings Act, is required to be given under the provisions of these Bylaws, such notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his or her post office address, as it appears on the books of the Authority, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 4. Resignations. Any Director, officer or Advisory Director may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Gender. References herein to the masculine gender shall also refer to the feminine in all appropriate cases and vice versa.

Section 6. Appropriations and Grants. The Authority shall have the power to request and accept any appropriation, grant, contribution, donation, or other form of aid from the federal government, the State, any political subdivision, or municipality in the State, or from any other source.

ARTICLE V

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Subject to the limitations and conditions as provided in this Article V and the Articles of Incorporation, each person who was or is made a

party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, administrative, arbitral or investigative (hereinafter a "proceeding"), or any appeal in such a proceeding or any inquiry or investigation that could lead to such a proceeding, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Director or officer of the Authority or while a Director or officer of the Authority is or was serving at the request of the Authority as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise shall be indemnified by the Authority to the fullest extent permitted by the Texas Non-Profit Corporation Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Authority to provide broader indemnification rights than said law permitted the Authority to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with such proceeding, and indemnification under this Article V shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. Subject to the limitations and conditions as provided in this Article V and the Articles of Incorporation each person specified above who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding of a criminal nature, may be indemnified only after the dismissal of charges in favor of the accused person, at the option of the Board. The rights granted pursuant to this Article V shall be deemed contract rights, and no amendment, modification or repeal of this Article V shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article V could involve indemnification for negligence or under theories of strict liability.

Section 2. Advance Payment. The right to indemnification conferred in this Article V shall include the right to be paid in advance or reimbursed by the Authority the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 1 who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding, shall be made only upon delivery to the Authority of a written affirmation by such Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article V and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Article V or otherwise. The right to advance payment set forth in this section shall not apply in the case of criminal actions investigated or initiated by the State.

Section 3. Indemnification of Employees and Agents. The Authority, by adoption of a resolution of the Board, may indemnify and advance expenses to an employee or agent of the Authority to the same extent and subject to the same conditions under which it may indemnify and advance expenses to Directors and officers under this Article V; and the Authority may indemnify and advance expenses to persons who are not or were not Directors, officers,

employees or agents of the Authority but who are or were serving at the request of the Authority as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his or her status as such a person to the same extent that it may indemnify and advance expenses to Directors under this Article V.

Section 4. Appearance as a Witness. Notwithstanding any other provision of this Article V, the Authority may pay or reimburse expenses incurred by a Director or officer in connection with his or her appearance as a witness or other participation in a proceeding involving the Authority or its business at a time when he or she is not a named defendant or respondent in the proceeding.

Section 5. Non-exclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article V shall not be exclusive of any other right which a Director or officer or other person indemnified pursuant to Section 3 of this Article V may have or hereafter acquire under any law (common or statutory), provision of the Articles of Incorporation of the Authority or these Bylaws, agreement, vote of shareholders or disinterested Directors or otherwise.

Section 6. Insurance. The Authority may purchase and maintain insurance, at its expense, to protect itself and any person who is or was serving as a Director, officer, employee or agent of the Authority or is or was serving at the request of the Authority as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, employee benefit plan, trust or other enterprise against any expense, liability or loss, whether or not the Authority would have the power to indemnify such person against such expense, liability or loss under this Article V.

Section 7. Notification. Any indemnification of or advance of expenses to a Director or officer in accordance with this Article V shall be reported in writing to the members of the Board with or before the notice of the next regular meeting of the Board and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

Section 8. Savings Clause. If this Article V or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Authority shall nevertheless indemnify and hold harmless each Director, officer or any other person indemnified pursuant to this Article V as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent permitted by any applicable portion of this Article V that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VI

PROVISIONS RELATING TO MINORITY CONTRACTING

The Authority shall attempt to stimulate the growth of disadvantaged businesses inside the City by encouraging the full participation of disadvantaged businesses in all phases of its procurement activities and affording those disadvantaged businesses a full and fair opportunity to compete for Authority contracts. The Authority shall establish one or more programs designed to increase participation by disadvantaged businesses in contract awards which will conform to City approved programs. Any program established by the Authority shall provide that disadvantaged businesses certified by the City shall be the disadvantaged businesses certified for Authority contracts.

ARTICLE VII

CODE OF ETHICS

Section 1. Policy and Purposes.

(a) It is the policy of the Authority that Directors and officers conduct themselves in a manner consistent with sound business and ethical practices; that the public interest always be considered in conducting corporate business; that the appearance of impropriety be avoided to ensure and maintain public confidence in the Authority; and that the Board establish policies to control and manage the affairs of the Authority fairly, impartially, and without discrimination.

(b) This Code of Ethics has been adopted as part of the Authority's Bylaws for the following purposes: (a) to encourage high ethical standards in official conduct by Directors and corporate officers; and (b) to establish guidelines for such ethical standards of conduct.

Section 2. Conflicts of Interest.

(a) Except as provided in subsection (c), a Director or officer is prohibited from participating in a vote, decision, or award of a contract involving a business entity or real property in which the Director or the officer has a substantial interest, if it is foreseeable that the business entity or real property will be economically benefited by the action. A person has a substantial interest in a business (i) if his or her ownership interest is ten percent or more of the voting stock or shares of the business entity or ownership of \$15,000 or more of the fair market value of the business entity, or (ii) if the business entity provides more than ten percent of the person's gross income. A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more. An interest of a person related in the second degree by affinity or the third degree by consanguinity to a Director or officer is considered a substantial interest.

(b) If a Director or a person related to a Director in the first or second degree by affinity or the first, second, or third degree by consanguinity has a substantial interest in a business entity or real property that would be pecuniarily affected by any official action taken by the Board, such Director, before a vote or decision on the matter, shall file an affidavit stating the nature and extent of the interest. The affidavit shall be filed with the Secretary of the Board.

(c) A Director who has a substantial interest in a business entity that will receive a pecuniary benefit from an action of the Board may vote on that action if a majority of the Board

has a similar interest in the same action or if all other similar business entities in the Authority will receive a similar pecuniary benefit.

- (d) An employee of a public entity may serve on the Board.

Section 3. Acceptance of Gifts. No Director or officer shall accept any benefit as consideration for any decision, opinion, recommendation, vote or other exercise of discretion in carrying out official acts for the Authority. No Director or officer shall solicit, accept, or agree to accept any benefit from a person known to be interested in or likely to become interested in any contract, purchase, payment, claim or transaction involving the exercise of the Director's or officer's discretion. As used here, "benefit" does not include:

- (a) a fee prescribed by law to be received by a Director or officer or any other benefit to which the Director or officer is lawfully entitled or for which he gives legitimate consideration in a capacity other than as a Director or officer;

- (b) a gift or other benefit conferred on account of kinship or a personal, professional, or business relationship independent of the official status of the Director or officer;

- (c) an honorarium in consideration for legitimate services rendered above and beyond official duties and responsibilities if:

- (1) not more than one honorarium is received from the same person in a calendar year;

- (2) not more than one honorarium is received for the same service; and

- (3) the value of the honorarium does not exceed \$250 exclusive of reimbursement for travel, food, and lodging expenses incurred by the Director or officer in performance of the services;

- (d) a benefit consisting of food, lodging, transportation, or entertainment accepted as a guest is reported as may be required by law.

Section 4. Bribery. A Director or officer shall not intentionally or knowingly offer, confer or agree to confer on another, or solicit, accept, or agree to accept from another:

- (a) any benefit as consideration for the Director's or officer's decision, opinion, recommendation, vote, or other exercise of discretion as a Director or officer;

- (b) any benefit as consideration for the Director's or officer's decision, vote, recommendation, or other exercise of official discretion in a judicial or administrative proceeding; or

- (c) any benefit as consideration for a violation of a duty imposed by law on the Director or officer.

Section 5. Nepotism. No Director or officer shall appoint, or vote for, or confirm the appointment to any office, position, clerkship, employment or duty, of any person related within the second degree by affinity (marriage relationship) or within the third degree of consanguinity (blood relationship) to the Director or officer so appointing, voting or confirming, or to any other Director or officer. This provision shall not prevent the appointment, voting for, or confirmation of any person who shall have been continuously employed in any such office, position, clerkship, employment or duty at least thirty (30) days prior to the appointment of the Director or officer so appointing or voting.

ARTICLE VIII

AMENDMENTS

A proposal to alter, amend, or repeal these Bylaws shall be made by the affirmative vote of a majority of the full Board then appointed and serving at any annual or regular meeting, or at any special meeting if notice of the proposed amendment be contained in the notice of said special meeting. However, any proposed change or amendment to the Bylaws must be approved by the City Council of the City to be effective.

**Galveston Island Redevelopment Authority
Management's Discussion and Analysis
September 30, 2021**

As management of the Galveston Island Redevelopment Authority, we offer readers of the Authority's financial statements this overview and analysis of the Authority's financial activities for the fiscal year ended September 30, 2021.

Financial Highlights

During the fiscal year 2021 the Authority had operating revenues of \$8,658 more than the operating expenses in the fund financial statements, with a fund balance of \$274,901. The government-wide financial statements include total revenues of \$895,238, total expenses of \$872,480 and a corresponding change in net position of \$22,758. Total ending net position is \$(16,177,406). In 2020, the government-wide financial statements included total revenues of \$2,701,106, total expenses of \$1,027,753; an extraordinary item of \$4,612,272 due to the closures of Zones 12 and 14, and a corresponding change in net position of \$6,285,625. Total ending net position was \$(16,200,164).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the increases or decreases in net assets and may serve as a useful indicator of whether the financial position of the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-18 of this report.

**Galveston Island Redevelopment Authority
Management's Discussion and Analysis
September 30, 2021**

Comparison in Government-wide Financial Statements

The following is a comparison of the Authority's Net Position as of September 30, 2021 and 2020:

	2021	2020
Current Assets	\$ 355,733	\$ 365,083
Deferred outflow of resources	-	-
Current Liabilities	4,648,149	4,680,257
Long-term Liabilities	11,884,990	11,884,990
Total Liabilities	16,533,139	16,565,247
Net Assets		
Restricted	-	-
Unrestricted	(16,177,406)	(16,200,164)
Total Net Position	<u>\$(16,177,406)</u>	<u>\$(16,200,164)</u>

The following is a comparison of the Authority's changes in net assets for the two fiscal years:

	2021	2020
General Revenues	\$ 895,238	\$ 2,701,106
Expenses		
Operating	80,580	121,863
Project costs	-	-
Interest on debt	791,900	905,890
Total Expenses	872,480	1,027,753
Change in net position before extraordinary item	22,758	1,673,353
Extraordinary item	-	4,612,272
Change in net position	22,758	6,285,625
Beginning Net Position	(16,200,164)	(22,485,789)
Ending Net Position	<u>\$(16,177,406)</u>	<u>\$(16,200,164)</u>

**Galveston Island Redevelopment Authority
Management's Discussion and Analysis
September 30, 2021**

Long-Term Debt

	2021	2020
Amounts due to developers	11,884,990	11,884,990
	<u>\$ 11,884,990</u>	<u>\$ 11,884,990</u>

More information on long-term debt can be found in Notes 4 and 5 of these financial statements.

Extraordinary Item-2020

In October 2019 the City of Galveston notified the Galveston Island Redevelopment Authority of its intent to close TIRZ Zones 12 and 14 by the end of December 2019. The City of Galveston entered into an Interlocal Agreement by and between the County of Galveston and the City of Galveston relating to the Procedures for the Closing of City of Galveston Tax Increment Zones 12 and 14 as well as the Distribution of Tax Increments held by the Galveston Island Redevelopment Authority. As part of this agreement Items further discussed and transactions included the payment of outstanding debt held by TIRZ 14, forgiveness of debt owed by TIRZ 12 to the County of Galveston, and distribution of remaining TIRZ funds after liquidation of debt and outstanding liabilities. This transaction was completed with an effective date of December 31, 2019, thus leaving only TIRZ 13 under the administration of the Galveston Island Redevelopment Authority for fiscal year ended September 30, 2020.

Additionally, at the December 2019 RDA Board meeting, it was voted to amend the bylaws of the Galveston Island Redevelopment Authority to create a 7-member Board, expanded from the current 5 member Board, which would interface with other City Boards.

Request for Information

The fiscal report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's accountability for money it receives. If you have questions about this report or need additional financial information, please contact the Authority's Administrative offices, 1011 Tremont Street, Galveston, Texas 77550.

Galveston Island Redevelopment Authority
Statement of Net Position
September 30, 2021

		Total	
		Governmental	
		Activities	
<u>Assets</u>			
Cash and temporary investments	\$	248,160	
Tax increment receivable		107,573	
Total Assets	\$	355,733	
<u>Liabilities</u>			
Accounts payable	\$	80,832	
Accrued expenses payable		4,567,317	
Long-term liabilities:			
Due within one year		-	
Due in more than one year		11,884,990	
Total Liabilities		16,533,139	
<u>Net Position</u>			
Restricted for debt service		-	
Unrestricted		(16,177,406)	
Total Net Position	\$	(16,177,406)	

See notes to financial statements and accountants' report.

Galveston Island Redevelopment Authority
Statement of Activities
September 30, 2021

	Governmental Activities
General Revenues	
Property tax increments	\$ 883,605
PID fees	11,560
Interest	73
Total General Revenues	<u>895,238</u>
Expenses	
Operations	80,580
Interest and fiscal agent fees	791,900
Total Expenses	<u>872,480</u>
Change in net position	22,758
Net Position (deficit)- Beginning	<u>(16,200,164)</u>
Net Position (deficit) - End	<u><u>\$ (16,177,406)</u></u>

See notes to financial statements and accountants' report.

**Galveston Island Redevelopment Authority
Balance Sheet - Governmental Funds
September 30, 2021**

	<u>General Fund</u>	<u>TIRZ 11</u>	<u>TIRZ 13</u>	<u>Total Governmental Fund</u>
Assets				
Cash and temporary investments	\$ 231,939	\$ 679	\$ 15,542	\$ 248,160
Tax increment receivable	-	-	107,573	107,573
Due from Zones	-	-	-	-
Total Assets	<u>\$ 231,939</u>	<u>\$ 679</u>	<u>\$ 123,115</u>	<u>355,733</u>
Liabilities and Fund Balances				
Accounts payable	\$ 4,329	\$ -	\$ 76,503	80,832
Due to RDA	-	-	-	-
Total Liabilities	<u>4,329</u>	<u>-</u>	<u>76,503</u>	<u>80,832</u>
Fund Balance				
Restricted for:				
Debt service	-	-	-	-
Zone operations and projects	-	679	46,612	47,291
Unassigned	<u>227,610</u>	<u>-</u>	<u>-</u>	<u>227,610</u>
Total Fund Balance	<u>227,610</u>	<u>679</u>	<u>46,612</u>	<u>274,901</u>
Total Liabilities and Fund Balances	<u>\$ 231,939</u>	<u>\$ 679</u>	<u>\$ 123,115</u>	<u>\$ 355,733</u>

See notes to financial statements and accountants' report.

**Galveston Island Redevelopment Authority
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2021**

Total fund balances, governmental funds	\$ 274,901
Amounts reported for governmental activities in the statement of net assets are different because:	
Some liabilities are not due and payable in the current period and not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	-
Interest on long-term debt is not accrued in governmental funds, but rather is recognized when due. All liabilities, both current and long-term, are reported in the statement of net assets.	-
Developer project payments:	
Project costs payable to developer-TIRZ 13	(11,884,990)
Accrued interest on above	(4,567,317)
Net Position of Governmental Activities	<u><u>\$ (16,177,406)</u></u>

**Galveston Island Redevelopment Authority
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
September 30, 2021**

	<u>General Fund</u>	<u>TIRZ 11</u>	<u>TIRZ 13</u>	<u>Total Governmental Fund</u>
Revenues				
Property taxes	\$ -	\$ -	\$ 883,605	\$ 883,605
TIRZ fees	-	-	-	-
PID receipts	11,560	-	-	11,560
Investments earnings	22	-	51	73
Total Revenues	<u>11,582</u>	<u>-</u>	<u>883,656</u>	<u>895,238</u>
Expenditures				
Current				
Management and operation costs	152	-	-	152
PID costs	8,775	-	-	8,775
Professional services	25,079	-	2,394	27,473
Rent	-	-	-	-
Administrative fee City of Galveston	-	-	44,180	44,180
Project costs	-	-	-	-
RDA fees	-	-	-	-
Paid to developer	-	-	806,000	806,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>34,006</u>	<u>-</u>	<u>852,574</u>	<u>886,580</u>
Excess revenues over (under) expenditures	(22,424)	-	31,082	8,658
Net change in fund balance	(22,424)	-	31,082	8,658
Fund balances at beginning of year	<u>250,034</u>	<u>679</u>	<u>15,530</u>	<u>266,243</u>
Fund balances at end of year	<u>\$ 227,610</u>	<u>\$ 679</u>	<u>\$ 46,612</u>	<u>\$ 274,901</u>

See notes to financial statements and accountants' report.

Galveston Island Redevelopment Authority
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
September 30, 2021

Net change in fund balance	\$	8,658
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report interest expense as an expenditure the statement of net assets treats interest expense as an expense as it is incurred.

		14,100
		14,100

Change in net position of governmental activities	\$	22,758
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		22,758
		22,758

See notes to financial statements and accountants' report.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 1 – CREATION OF THE AUTHORITY

Galveston Island Redevelopment Authority, (the “Authority”) is a local government corporation created and organized under the provisions of the Texas Transportation Corporation Act, Chapter 431, Transportation Code, and authorized and approved by the City under Resolution No. 02-071 adopted on August 22, 2002. The Authority was made up of four different Tax Reinvestment Zones; zones eleven, twelve, thirteen and fourteen; all Zones have been closed at September 30, 2020 other than Zone 13. These tax zones were established to provide funds for development and improvement projects within specific geographic areas of the City. Property tax receipts over undeveloped assessments (base value) provide funding for the projects. The City appoints the Board members who operate and account for each tax zone activity consistent with the State statute for economic benefit of the City. The City accounts for the tax zones (consolidated into the Galveston Island Redevelopment Authority) as a component unit.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The Authority was created as an instrumentality of the City of Galveston (the “City”). The Authority does meet criteria for inclusion as a component of the City.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis for State of Local Governments.

GASB Statement 34 established standards for external financial reporting for all state and local government entities, which includes a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- Restricted Assets – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Authority as a whole. The Authority's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The Authority is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the general fund to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the Authority's fund financial statements are combined with the government-wide statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

Prior to closure of Zones 11, 12 and 14, the Authority had five major governmental funds. Each Tax Increment Reinvestment Zone (TIRZ) 11, 12, 13 and 14 maintains its own governmental fund. The RDA governmental fund serves as a general fund and administrative umbrella for the individual TIRZ's.

Basis of Accounting

The Authority uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The authority considers revenues reported in the governmental funds to be available if they are collectable within sixty (60) days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Capital Assets

Normally, capital assets are reported as assets in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. As of September 30, 2018, the Authority has no capital assets, as capital assets are transferred to the City.

Budgeting

The Authority's and the TIRZ's board members annually adopt a spending plan for the RDA general fund and each individual zone. These spending plans are not considered to be appropriation style budgets.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Assets and Statement of Activities, the government-wide Statement of Net Assets and Statement of Activities, the Governmental activities are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported, regardless of the timing of related cash flows. Fund equity is classified as net assets.

Fund Balances

The Authority reports the fund balance of various funds in a hierarchy of classifications based on the constraints imposed on the uses of those resources. The fund balances for governmental funds consist of the following:

Restricted fund balance-includes amounts that are restricted for specific purposes stipulated by external resource providers and creditors, constitutionally or through enabling legislation. All of the fund balance in the Zone Funds is restricted for debt service and for zone operations and projects. Portions of the amounts restricted for the latter have been identified by the Authority for the following purposes:

	TIRZ 11	TIRZ 12	TIRZ 13	TIRZ 14
Residual for future projects	\$ 679	\$ -	\$ 46,612	\$ -
Total Restricted for Zone Operations and Projects	\$ 679	\$ -	\$ 46,612	\$ -

Unassigned fund balance-This fund balance is the residual classification of the RDA.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas requires that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At September 30, 2021, none of the Authority's bank balances were exposed to custodial credit risk.

Local government investment pools in Texas are required to be rated AAAQ, or equivalent, by at least one nationally recognized rating agency. The RDA policy further restricts investments to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Assets at September 30, 2021, as listed below:

Cash in checking accounts	\$ 240,252
Cash in Local Government Investment Pool	<u>7,908</u>
Total Cash	<u><u>\$ 248,160</u></u>

NOTE 4 – LONG-TERM DEBT AND ADVANCE REFUNDING

Prior year outstanding issues included \$1,000,000 tax exempt bank loan with Frost National Bank, secured by the tax increment from TIRZ 12; principal due in annual installments; interest due semiannually, variable interest rate of 6.5% 30-day LIBOR plus 128. This note was paid in full in the year ended September 30, 2016

On June 27, 2016, the Authority entered into a note agreement of with Moody National Bank in order to refund Galveston Island Redevelopment Authority, Tax Increment Notes, Series 2007A, maturing October 1, 2022, at an interest rate of 4.65%, and secured by the available TIRZ 14 Tax Increment. The Refunding Note bears an interest rate of 2.97% and was paid in full on December 4, 2019 in conjunction with the closing of Zone 14. The net proceeds from the refunding debt were used to deposit with an escrow agent in order to defease the Galveston Island Redevelopment Authority Tax Increment Notes, Series 2007A.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 5 – PAID TO DEVELOPERS

As discussed in Note 6, construction of the Authority's capital assets is financed through prefunding agreements with the Authority's developers. The Authority will reimburse its developers through the issuance of bonds or other resources. The Authority recognizes the liability associated with developer construction at such time as developer costs have been submitted for reimbursement and verified.

Total costs incurred by the developers of TIRZ 11 have been repaid by the tax increment of TIRZ 11 and totaled \$3,223,471 plus accrued interest. The balance of principal and interest was paid during prior years. The balance owed at September 30, 2017 was \$0 for construction costs presented by the developer of TIRZ 11. In accordance with the agreement, and more fully discussed in Note 10, the Zone was closed in fiscal 2016 and the remaining increment funds have been returned to the taxing entities.

At September 30, 2009 partial development of tax increment reinvestment zone (TIRZ) 12 had been repaid using bond proceeds of \$1,000,000. Additional improvements made by the County of Galveston and respective amounts due to the County of Galveston of \$5,592,120 and \$1,484,098 of accrued interest have been verified for reimbursement and have been subjected to agreed upon procedures performed by an Independent Accountant and have been accepted by the Board of Directors of the Authority. As further noted in Note 12, this Zone was closed effective December 31, 2019. As part of the Interlocal Agreement by and between the County of Galveston (as the Developer) and the City of Galveston, the County forgave the balance due for development of \$5,592,120 and accrued interest of \$1,586,838. This forgiveness is reflected as an extraordinary item in financial statements at September 30, 2020.

Costs incurred by the developers of TIRZ 13 that were approved in the Independent Accountant's Report dated August 24, 2010 and which are ultimately to be repaid by the tax increment of TIRZ 13 are \$10,022,052 plus accrued interest. Additional amounts of \$1,862,938 have been expended by the Developer and have been verified for reimbursement with \$606,245 of accrued interest. The amounts have been subjected to agreed upon procedures performed by an Independent Accountant on March 6, 2015 and have been accepted by the Board of Directors of the Authority. Interest of \$806,000 was repaid during the current year. The balance owed at September 30, 2021 was \$11,884,990 plus accrued interest of \$4,567,317.

The Authority reimbursed the developers of Zone 14 during the fiscal year ended September 30, 2009 using bond proceeds of the \$7,000,000 bond issue referred to in Note 4.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 6 – TRI-PARTY AGREEMENTS

The remaining tax increment reinvestment zones (TIRZ) 13 operates using a tri-party agreement among the city of Galveston, Galveston Island Redevelopment Authority and the individual TIRZ.

The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative service for the Zone, as requested by the Zone board, services with respect to the Project Plan and Reinvestment Zone Financing Plan (the Plan), including enlarging the zone and amendments to the project plan and financing plan, and services with respect to the special tax rolls pertaining to the Zone, including analysis and coordination with taxing units.

The Tri-Party Agreements also provides for the Authority to issue bonds and notes, enter into obligations with developers or builders, and enter in contracts with consultants, to be repaid from Contract Tax Increments. All bonds must be approved by City Council of the City of Galveston. These Agreements shall end upon termination of the Zone.

The City, on behalf of itself and the Zone, will pay the authority, not later than the first business day of each July, all monies then available in the tax Increment fund, subject to the retention by the City of a reserve of up to five percent of the monies then available in the Tax Increment Fund.

NOTE 7 – TAX INCREMENT REINVESTMENT ZONES

Zone 11 created with a duration of October 8, 2001 through December 31, 2031 and includes construction of condominium development also known as Palisades Palms at East Beach in Galveston, Texas. Public improvements were estimated to cost approximately \$4,000,000. As discussed in Note 10, the developer has been paid in full, and in accordance with the original agreement, the Zone has been closed and excess funds have been returned to the various taxing entities.

Zone 12 the “North Broadway – Gateway TIRZ”, was created December 13, 2001, and was initially to remain in effect until December 31, 2031. Public improvements to the district are estimated at \$32,000,000 of increment funds. The Zone has been closed effective December 31, 2019. Outstanding development costs and interest on same have been forgiven by the County of Galveston; Excess funds have been returned to the various taxing entities.

Zone 13 created by ordinance on December 27, 2001 to exist through December 31, 2041 is comprised of 124 acres of land on East beach. The Agreement was amended on June 9, 2014 and in February 2018 to further clarify. Among the changes made in the amended agreement were in the calculation of interest. Interest on each advance made by the Developer prior to June 1, 2014 will be accrued at prime rate on the date the advance is made and will remain accruing at that same rate until paid in full. Interest on Developer Advances made after June 1, 2014 will change daily with each change in the JP Morgan Chase bank prime rate. All interest shall cease to accrue on January 1, 2032, resulting in the Developer foregoing the accrual of interest during the last 10 years of the life of the Zone. The public improvements were initially estimated to be \$9,300,000 in 2002. The TIRZ 13 Board has approved project dollars in excess of the initially estimated amount. As part of the amended agreement, these 2002 dollars will be adjusted annually for inflation until 2022. The property will have retail space, hotel and housing.

Zone 14 was created on December 29, 2003 and initially to exist through December 31, 2033 to facilitate the development of approximately 2,000 acres bounded by Offats Bayou, Jones Drive, Seawall Boulevard and Stewart Road in Galveston, Texas. The Zone includes 1,000 acres of Airport Property. Estimated zone expenditures are \$36,900,000. The Zone has been closed effective December 31, 2019; excess funds have been returned to the various taxing entities.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 8 – TAX INCREMENTS

The amount of a Participants tax increment for a year is the amount of property taxes levied and collected by the Participant for the year on the Captured Appraised Value of real property taxable by the participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the participant and located in the Zone for that year less the Tax Increment base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment Financing Act (the “TIF Act”)

NOTE 9– PROJECT COSTS

The Authority transfers all capital improvements to the City of Galveston. This transfer is related to capital improvement made by the developers and funded by the Authority to public property located within the Zones. The Authority finances these facilities for the benefit of the City. Any capital assets the Authority purchases related to public improvements and facilities have been conveyed to the City of Galveston. The Authority has no capital assets as of September 30, 2021. During the year ended September 30, 2021 the Authority transferred \$-0- of improvements.

NOTE 11–CLOSING OF TIRZ 11

Because there were no remaining project costs outstanding or bonded indebtedness for TIRZ 11, and all other obligations had been paid, the City of Galveston passed an ordinance approving the closing of TIRZ 11 effective December 31, 2015. The remaining balance of increment funds held by the Zone were returned to the taxing authorities in the following manner: City of Galveston, \$2,292,053, Galveston County, \$2,101,687, Navigation District, \$144,828 and Galveston Road and Flood, \$29,620 totaling \$4,568,188 in 2016. A remaining balance of \$23,000 was returned to the taxing entities in 2017.

NOTE 12–EXTRAORDINARY ITEM-CLOSING OF TIRZ 12 AND TIRZ 14

In October 2019 the City of Galveston notified the Galveston Island Redevelopment Authority of its intent to close TIRZ Zones 12 and 14 by the end of December 2019. The City of Galveston has entered into an Interlocal Agreement by and between the County of Galveston and the City of Galveston relating to the Procedures for the Closing of City of Galveston Tax Increment Zones 12 and 14 as well as the Distribution of Tax Increments held by the Galveston Island Redevelopment Authority. Items further discussed in this agreement include the payment of outstanding debt held by TIRZ 14, forgiveness of debt owed by TIRZ 12 to the County of Galveston, and method of distribution of remaining TIRZ funds after liquidation of debt and outstanding liabilities. This transaction was completed effective December 31, 2019, thus leaving only TIRZ 13 under the administration of the Galveston Island Redevelopment Authority for fiscal year ended September 30, 2020.

Details of this transaction are as follows:

	TIRZ 12	TIRZ 14	Total
Forgiveness of debt by County			
Principle	\$ 5,592,121	\$ -	\$ 5,592,121
Accrued interest	1,586,838	-	1,586,838
Transfer to other entities			
Galveston County	(332,212)	(408,360)	(740,572)
City of Galveston	(102,804)	(1,652,694)	(1,755,498)
Navigation District	(10,218)	(47,350)	(57,568)
Road and Flood	(3,591)	(9,458)	(13,049)
Extraordidnary item	<u>\$ 6,730,134</u>	<u>\$ (2,117,862)</u>	<u>\$ 4,612,272</u>

OTHER SUPPLEMENTARY INFORMATION

Galveston Island Redevelopment Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual –RDA Administrative
For the Year Ended September 30, 2021

	Spending Plan	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ -	\$ -	\$ -
TIRZ fees	-	-	-
PID receipts	-	11,560	11,560
Investment earnings	-	22	22
Total Revenues	<u>-</u>	<u>11,582</u>	<u>11,582</u>
<u>Expenditures</u>			
Current:			
Management and operation costs	43,250	25,231	18,019
PID costs	6,000	8,775	(2,775)
Total Expenditures	<u>49,250</u>	<u>34,006</u>	<u>15,244</u>
Excess revenues over (under) expenditures	<u>(49,250)</u>	<u>(22,424)</u>	<u>26,826</u>
Change in Fund Balance	<u>\$ (49,250)</u>	<u>\$ (22,424)</u>	<u>\$ 26,826</u>

See accountants' report.

Galveston Island Redevelopment Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – TIRZ 13
For the Year Ended September 30, 2021

	<u>Spending Plan</u>	<u>Actual</u>	<u>Variance Positive Negative</u>
<u>Revenues</u>			
Property taxes	\$ 739,900	\$ 883,605	\$ 143,705
Investment earnings	-	51	51
Total Revenues	<u>739,900</u>	<u>883,656</u>	<u>143,756</u>
<u>Expenditures</u>			
Current:			
Management and operation costs	6,000	2,394	3,606
RDA fees	-	-	-
Paid to developer	650,000	806,000	(156,000)
Legal reimbursement to RDA	-	-	-
Fees paid to City of Galveston	36,995	44,180	(7,185)
Total Expenditures	<u>692,995</u>	<u>852,574</u>	<u>(159,579)</u>
Excess revenues over (under) expenditures	<u>46,905</u>	<u>31,082</u>	<u>(15,823)</u>

See accountants' report.

Galveston Island Redevelopment Authority - TIRZ 13
Statement of Assets, Liabilities and Net Assets
(Modified Cash Basis)
As of February 28, 2022

Assets

Current Assets	
Frost National Bank - 4123 [OPERATING]	\$ 39,207.42
TexPool - 0004	7,907.61
Total Current Assets	47,115.03
Property and Equipment	
Net Property and Equipment	0.00
Total Assets	\$ 47,115.03

Liabilities and Equity

Current Liabilities	
Accounts Payable Ham, Langston & Brezina	\$ 502.50
Total Current Liabilities	502.50
Long-Term Liabilities	
Total Long-Term Liabilities	0.00
Total Liabilities	502.50
Net Assets	
Net assets	46,612.20
Net Increase (Decrease) in Net Assets	0.33
Total Net Assets	46,612.53
Total Liabilities and Net Assets	\$ 47,115.03

Galveston Island Redevelopment Authority - TIRZ 13
Statement of Revenues and Expenses
(Modified Cash Basis)

	5 Months Ended February 28, 2022 Actual	5 Months Ended February 28, 2022 Spending Plan	Total Year September 30, 2022 Spending Plan
Revenue			
Total Revenue	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Expenditures			
Total Expenditures	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Operating Revenue	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Other Revenue (Expenses)			
Interest Income	<u>0.33</u>	<u>0.00</u>	<u>0.00</u>
Total Other Revenue (Expenses)	<u>0.33</u>	<u>0.00</u>	<u>0.00</u>
Net Income (Loss) Before Taxes	<u>0.33</u>	<u>0.00</u>	<u>0.00</u>
Net Income (Loss)	<u><u>\$ 0.33</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>

Galveston Island Redevelopment Authority
Statement of Assets, Liabilities and Net Assets
(Modified Cash Basis)
As of February 28, 2022

Assets

Current Assets	
Frost National Bank #3941	\$ 331,223.82
Total Current Assets	<u>331,223.82</u>
Property and Equipment	
Net Property and Equipment	<u>0.00</u>
Total Assets	<u><u>\$ 331,223.82</u></u>

Liabilities and Equity

Current Liabilities	
A/P - others Beachside	\$ 54,701.89
A/P - others Campeche Shores	32,100.00
A/P Assessments of Southwest Inc - Campeche Shores	2,925.00
A/P Ham, Langston & Brezina	<u>9,955.25</u>
Total Current Liabilities	<u>99,682.14</u>
Long-Term Liabilities	
Total Long-Term Liabilities	<u>0.00</u>
Total Liabilities	<u>99,682.14</u>
Net Assets	
Net assets	227,609.62
Net Increase (Decrease) in Net Assets	<u>3,932.06</u>
Total Net Assets	<u>231,541.68</u>
Total Liabilities and Net Assets	<u><u>\$ 331,223.82</u></u>

Galveston Island Redevelopment Authority
Statement of Revenues and Expenses
(Modified Cash Basis)

	5 Months Ended February 28, 2022 Actual	5 Months Ended February 28, 2022 Spending Plan	Total Year September 30, 2021 Spending Plan
Revenue			
RDA Fee Income	\$ 0.00	\$ 25,000.00	\$ 60,000.00
Interest Income	8.93	0.00	0.00
Income Beachside Village PID	2,500.00	0.00	0.00
Income Campeche Shores	<u>12,000.00</u>	<u>0.00</u>	<u>0.00</u>
Total Revenue	<u>14,508.93</u>	<u>25,000.00</u>	<u>60,000.00</u>
Expenditures			
Bank Charges	75.62	0.00	0.00
Mgmt & Ops Ham, Langston & Brezina	2,926.25	11,666.69	28,000.00
Mgmt & Ops HLB - Comp for Audit	5,625.00	4,270.88	10,250.00
Mgmt & Ops WhitleyPenn - Audit	0.00	7,083.38	17,000.00
Annual Report	0.00	4,791.69	11,500.00
Open Records	0.00	208.38	500.00
Legal Services - Olson & Olson, LLP	0.00	5,208.38	12,500.00
Clerical	0.00	833.38	2,000.00
Office Supplies	0.00	208.38	500.00
Rent	0.00	2,500.00	6,000.00
Mgmt & Ops - Campeche PID	<u>1,950.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>10,576.87</u>	<u>36,771.16</u>	<u>88,250.00</u>
Operating Revenue	<u>3,932.06</u>	<u>(11,771.16)</u>	<u>(28,250.00)</u>
Other Revenue (Expenses)			
Total Other Revenue (Expenses)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Income (Loss) Before Taxes	<u>3,932.06</u>	<u>(11,771.16)</u>	<u>(28,250.00)</u>
Net Income (Loss)	<u><u>\$ 3,932.06</u></u>	<u><u>\$ (11,771.16)</u></u>	<u><u>\$ (28,250.00)</u></u>

February 15, 2022

To the Board of Directors and President
Galveston Island Redevelopment Authority
Galveston, Texas 77550

You have requested that we audit the financial statements of the governmental activities and each major fund of Galveston Island Redevelopment Authority (the "Authority"), as of September 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS). will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Accounting principles generally accepted in the United States of America require that *certain information* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis.
- Budgetary comparison schedules

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). As part of an audit of financial statements in accordance with GAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Authority's basic financial statements. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

As part of a compliance audit in accordance with GAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
- To provide us with:
 - a) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b) Additional information that we may request from management for the purpose of the audit; and
 - c) Unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.
 - d) A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
 - e) A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report
- For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current

engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;

- For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
- For the accuracy and completeness of all information provided;
- For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
- For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest services could include assistance with the preparation of financial statements including the government-wide conversion entries and note disclosures. We will not assume management responsibilities on behalf of the Authority. However, we will provide advice and recommendations to assist management of the Authority in performing its responsibilities.

The Authority's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are described below:

The nonattest services are limited to the services we described above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise the Authority regarding these nonattest services, but the Authority must make all decisions with regard to those matters.

Fees and Timing

The timing of our audit will be scheduled for performance and completion as follows:

Document internal control and preliminary tests; perform February/March 2022
substantive testing procedures

Issue audit reports

March 2022

We anticipate meeting these deadlines barring any delays.

Patrick Simmons, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Whitley Penn, LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fee for the audit services will be based on the amount of time required and the difficulty of the work involved which we estimate to be \$15,500. The fee estimate for the audit is based on anticipated cooperation from the Authority's personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly.

Additional time required for nonattest services such as assisting with year-end closing entries and reconciliations will be billed at our standard rates. However, we will provide you with an hours and fee estimate prior to incurring charges.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation and payment is due in Tarrant County. You agree to pay reasonable attorney fees and collection costs incurred relating to collection of fees for services performed under the terms of this engagement. In accordance with Whitley Penn, LLP policy, work may be suspended if your account becomes 30 days or more past due and will not resume until your account is paid in full. In addition, invoices not paid in full by the last day of the month will be assessed interest at a rate of one percent per month. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been complete even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. Our final auditors' report will be released upon final payment of any outstanding invoices.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you concerning the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We would like to make the following comments regarding the fee estimates:

1. Our fee estimates have not considered the effects of any changes to auditing standards and accounting principles, which may be promulgated by the AICPA, Congress, or any other regulatory body in the future and are unknown to us at this time. If significant additional time is necessary resulting in increased fees, we will endeavor to notify you of any such circumstances as they are assessed.
2. The Authority's personnel are responsible for the preparation of all items requested in the Prepared by Client ("PBC") listing and received by the date requested. Any delays caused by not preparing the items when requested may result in additional fees, as well as the possibility of postponing our fieldwork. The PBC listing will be provided to you during the planning process of the engagement.
3. Time incurred for audit adjustments identified during our audit and the related additional testing required has not been considered in our fee estimates. Prior to performing any additional testing, we will notify you of the exceptions and obtain approval for any additional fees which may be incurred.
4. Our fee estimates are based on all general ledger sub ledgers being reconciled to the general ledger balance and any adjustment necessary should be recorded to the general ledger prior to our fieldwork start date.

The ethics of our profession prohibit the rendering of professional services where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services. Accordingly, it is important that our bills be paid promptly when received. If a situation arises in which it may appear that our independence would be questioned because of significant unpaid bills, we may be prohibited from issuing our auditors' report.

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, the Authority and Whitley Penn, LLP agree not to demand a trial by jury in any action, proceeding or counterclaim arising out of or relating to our services and fees for this engagement. Any controversy, dispute, or questions arising out of or in connection with this agreement or our engagement shall be determined by arbitration conducted in accordance with the rules of the American Arbitration Association, and any decision rendered by the American Arbitration Association shall be binding on both parties to this agreement. The costs of

any arbitration shall be borne equally by the parties. Any and all claims relating to or arising out of this contract/agreement shall be governed by the laws of Texas and any dispute shall be finally resolved by the Texas courts in Tarrant County.

This letter replaces and supersedes any previous proposals, correspondence and understanding, whether written or oral. The agreements contained in this engagement letter shall survive the completion or termination of this engagement.

To ensure that Whitley Penn, LLP's independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Other Matters

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

In the course of our services, our firm may transmit confidential information that you provided us to third parties in order to facilitate our services. As applicable, we require confidentiality agreements with all our service providers to maintain the confidentiality of your information and additionally the firm will take reasonable precautions to determine that our service providers have the appropriate procedures in place to prevent the unauthorized release of confidential information to others.

We will remain ultimately responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

In the event we are required by government regulation, required by subpoena or other legal process to produce information or our personnel for interviews or depositions in relation to a matter involving the Authority, the Authority will, so long as we are not a party or the focus of the proceeding or inquiry in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The audit documentation for this engagement is the property of Whitley Penn, LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to your pass-through regulatory entity and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision Whitley Penn, LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

The Authority may wish to include our report on these financial statements in an exempt offering document. The Authority agrees that the aforementioned auditor's report, or reference to our Firm, will not be included in such offering document without prior permission or consent. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement letter. For exempt offerings for which we are not involved, you will clearly indicate that we were not involved with the contents of such offering document and a disclosure as shown below will be included in the exempt offering:

"Whitley Penn, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Whitley Penn also has not performed any procedures relating to this offering document."

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to the Board of Trustees the following significant findings from the audit:

- Our view about the qualitative aspects of the Authority's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

A handwritten signature in dark ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Galveston Island Redevelopment Authority by:

Name: _____

Title: _____

Date: _____

Name: _____

Title: _____

Date: _____

**Galveston Island Redevelopment Authority
Management's Discussion and Analysis
September 30, 2021**

As management of the Galveston Island Redevelopment Authority, we offer readers of the Authority's financial statements this overview and analysis of the Authority's financial activities for the fiscal year ended September 30, 2021.

Financial Highlights

During the fiscal year 2021 the Authority had operating revenues of \$8,658 more than the operating expenses in the fund financial statements, with a fund balance of \$274,901. The government-wide financial statements include total revenues of \$895,238, total expenses of \$872,480 and a corresponding change in net position of \$22,758. Total ending net position is \$(16,177,406). In 2020, the government-wide financial statements included total revenues of \$2,701,106, total expenses of \$1,027,753; an extraordinary item of \$4,612,272 due to the closures of Zones 12 and 14, and a corresponding change in net position of \$6,285,625. Total ending net position was \$(16,200,164).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the increases or decreases in net assets and may serve as a useful indicator of whether the financial position of the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-18 of this report.

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**Galveston Island Redevelopment Authority
Management's Discussion and Analysis
September 30, 2021**

Comparison in Government-wide Financial Statements

The following is a comparison of the Authority's Net Position as of September 30, 2021 and 2020:

	2021	2020
Current Assets	\$ 355,733	\$ 365,083
Deferred outflow of resources	-	-
Current Liabilities	4,648,149	4,680,257
Long-term Liabilities	11,884,990	11,884,990
Total Liabilities	16,533,139	16,565,247
Net Assets		
Restricted	-	-
Unrestricted	(16,177,406)	(16,200,164)
Total Net Position	<u>\$(16,177,406)</u>	<u>\$(16,200,164)</u>

The following is a comparison of the Authority's changes in net assets for the two fiscal years:

	2021	2020
General Revenues	\$ 895,238	\$ 2,701,106
Expenses		
Operating	80,580	121,863
Project costs	-	-
Interest on debt	791,900	905,890
Total Expenses	872,480	1,027,753
Change in net position before extraordinary item	22,758	1,673,353
Extraordinary item	-	4,612,272
Change in net position	22,758	6,285,625
Beginning Net Position	(16,200,164)	(22,485,789)
Ending Net Position	<u>\$(16,177,406)</u>	<u>\$(16,200,164)</u>

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**Galveston Island Redevelopment Authority
Management's Discussion and Analysis
September 30, 2021**

Long-Term Debt

	<u>2021</u>	<u>2020</u>
Amounts due to developers	11,884,990	11,884,990
	<u>\$ 11,884,990</u>	<u>\$ 11,884,990</u>

More information on long-term debt can be found in Notes 4 and 5 of these financial statements.

Extraordinary Item-2020

In October 2019 the City of Galveston notified the Galveston Island Redevelopment Authority of its intent to close TIRZ Zones 12 and 14 by the end of December 2019. The City of Galveston entered into an Interlocal Agreement by and between the County of Galveston and the City of Galveston relating to the Procedures for the Closing of City of Galveston Tax Increment Zones 12 and 14 as well as the Distribution of Tax Increments held by the Galveston Island Redevelopment Authority. As part of this agreement Items further discussed and transactions included the payment of outstanding debt held by TIRZ 14, forgiveness of debt owed by TIRZ 12 to the County of Galveston, and distribution of remaining TIRZ funds after liquidation of debt and outstanding liabilities. This transaction was completed with an effective date of December 31, 2019, thus leaving only TIRZ 13 under the administration of the Galveston Island Redevelopment Authority for fiscal year ended September 30, 2020.

Additionally, at the December 2019 RDA Board meeting, it was voted to amend the bylaws of the Galveston Island Redevelopment Authority to create a 7-member Board, expanded from the current 5 member Board, which would interface with other City Boards.

Request for Information

The fiscal report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's accountability for money it receives. If you have questions about this report or need additional financial information, please contact the Authority's Administrative offices, 1011 Tremont Street, Galveston, Texas 77550.

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Galveston Island Redevelopment Authority
Statement of Net Position
September 30, 2021

	Total Governmental Activities
<u>Assets</u>	
Cash and temporary investments	\$ 248,160
Tax increment receivable	<u>107,573</u>
 Total Assets	 <u><u>\$ 355,733</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 80,832
Accrued expenses payable	4,567,317
Long-term liabilities:	
Due within one year	-
Due in more than one year	<u>11,884,990</u>
 Total Liabilities	 <u><u>16,533,139</u></u>
<u>Net Position</u>	
Restricted for debt service	-
Unrestricted	<u>(16,177,406)</u>
 Total Net Position	 <u><u>\$ (16,177,406)</u></u>

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See notes to financial statements and accountants' report.

Galveston Island Redevelopment Authority
Statement of Activities
September 30, 2021

	Governmental Activities
General Revenues	
Property tax increments	\$ 883,605
PID fees	11,560
Interest	73
Total General Revenues	<u>895,238</u>
Expenses	
Operations	80,580
Interest and fiscal agent fees	791,900
Total Expenses	<u>872,480</u>
Change in net position	22,758
Net Position (deficit)- Beginning	<u>(16,200,164)</u>
Net Position (deficit) - End	<u><u>\$ (16,177,406)</u></u>

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See notes to financial statements and accountants' report.

Galveston Island Redevelopment Authority
Balance Sheet - Governmental Funds
September 30, 2021

	Total			
	Governmental			
	General Fund	TIRZ 11	TIRZ 13	Governmental Fund
Assets				
Cash and temporary investments	\$ 231,939	\$ 679	\$ 15,542	\$ 248,160
Tax increment receivable	-	-	107,573	107,573
Due from Zones	-	-	-	-
Total Assets	<u>\$ 231,939</u>	<u>\$ 679</u>	<u>\$ 123,115</u>	<u>355,733</u>
Liabilities and Fund Balances				
Accounts payable	\$ 4,329	\$ -	\$ 76,503	80,832
Due to RDA	-	-	-	-
Total Liabilities	<u>4,329</u>	<u>-</u>	<u>76,503</u>	<u>80,832</u>
Fund Balance				
Restricted for:				
Debt service	-	-	-	-
Zone operations and projects	227,610	679	46,612	47,291
Unassigned	227,610	679	46,612	227,610
Total Fund Balance	<u>227,610</u>	<u>679</u>	<u>46,612</u>	<u>274,901</u>
Total Liabilities and Fund Balances	<u>\$ 231,939</u>	<u>\$ 679</u>	<u>\$ 123,115</u>	<u>\$ 355,733</u>

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See notes to financial statements and accountants' report.

**Galveston Island Redevelopment Authority
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2021**

Total fund balances, governmental funds	\$ 274,901
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Amounts reported for governmental activities in the statement of net assets are different because:

Some liabilities are not due and payable in the current period and not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Developer project payments:

Project costs payable to developer-TIRZ 13	(11,884,990)
Accrued interest on above	<u>(4,567,317)</u>

Net Position of Governmental Activities	<u>\$ (16,177,406)</u>
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Galveston Island Redevelopment Authority
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
September 30, 2021

	General Fund	TIRZ 11	TIRZ 13	Total Governmental Fund
Revenues				
Property taxes	\$ -	\$ -	\$ 883,605	\$ 883,605
TIRZ fees	-	-	-	-
PID receipts	11,560	-	-	11,560
Investments earnings	22	-	51	73
Total Revenues	<u>11,582</u>	<u>-</u>	<u>883,656</u>	<u>895,238</u>
Expenditures				
Current				
Management and operation costs	152	-	-	152
PID costs	8,775	-	-	8,775
Professional services	25,079	-	2,394	27,473
Rent	-	-	-	-
Administrative fee City of Galveston	-	-	44,180	44,180
Project costs	-	-	-	-
RDA fees	-	-	-	-
Paid to developer	-	-	806,000	806,000
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>34,006</u>	<u>-</u>	<u>852,574</u>	<u>886,580</u>
Excess revenues over (under) expenditures	<u>(22,424)</u>	<u>-</u>	<u>31,082</u>	<u>8,658</u>
Net change in fund balance	<u>(22,424)</u>	<u>-</u>	<u>31,082</u>	<u>8,658</u>
Fund balances at beginning of year	<u>250,034</u>	<u>679</u>	<u>15,530</u>	<u>266,243</u>
Fund balances at end of year	<u>\$ 227,610</u>	<u>\$ 679</u>	<u>\$ 46,612</u>	<u>\$ 274,901</u>

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See notes to financial statements and accountants' report.

Galveston Island Redevelopment Authority
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
September 30, 2021

Net change in fund balance	\$ 8,658
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report interest expense as an expenditure the statement of net assets treats interest expense as an expense as it is incurred.

14,100

Change in net position of governmental activities

\$ 22,758

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See notes to financial statements and accountants' report.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 1 – CREATION OF THE AUTHORITY

Galveston Island Redevelopment Authority, (the “Authority”) is a local government corporation created and organized under the provisions of the Texas Transportation Corporation Act, Chapter 431, Transportation Code, and authorized and approved by the City under Resolution No. 02-071 adopted on August 22, 2002. The Authority was made up of four different Tax Reinvestment Zones; zones eleven, twelve, thirteen and fourteen; all Zones have been closed at September 30, 2020 other than Zone 13. These tax zones were established to provide funds for development and improvement projects within specific geographic areas of the City. Property tax receipts over undeveloped assessments (base value) provide funding for the projects. The City appoints the Board members who operate and account for each tax zone activity consistent with the State statute for economic benefit of the City. The City accounts for the tax zones (consolidated into the Galveston Island Redevelopment Authority) as a component unit.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit’s board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The Authority was created as an instrumentality of the City of Galveston (the “City”). The Authority does meet criteria for inclusion as a component of the City.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management’s Discussion and Analysis for State of Local Governments.

GASB Statement 34 established standards for external financial reporting for all state and local government entities, which includes a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- Restricted Assets – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first.

Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Authority as a whole. The Authority's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The Authority is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the general fund to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the Authority's fund financial statements are combined with the government-wide statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

Prior to closure of Zones 11, 12 and 14, the Authority had five major governmental funds. Each Tax Increment Reinvestment Zone (TIRZ) 11, 12, 13 and 14 maintains its own governmental fund. The RDA governmental fund serves as a general fund and administrative umbrella for the individual TIRZ's.

Basis of Accounting

The Authority uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The authority considers revenues reported in the governmental funds to be available if they are collectable within sixty (60) days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Capital Assets

Normally, capital assets are reported as assets in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. As of September 30, 2018, the Authority has no capital assets, as capital assets are transferred to the City.

Budgeting

The Authority's and the TIRZ's board members annually adopt a spending plan for the RDA general fund and each individual zone. These spending plans are not considered to be appropriation style budgets.

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Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Assets and Statement of Activities, the government-wide Statement of Net Assets and Statement of Activities, the Governmental activities are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported, regardless of the timing of related cash flows. Fund equity is classified as net assets.

Fund Balances

The Authority reports the fund balance of various funds in a hierarchy of classifications based on the constraints imposed on the uses of those resources. The fund balances for governmental funds consist of the following:

Restricted fund balance-includes amounts that are restricted for specific purposes stipulated by external resource providers and creditors, constitutionally or through enabling legislation. All of the fund balance in the Zone Funds is restricted for debt service and for zone operations and projects. Portions of the amounts restricted for the latter have been identified by the Authority for the following purposes:

	<u>TIRZ 11</u>	<u>TIRZ 12</u>	<u>TIRZ 13</u>	<u>TIRZ 14</u>
Residual for future projects	<u>\$ 679</u>	<u>\$ -</u>	<u>\$ 46,612</u>	<u>\$ -</u>
Total Restricted for Zone Operations and Projects	<u><u>\$ 679</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,612</u></u>	<u><u>\$ -</u></u>

Unassigned fund balance-This fund balance is the residual classification of the RDA.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas requires that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At September 30, 2021, none of the Authority's bank balances were exposed to custodial credit risk.

Local government investment pools in Texas are required to be rated AAAQ, or equivalent, by at least one nationally recognized rating agency. The RDA policy further restricts investments to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Assets at September 30, 2021, as listed below:

Cash in checking accounts	\$ 240,252
Cash in Local Government Investment Pool	<u>7,908</u>
Total Cash	<u><u>\$ 248,160</u></u>

NOTE 4 – LONG-TERM DEBT AND ADVANCE REFUNDING

Prior year outstanding issues included \$1,000,000 tax exempt bank loan with Frost National Bank, secured by the tax increment from TIRZ 12; principal due in annual installments; interest due semiannually, variable interest rate of 6.5% 30-day LIBOR plus 128. This note was paid in full in the year ended September 30, 2016

On June 27, 2016, the Authority entered into a note agreement of with Moody National Bank in order to refund Galveston Island Redevelopment Authority, Tax Increment Notes, Series 2007A, maturing October 1, 2022, at an interest rate of 4.65%, and secured by the available TIRZ 14 Tax Increment. The Refunding Note bears an interest rate of 2.97% and was paid in full on December 4, 2019 in conjunction with the closing of Zone 14. The net proceeds from the refunding debt were used to deposit with an escrow agent in order to defease the Galveston Island Redevelopment Authority Tax Increment Notes, Series 2007A.

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Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 5 – PAID TO DEVELOPERS

As discussed in Note 6, construction of the Authority's capital assets is financed through prefunding agreements with the Authority's developers. The Authority will reimburse its developers through the issuance of bonds or other resources. The Authority recognizes the liability associated with developer construction at such time as developer costs have been submitted for reimbursement and verified.

Total costs incurred by the developers of TIRZ 11 have been repaid by the tax increment of TIRZ 11 and totaled \$3,223,471 plus accrued interest. The balance of principal and interest was paid during prior years. The balance owed at September 30, 2017 was \$0 for construction costs presented by the developer of TIRZ 11. In accordance with the agreement, and more fully discussed in Note 10, the Zone was closed in fiscal 2016 and the remaining increment funds have been returned to the taxing entities.

At September 30, 2009 partial development of tax increment reinvestment zone (TIRZ) 12 had been repaid using bond proceeds of \$1,000,000. Additional improvements made by the County of Galveston and respective amounts due to the County of Galveston of \$5,592,120 and \$1,484,098 of accrued interest have been verified for reimbursement and have been subjected to agreed upon procedures performed by an Independent Accountant and have been accepted by the Board of Directors of the Authority. As further noted in Note 12, this Zone was closed effective December 31, 2019. As part of the Interlocal Agreement by and between the County of Galveston (as the Developer) and the City of Galveston, the County forgave the balance due for development of \$5,592,120 and accrued interest of \$1,586,838. This forgiveness is reflected as an extraordinary item in financial statements at September 30, 2020.

Costs incurred by the developers of TIRZ 13 that were approved in the Independent Accountant's Report dated August 24, 2010 and which are ultimately to be repaid by the tax increment of TIRZ 13 are \$10,022,052 plus accrued interest. Additional amounts of \$1,862,938 have been expended by the Developer and have been verified for reimbursement with \$606,245 of accrued interest. The amounts have been subjected to agreed upon procedures performed by an Independent Accountant on March 6, 2015 and have been accepted by the Board of Directors of the Authority. Interest of \$806,000 was repaid during the current year. The balance owed at September 30, 2021 was \$11,884,990 plus accrued interest of \$4,567,317.

The Authority reimbursed the developers of Zone 14 during the fiscal year ended September 30, 2009 using bond proceeds of the \$7,000,000 bond issue referred to in Note 4.

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Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 6 – TRI-PARTY AGREEMENTS

The remaining tax increment reinvestment zones (TIRZ) 13 operates using a tri-party agreement among the city of Galveston, Galveston Island Redevelopment Authority and the individual TIRZ.

The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative service for the Zone, as requested by the Zone board, services with respect to the Project Plan and Reinvestment Zone Financing Plan (the Plan), including enlarging the zone and amendments to the project plan and financing plan, and services with respect to the special tax rolls pertaining to the Zone, including analysis and coordination with taxing units.

The Tri-Party Agreements also provides for the Authority to issue bonds and notes, enter into obligations with developers or builders, and enter in contracts with consultants, to be repaid from Contract Tax Increments. All bonds must be approved by City Council of the City of Galveston. These Agreements shall end upon termination of the Zone.

The City, on behalf of itself and the Zone, will pay the authority, not later than the first business day of each July, all monies then available in the tax Increment fund, subject to the retention by the City of a reserve of up to five percent of the monies then available in the Tax Increment Fund.

NOTE 7 – TAX INCREMENT REINVESTMENT ZONES

Zone 11 created with a duration of October 8, 2001 through December 31, 2031 and includes construction of condominium development also known as Palisades Palms at East Beach in Galveston, Texas. Public improvements were estimated to cost approximately \$4,000,000. As discussed in Note 10, the developer has been paid in full, and in accordance with the original agreement, the Zone has been closed and excess funds have been returned to the various taxing entities.

Zone 12 the “North Broadway – Gateway TIRZ”, was created December 13, 2001, and was initially to remain in effect until December 31, 2031. Public improvements to the district are estimated at \$32,000,000 of increment funds. The Zone has been closed effective December 31, 2019. Outstanding development costs and interest on same have been forgiven by the County of Galveston; Excess funds have been returned to the various taxing entities.

Zone 13 created by ordinance on December 27, 2001 to exist through December 31, 2041 is comprised of 124 acres of land on East beach. The Agreement was amended on June 9, 2014 and in February 2018 to further clarify. Among the changes made in the amended agreement were in the calculation of interest. Interest on each advance made by the Developer prior to June 1, 2014 will be accrued at prime rate on the date the advance is made and will remain accruing at that same rate until paid in full. Interest on Developer Advances made after June 1, 2014 will change daily with each change in the JP Morgan Chase bank prime rate. All interest shall cease to accrue on January 1, 2032, resulting in the Developer foregoing the accrual of interest during the last 10 years of the life of the Zone. The public improvements were initially estimated to be \$9,300,000 in 2002. The TIRZ 13 Board has approved project dollars in excess of the initially estimated amount. As part of the amended agreement, these 2002 dollars will be adjusted annually for inflation until 2022. The property will have retail space, hotel and housing.

Zone 14 was created on December 29, 2003 and initially to exist through December 31, 2033 to facilitate the development of approximately 2,000 acres bounded by Offats Bayou, Jones Drive, Seawall Boulevard and Stewart Road in Galveston, Texas. The Zone includes 1,000 acres of Airport Property. Estimated zone expenditures are \$36,900,000. The Zone has been closed effective December 31, 2019; excess funds have been returned to the various taxing entities.

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Galveston Island Redevelopment Authority
Notes to Financial Statements
September 30, 2021

NOTE 8 – TAX INCREMENTS

The amount of a Participants tax increment for a year is the amount of property taxes levied and collected by the Participant for the year on the Captured Appraised Value of real property taxable by the participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the participant and located in the Zone for that year less the Tax Increment base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment Financing Act (the "TIF Act")

NOTE 9– PROJECT COSTS

The Authority transfers all capital improvements to the City of Galveston. This transfer is related to capital improvement made by the developers and funded by the Authority to public property located within the Zones. The Authority finances these facilities for the benefit of the City. Any capital assets the Authority purchases related to public improvements and facilities have been conveyed to the City of Galveston. The Authority has no capital assets as of September 30, 2021. During the year ended September 30, 2021 the Authority transferred \$-0- of improvements.

NOTE 11–CLOSING OF TIRZ 11

Because there were no remaining project costs outstanding or bonded indebtedness for TIRZ 11, and all other obligations had been paid, the City of Galveston passed an ordinance approving the closing of TIRZ 11 effective December 31, 2015. The remaining balance of increment funds held by the Zone were returned to the taxing authorities in the following manner: City of Galveston, \$2,292,053, Galveston County, \$2,101,687, Navigation District, \$144,828 and Galveston Road and Flood, \$29,620 totaling \$4,568,188 in 2016. A remaining balance of \$23,000 was returned to the taxing entities in 2017.

NOTE 12–EXTRAORDINARY ITEM-CLOSING OF TIRZ 12 AND TIRZ 14

In October 2019 the City of Galveston notified the Galveston Island Redevelopment Authority of its intent to close TIRZ Zones 12 and 14 by the end of December 2019. The City of Galveston has entered into an Interlocal Agreement by and between the County of Galveston and the City of Galveston relating to the Procedures for the Closing of City of Galveston Tax Increment Zones 12 and 14 as well as the Distribution of Tax Increments held by the Galveston Island Redevelopment Authority. Items further discussed in this agreement include the payment of outstanding debt held by TIRZ 14, forgiveness of debt owed by TIRZ 12 to the County of Galveston, and method of distribution of remaining TIRZ funds after liquidation of debt and outstanding liabilities. This transaction was completed effective December 31, 2019, thus leaving only TIRZ 13 under the administration of the Galveston Island Redevelopment Authority for fiscal year ended September 30, 2020.

Details of this transaction are as follows:

	<u>TIRZ 12</u>	<u>TIRZ 14</u>	<u>Total</u>
Forgiveness of debt by County			
Principle	\$ 5,592,121	\$ -	\$ 5,592,121
Accrued interest	1,586,838	-	1,586,838
Transfer to other entities			
Galveston County	(332,212)	(408,360)	(740,572)
City of Galveston	(102,804)	(1,652,694)	(1,755,498)
Navigation District	(10,218)	(47,350)	(57,568)
Road and Flood	(3,591)	(9,458)	(13,049)
Extraordinary item	<u>\$ 6,730,134</u>	<u>\$ (2,117,862)</u>	<u>\$ 4,612,272</u>

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OTHER SUPPLEMENTARY INFORMATION

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Galveston Island Redevelopment Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual –RDA Administrative
For the Year Ended September 30, 2021

	Spending Plan	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ -	\$ -	\$ -
TIRZ fees	-	-	-
PID receipts	-	11,560	11,560
Investment earnings	-	22	22
Total Revenues	<u>-</u>	<u>11,582</u>	<u>11,582</u>
<u>Expenditures</u>			
Current:			
Management and operation costs	43,250	25,231	18,019
PID costs	6,000	8,775	(2,775)
Total Expenditures	<u>49,250</u>	<u>34,006</u>	<u>15,244</u>
Excess revenues over (under) expenditures	<u>(49,250)</u>	<u>(22,424)</u>	<u>26,826</u>
Change in Fund Balance	<u>\$ (49,250)</u>	<u>\$ (22,424)</u>	<u>\$ 26,826</u>

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See accountants' report.

Galveston Island Redevelopment Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – TIRZ 13
For the Year Ended September 30, 2021

	<u>Spending Plan</u>	<u>Actual</u>	<u>Variance Positive Negative</u>
<u>Revenues</u>			
Property taxes	\$ 739,900	\$ 883,605	\$ 143,705
Investment earnings	-	51	51
Total Revenues	<u>739,900</u>	<u>883,656</u>	<u>143,756</u>
<u>Expenditures</u>			
Current:			
Management and operation costs	6,000	2,394	3,606
RDA fees	-	-	-
Paid to developer	650,000	806,000	(156,000)
Legal reimbursement to RDA	-	-	-
Fees paid to City of Galveston	36,995	44,180	(7,185)
Total Expenditures	<u>692,995</u>	<u>852,574</u>	<u>(159,579)</u>
Excess revenues over (under) expenditures	<u>46,905</u>	<u>31,082</u>	<u>(15,823)</u>

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See accountants' report.



11550 Fuqua St., Ste 475
Houston, TX 77034
281-481-1040 Main

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Galveston Island Redevelopment Authority
1011 Tremont
Galveston, TX 77550

Invoice No. 49995
Date 6/8/2021
Client No. G7475.

**Amount due is payable upon receipt of invoice. Thank you for keeping your account current.
Please include your Client # G7475. and Invoice #49995 on your check.**

Galveston Island Redevelopment				
05/04/2021	Bookkeeping	Huffman, Marcus	0.50	\$55.00
	emaled John about Checks and Printed Checks			
05/05/2021	Bookkeeping	Huffman, Marcus	0.25	\$27.50
	Emailed with John Manlove			
05/06/2021	Bookkeeping	Huffman, Marcus	0.65	\$71.50
	Prepared Deposit and Deposited Check in Bank Scanned Checks and Sent them out			
05/13/2021	Bookkeeping	Huffman, Marcus	0.25	\$27.50
	Emailed John and Talked with Ann about outstanding checks			
05/17/2021	Bookkeeping	Huffman, Marcus	0.50	\$55.00
	Looked up info For Ann so she could start working on the annual Book			
05/24/2021	Bookkeeping	Huffman, Marcus	0.25	\$27.50
	Talked with Ann About Meetings			
06/07/2021	Bookkeeping	Huffman, Marcus	1.00	\$110.00
	Attended RDA Meeting			
06/07/2021	Bookkeeping	Huffman, Marcus	0.75	\$82.50
	Prepared Financials for RDA			
06/07/2021	Bookkeeping	Huffman, Marcus	1.00	\$110.00
	Reconciled Accounts			

Invoice Total: \$566.50

Statement of Open Accounts Receivable

<u>Invoice</u>	<u>Date</u>	<u>Description</u>	<u>Charge</u>	<u>Credit</u>	<u>Balance</u>
		Balance forward as of 05/08/2021			\$11,472.50
50000	06/07/2021	Invoice	\$10,000.00		\$21,472.50

49995	06/08/2021	Invoice	\$566.50	<u>\$22,039.00</u>
			Current Amount Due	<u>\$22,039.00</u>

Accounts Receivable Aging

<u>Current</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>91 - 120 Days</u>	<u>Over 120 Days</u>	<u>Balance</u>
\$10,566.50	\$0.00	\$11,472.50	\$0.00	\$0.00	\$22,039.00



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Houston, TX 77034
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Galveston Island Redevelopment Authority
1011 Tremont
Galveston, TX 77550

Invoice No. 54382
Date 2/23/2022
Client No. G7475.

**Amount due is payable upon receipt of invoice. Thank you for keeping your account current.
Please include your Client # G7475. and Invoice #54382 on your check.**

06/08/2021				
06/08/2021	Bookkeeping	Huffman, Marcus	0.75	\$82.50
	Worked on Packet for Meeting			
06/09/2021				
06/09/2021	Bookkeeping	Huffman, Marcus	0.50	\$55.00
	Entered PID Deposits in ACS			
06/09/2021	Bookkeeping	Huffman, Marcus	1.00	\$110.00
	Called Vendors about Invoices Printed out Invoices and Prepared Financials			
06/15/2021				
06/15/2021	BOD Meeting	Masel, Ann	0.50	\$187.50
06/15/2021	Bookkeeping	Masel, Ann	1.00	\$375.00
	annual report			
06/15/2021	Bookkeeping	Huffman, Marcus	0.25	\$27.50
	Prepared Checks			
10/20/2021				
10/20/2021	Bookkeeping	Huffman, Marcus	0.50	\$55.00
	Prepared Deposits and took to the bank			
10/26/2021				
10/26/2021	Bookkeeping	Huffman, Marcus	0.50	\$55.00
	Calculated Amount owed to PID's			
10/27/2021				
10/27/2021	Bookkeeping	Masel, Ann	0.50	\$187.50
	phone with Beachside and ASW for Campeche			
12/09/2021				
12/09/2021	Bookkeeping	Masel, Ann	0.25	\$93.75
	calculate tax increment to City			

02/02/2022					
02/02/2022	Bookkeeping	Huffman, Marcus	1.75	\$192.50	
	Worked on Monthly Bookkeeping				
02/14/2022					
02/14/2022	Bookkeeping	Huffman, Marcus	0.75	\$82.50	
	Printed Invoices for Ann				
02/15/2022					
02/15/2022	Bookkeeping	Masel, Ann	1.50	\$562.50	
	meet with Patricia Bolton-Legg and Michelle Hay				
02/15/2022	Bookkeeping	Masel, Ann	1.00	\$375.00	
	begin audit workpapers				
02/17/2022					
02/17/2022	Bookkeeping	Masel, Ann	2.50	\$937.50	
	processes memo, prelim agenda, meeting notes				

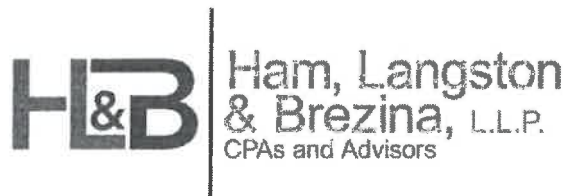
Invoice Total: \$3,378.75

Statement of Open Accounts Receivable

<u>Invoice</u>	<u>Date</u>	<u>Description</u>	<u>Charge</u>	<u>Credit</u>	<u>Balance</u>
		Balance forward as of 01/24/2022			\$566.50
54382	02/23/2022	Invoice	\$3,378.75		<u>\$3,945.25</u>
		Current Amount Due			<u>\$3,945.25</u>

Accounts Receivable Aging

<u>Current</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>91 - 120 Days</u>	<u>Over 120 Days</u>	<u>Balance</u>
\$3,378.75	\$0.00	\$0.00	\$0.00	\$566.50	\$3,945.25



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Houston, TX 77034
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Galveston Island Redevelopment Authority
1011 Tremont
Galveston, TX 77550

Invoice No. 54654
Date 3/18/2022
Client No. G7475.

**Amount due is payable upon receipt of invoice. Thank you for keeping your account current.
Please include your Client # G7475. and Invoice #54654 on your check.**

Galveston Island Redevelopment				
02/24/2022 Bookkeeping	Huffman, Marcus	0.50	\$55.00	
Prepared Deposit and took to bank				
03/01/2022 Bookkeeping	Huffman, Marcus	0.50	\$55.00	
Reprint the Financials				
03/07/2022 Bookkeeping	Masel, Ann	15.00	\$5,625.00	
annual financial report for audit				
03/09/2022 Bookkeeping	Huffman, Marcus	0.50	\$55.00	
Printed Financials and scanned documents into Document				
03/17/2022 Bookkeeping	Huffman, Marcus	2.00	\$220.00	
Reconciled Banks Statements October 2021 - February 2022 and Printed Financials				

Invoice Total: \$6,010.00

Statement of Open Accounts Receivable

<u>Invoice</u>	<u>Date</u>	<u>Description</u>	<u>Charge</u>	<u>Credit</u>	<u>Balance</u>
		Balance forward as of 02/16/2022			\$566.50
54382	02/23/2022	Invoice	\$3,378.75		\$3,945.25
54654	03/18/2022	Invoice	\$6,010.00		<u>\$9,955.25</u>

Current Amount Due \$9,955.25

Accounts Receivable Aging

<u>Current</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>91 - 120 Days</u>	<u>Over 120 Days</u>	<u>Balance</u>
\$9,388.75	\$0.00	\$0.00	\$0.00	\$566.50	\$9,955.25

Assessments of the Southwest, Inc.

P.O. Box 1368

Friendswood, TX 77549-1368

(281)482-0216

aswmail@aswtax.com



Assessments of the Southwest, Inc.

BILL TO

Campeche Shores PID c/o HL&B

Marcus Huffman

1011 Tremont

Galveston, TX 77550 USA

INVOICE 10135

DATE 01/01/2022 **TERMS** Net 30

DUE DATE 01/31/2022

ACTIVITY	QTY	RATE	AMOUNT
Assessment Fee	3	325.00	975.00
Assessment collection fee per phase			

TOTAL DUE

\$975.00

DRAFT
GALVESTON ISLAND REDEVELOPMENT AUTHORITY
REGULAR MEETING - JUNE 15, 2021

6/15/2021 - Minutes

1. Declaration Of A Quorum And Call Meeting To Order

Chair John Manlove declared a quorum and called the meeting to order at 9:31 a.m.

2. Roll Call

Present: John Manlove, Patricia Bolton-Legg, Lisa Blair, Leon Phillips, and Chris Robb.

Absent: John Lightfoot.

3. Conflicts Of Interest

None.

4. Public Comments

None.

5. Discuss And Consider Approval Of \$730,000 Increment Money To Tofigh Sharizi For TIRZ 13.

Chris Robb made a motion to approve \$730,000 increment money to Tofigh Sharizi for TIRZ 13, seconded by Patricia Bolton-Legg. Unanimously approved by those present.

6. Discuss And Consider Approval Of TIRZ 13 Invoices.

Patricia Bolton-Legg made a motion to approve payment of the following invoices, seconded by Chris Robb: Ham, Langston & Brezina for \$1,891.00. Unanimously approved by those present.

7. Discuss And Consider Approval Of RDA Invoices.

Patricia Bolton-Legg made a motion to approve the following invoices, seconded by Chris Robb: Ham, Langston & Brezina for \$21,472.50; assessments from the Southwest for \$975.00; and Whitley Penn for \$2,204.00. Unanimously approved by those present.

8. Adjournment

The meeting was adjourned at 9:50 a.m.