

**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	<u>16,533,139</u>	<u>16,565,247</u>
Net Assets		
Restricted	-	-
Unrestricted	(16,177,406)	(16,200,164)
Total Net Position	<u><u>\$(16,177,406)</u></u>	<u><u>\$(16,200,164)</u></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	<u>872,480</u>	<u>1,027,753</u>
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	<u>(16,200,164)</u>	<u>(22,485,789)</u>
Ending Net Position	<u><u>\$(16,177,406)</u></u>	<u><u>\$(16,200,164)</u></u>

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**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
	\$ 11,884,990	\$ 11,884,990

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**

	<b>Total Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and temporary investments	\$ 248,160
Tax increment receivable	<u>107,573</u>
<b>Total Assets</b>	<b><u>\$ 355,733</u></b>
<b><u>Liabilities</u></b>	
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>
<b>Total Liabilities</b>	<b><u>16,533,139</u></b>
<b><u>Net Position</u></b>	
Restricted for debt service	-
Unrestricted	<u>(16,177,406)</u>
<b>Total Net Position</b>	<b><u>\$ (16,177,406)</u></b>

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See notes to financial statements and accountants' report.

**Galveston Island Redevelopment Authority  
Statement of Activities  
September 30, 2021**

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

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See notes to financial statements and accountants' report.

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

	Total			
	General Fund	TIRZ 11	TIRZ 13	
<b>Assets</b>				
Cash and temporary investments	\$ 231,939	\$ 679	\$ 15,542	\$ 248,160
Tax increment receivable	-	-	107,573	107,573
Due from Zones	-	-	-	-
<b>Total Assets</b>	<u>\$ 231,939</u>	<u>\$ 679</u>	<u>\$ 123,115</u>	<u>\$ 355,733</u>
<b>Liabilities and Fund Balances</b>				
Accounts payable	\$ 4,329	\$ -	\$ 76,503	80,832
Due to RDA	-	-	-	-
<b>Total Liabilities</b>	<u>4,329</u>	<u>-</u>	<u>76,503</u>	<u>80,832</u>
<b>Fund Balance</b>				
Restricted for:				
Debt service	-	-	-	-
Zone operations and projects	-	679	46,612	47,291
Unassigned	227,610	-	-	227,610
<b>Total Fund Balance</b>	<u>227,610</u>	<u>679</u>	<u>46,612</u>	<u>274,901</u>
<b>Total Liabilities and Fund Balances</b>	<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.  
7

**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	<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
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 883,605	\$ 883,605
TIRZ fees	-	-	-	-
PID receipts	11,560	-	-	11,560
Investments earnings	22	-	51	73
<b>Total Revenues</b>	<u>11,582</u>	<u>-</u>	<u>883,656</u>	<u>895,238</u>
<b>Expenditures</b>				
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	-	-	-	-
<b>Total Expenditures</b>	<u>34,006</u>	<u>-</u>	<u>852,574</u>	<u>886,580</u>
<b>Excess revenues over (under) expenditures</b>	<u>(22,424)</u>	<u>-</u>	<u>31,082</u>	<u>8,658</u>
<b>Net change in fund balance</b>	<u>(22,424)</u>	<u>-</u>	<u>31,082</u>	<u>8,658</u>
<b>Fund balances at beginning of year</b>	<u>250,034</u>	<u>679</u>	<u>15,530</u>	<u>266,243</u>
<b>Fund balances at end of year</b>	<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

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	\$ 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.

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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>\$ 248,160</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**

	<u>Spending Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<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>
<b><u>Revenues</u></b>			
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>
<b><u>Expenditures</u></b>			
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.

