

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

JOINT MEETING OF THE BOARDS OF DIRECTORS

September 23, 2019

**REINVESTMENT ZONE NUMBER TWENTY-ONE,
CITY OF HOUSTON, TEXAS
(HARDY/NEAR NORTHSIDE ZONE)**

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

AND

**REINVESTMENT ZONE NUMBER TWENTY-ONE, CITY OF HOUSTON, TEXAS
NOTICE OF JOINT MEETING**

TO: THE BOARD OF DIRECTORS OF THE HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY AND REINVESTMENT ZONE NUMBER TWENTY-ONE, CITY OF HOUSTON, TEXAS, AND TO ALL OTHER INTERESTED PERSONS:

Notice is hereby given that the Board of Directors of the Hardy/Near Northside Redevelopment Authority (the "Authority") will hold a joint meeting with the Board of Directors of the Reinvestment Zone Number Twenty-One, City of Houston, Texas (the "Zone") to be held on **September 23, 2019, at 9:00 a.m., at 218 Joyce Street, Houston, Texas, 77009**, open to the public, to consider, discuss and adopt such orders, resolutions or motions, and take other direct or indirect actions as may be necessary, convenient, or desirable with respect to the following matters:

1. Public comments.
2. Minutes of the previous meetings.
3. Approval of Audit for Fiscal Year ending June 30, 2019.
4. Committee recommendation: Request for Qualifications for Certified Public Accounting Services.
5. Discuss proposed annexation and consider acting thereon.
6. Bookkeeper's Report, including:
 - a. payment of invoices; and
 - b. investment report.
7. Attorney's report, including:
 - a. Resolution Regarding Annual Review of Investment Policy and List of Broker/Dealers;
 - b. Disclosure Statement of Bookkeeper/Investment Officer; and
 - c. Consider approving and renewing the Agreement for Services of Tax Consultant with Equi-Tax Inc.
8. Project Report Hernandez Tunnel Phase 2.
9. Third Amended Project Plan and Reinvestment Zone Financing Plan.
10. Presentations, reports, or updates from the Directors, consultants, City of Houston Staff, or others regarding development in the Authority and the Zone and implementation of Project Plan and Reinvestment Zone Financing Plan.
11. Executive Session – the Authority:
 - a. confer with legal counsel, Open Meetings Act, V.T.C.A., Government Code § 551.071;
 - b. purchase, exchange, lease or value of real property, Open Meetings Act, V.T.C.A., Government Code § 551.072; and
 - c. economic development negotiations, Open Meetings Act, V.T.C.A., Government Code § 551.087.
12. Executive Session – the Zone:
 - a. confer with legal counsel, Open Meetings Act, V.T.C.A., Government Code § 551.071;
 - b. purchase exchange, lease or value of real property, Open Meetings Act, V.T.C.A., Government Code § 551.072; and
 - c. economic development negotiations, Open Meetings Act, V.T.C.A., Government Code § 551.087.



Clark Stockton Lord
Attorney for the Authority and the Zone

MINUTES OF REGULAR MEETING

OF

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

June 10, 2019

The Board of Directors (the “Board”) of Hardy/Near Northside Redevelopment Authority (the “Authority”) convened in regular session, open to the public, at 218 Joyce Street, Houston, Texas, 77009, on the 10th day of June 2019, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Edward Reyes	Chair/Assistant Secretary
Lloyd Burke	Vice Chair/Investment Officer
Sylvia Cavazos	Secretary
Richard Cantu	Assistant Secretary
Fernando Zamarripa	Assistant Secretary
Mario Castillo	Director

All member of the Board of Directors were present except Director Burke, thus constituting a quorum.

Also present were: Clark Lord and Tiffany Ehmke of Bracewell LLP; Breland Coleman of Bentley, Bratcher & Associates, P.C. the Bookkeeper (the “Bookkeeper”); Ralph DeLeon of Tifworks; Rebecca Reyna of Greater Northside Management District; and Joel Alba with the City of Houston (the “City”). Members of the public were present at the meeting and are referenced on the attached Exhibit “A”.

Whereupon, the meeting was called to order. A copy of the notice of the meeting is attached hereto as Exhibit “B”.

DETERMINE QUORUM; CALL TO ORDER

Director Reyes noted that a quorum was present and called the meeting to order.

MINUTES OF PREVIOUS MEETINGS

The Board considered approval of the minutes of May 13, 2019. Following discussion, upon a motion made by Director Castillo and seconded by Director Cantu, the Board voted unanimously to approve the minutes of May 13, 2019.

REPORTS REGARDING DEVELOPMENT

Mr. DeLeon presented report regarding planned development in the Authority.

PROPOSED ANNEXATION

Mr. De Leon noted that a workshop will be coordinated to discuss the matter further.

ADOPT BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2020

The Board recognized Mr. De Leon who updated the Board and structural issues to the Hernandez Tunnel (east and west side). He recommended the Board investigate the structural damage by hiring an engineer. Mr. De Leon also recommended the mural be placed on hold until the Board receives more information related to the tunnel's structure.

The Board next reviewed the draft budget for the fiscal year ending June 30, 2020. It was noted that the amount budgeted for GLO was to be moved and Mr. Coleman stated he would make the change. After discussion, Director Cantu moved that the Board approve the budget, subject to final review, and authorize submittal of same to the City. Director Castillo seconded the motion and it carried by unanimous vote. A copy of the budget presented at the meeting is attached hereto as Exhibit "C".

BOOKKEEPER'S REPORT

Mr. Coleman then presented the Bookkeeper's report and invoices submitted for payment to the Board for review and approval. A copy of the Bookkeeper's report is attached hereto as Exhibit "D".

Following discussion on the Bookkeeper's report and the invoices submitted for payment, upon a motion made by Director Cantu and seconded by Director Castillo, the Board voted unanimously to approve the Bookkeeper's report and the invoices submitted for payment.

HERNANDEZ TUNNEL

Mr. De Leon stated that this matter was discussed under the budget item earlier in the meeting. He requested the Board approve pay application Nos. 1 and 2. Upon a motion brought by Director Cantu, seconded by Director Castillo, the Board unanimously voted to approve pay applications Nos. 1 and 2. A copy of both pay applications are attached hereto as Exhibit "E".

PUBLIC COMMENTS

The Board recognized Mr. McCall who stated that the University of Houston- Downtown is hopeful the Hernandez Tunnel is open by Fall semester. He encouraged the Board to keep open communication with other entities related to the tunnel.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTIONS 551.087, CHAPTER 551, TEXAS GOVERNMENT CODE

The Board did not go into executive session.

There being no further business to come before the Board, the meeting was adjourned.

Secretary



MINUTES OF REGULAR MEETING

OF

REINVESTMENT ZONE NUMBER TWENTY-ONE, CITY OF HOUSTON

June 10, 2019

The Board of Directors (the "Board") of Reinvestment Zone Number Twenty-One, City of Houston (the "Zone") convened in regular session, open to the public, at 218 Joyce Street, Houston, Texas, 77009, on the 10th day of June 2019, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Edward Reyes	Chair/Assistant Secretary
Lloyd Burke	Vice Chair/Investment Officer
Sylvia Cavazos	Secretary
Richard Cantu	Assistant Secretary
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Mario Castillo	Director

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PUBLIC COMMENTS

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CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTIONS 551.087, CHAPTER 551, TEXAS GOVERNMENT CODE

The Board did not go into executive session.

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There being no further business to come before the Board, the meeting was adjourned.

Secretary

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

DRAFT SUBJECT TO CHANGE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hardy/Near Northside Redevelopment Authority
City of Houston, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Hardy/Near Northside Redevelopment Authority (the "Authority"), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

Board of Directors
Hardy/Near Northside Redevelopment Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information required by the City of Houston, Texas and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 23, 2019

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Management's discussion and analysis of Hardy/Near Northside Redevelopment Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority anticipates that tax increment revenues derived from the development and redevelopment of the Authority will be sufficient to cover expenditures associated with certain design, construction and financing of planned infrastructure, and other specific project related costs throughout the duration of the Authority. The City of Houston ("City"), at its sole discretion, may issue bonds, notes or other obligations secured by the tax increment revenues; the proceeds of which could be used to pay for or reimburse developers for project costs. However, the City may elect to pay for project costs directly from tax increment proceeds as they become available without the sale of bonds or notes.
- Tax increment revenues of \$489,898 were received from the City for the tax year 2018 versus budgeted revenues from tax increments of \$443,887, a budgeted surplus of \$46,011. The Authority received \$404,371 grant income for year ended June 30, 2019 versus a budgeted amount of \$1,286,960. The difference is due to the timing of the project.
- Total management and consulting expenses for the year ended June 30, 2019 were \$81,912, versus budgeted expenses of \$114,250, a budgeted surplus of \$32,338.
- In the Authority's government-wide financial statements, liabilities exceeded assets by \$5,104,863 (net position) at June 30, 2019, compared to \$5,917,740 at June 30, 2018, an increase of \$812,877.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the basic financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Authority's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Evaluation of the overall financial health of the Authority would extend to other non-financial factors.

The Statement of Activities reports how the Authority's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one governmental fund type. The General Fund is the operating fund of the Authority and accounts for all resources of the Authority.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the Authority's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the Authority and the commitment of spendable resources for the near-term.

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 Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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 accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and the accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as useful indicator of the Authority's financial position. In the case of the Authority, liabilities exceeded assets by \$5,104,863 as of June 30, 2019.

The following table provides a summary of changes in the Statement of Net Position as of June 30, 2019 and June 30, 2018.

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2019</u>	<u>2018</u>	<u>Variance Positive (Negative)</u>
ASSETS			
Cash and Investments	\$ 742,612	\$ 1,624,218	\$ (881,606)
Tax Increment Receivable	489,898	-	489,898
Capital Assets	527,393	123,022	404,371
TOTAL ASSETS	<u>\$ 1,759,903</u>	<u>\$ 1,747,240</u>	<u>\$ 12,663</u>
LIABILITIES			
Accounts Payable	\$ 3,081	\$ 4,152	\$ 1,071
Due to Developer	6,861,685	7,660,828	799,143
TOTAL LIABILITIES	<u>\$ 6,864,766</u>	<u>\$ 7,664,980</u>	<u>\$ 800,214</u>
NET POSITION			
Net Investment in Capital Assets	\$ 527,393	\$ 123,022	\$ 404,371
Unrestricted	(5,632,256)	(6,040,762)	408,506
TOTAL NET POSITION	<u>\$ (5,104,863)</u>	<u>\$ (5,917,740)</u>	<u>\$ 812,877</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the Statement of Activities for the fiscal year ended June 30, 2019, and June 30, 2018:

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2019</u>	<u>2018</u>	Variance Positive (Negative)
Revenues:			
Tax Increment Revenue	\$ 489,898	\$ 407,440	\$ 82,458
Grant Revenue	404,371	-	404,371
Interest Revenue	15,520	9,382	6,138
Total Revenues	\$ 909,789	\$ 416,822	\$ 492,967
Expenses:			
Administrative Consultant	\$ 13,629	\$ 17,634	\$ 4,005
Accounting	22,849	11,739	(11,110)
Auditing	8,250	18,000	9,750
Capital Expenditures	15,000	-	(15,000)
Engineering Consultant	2,465	-	(2,465)
Planning Consultant	15,788	11,588	(4,200)
Legal Consultant	16,122	27,339	11,217
Insurance	928	928	-
Other Consultant	1,864	465	(1,399)
Bank Charges	17	4	(13)
Office Expense	-	135	135
Total Expenses	\$ 96,912	\$ 87,832	\$ (9,080)
Change in Net Position	\$ 812,877	\$ 328,990	\$ 483,887
Net Position, Beginning of Year	(5,917,740)	(6,246,730)	328,990
Net Position, End of Year	\$ (5,104,863)	\$ (5,917,740)	\$ 812,877

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUND

The Authority's only governmental fund is the General Fund. This fund is the operating fund of the Authority and is the source of the day-to-day operations. As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The General Fund reported an ending fund balance of \$1,229,429.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of the Authority did not amend the budget during the current fiscal year. Actual revenues were \$821,390 less than budgeted due to the timing of construction projects. Actual expenditures were \$653,437 less than budgeted due to the timing of developer/project reimbursements and construction projects. A budgetary comparison schedule is included as RSI for the General Fund.

CAPITAL ASSETS

During the fiscal year ending June 30, 2019, the Authority incurred \$799,143 of development costs.

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the Authority did not have any long-term debt, but has recorded an amount due to the Developer of \$6,861,685 which includes project costs for onsite and offsite public improvements as well as reimbursable interest.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hardy/Near Northside Redevelopment Authority, c/o Bracewell LLP 711 Louisiana Street, Suite 2300, Houston, Texas 77002-2770.

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 61,569	\$ -	\$ 61,569
Investments	681,043	-	681,043
Tax Increment Receivable	489,898	-	489,898
Construction in Progress	-	404,371	404,371
Capital Assets - Development Costs	-	123,022	123,022
TOTAL ASSETS	<u>\$ 1,232,510</u>	<u>\$ 527,393</u>	<u>\$ 1,759,903</u>
LIABILITIES			
Accounts Payable	\$ 3,081	\$ -	\$ 3,081
Due to Developer	-	6,861,685	6,861,685
TOTAL LIABILITIES	<u>\$ 3,081</u>	<u>\$ 6,861,685</u>	<u>\$ 6,864,766</u>
FUND BALANCE			
Unassigned	\$ 1,229,429	\$ (1,229,429)	\$ -
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,232,510</u>		
NET POSITION			
Net Investment in Capital Assets Unrestricted		\$ 527,393 (5,632,256)	\$ 527,393 (5,632,256)
TOTAL NET POSITION		<u>\$ (5,104,863)</u>	<u>\$ (5,104,863)</u>

The Accompanying notes to the financial
Statements are an integral part of this report.

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Fund \$ 1,229,429

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Development costs incurred in governmental activities are not a financial
resource and therefore are not reported as an asset in governmental funds. 123,022

Certain liabilities are not due and payable in the current period and therefore are
not reported as liabilities in the governmental funds. These liabilities at year
end consisted of an amount due to the Developer for development costs. (6,861,685)

Total Net Position - Governmental Activities \$ (5,509,234)

DRAFT SUBJECT TO CHANGE

The Accompanying notes to the financial
Statements are an integral part of this report.

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Adjustments	Statement of Activities
REVENUES			
Tax Increment Revenue	\$ 489,898	\$ -	\$ 489,898
Grant Revenue	404,371	-	404,371
Interest Revenue	15,520	-	15,520
TOTAL REVENUES	\$ 909,789	\$ -	\$ 909,789
EXPENDITURES/EXPENSES:			
Administrative Consultant	\$ 13,629	\$ -	\$ 13,629
Accounting	22,849	-	22,849
Auditing	8,250	-	8,250
Capital Expenditures	419,371	(404,371)	15,000
Engineering Consultant	2,465	-	2,465
Planning Consultant	15,788	-	15,788
Legal Consultant	16,122	-	16,122
Insurance	928	-	928
Other Consultant	1,864	-	1,864
Bank Charges	17	-	17
Developer Reimbursement	799,143	(799,143)	-
TOTAL EXPENDITURES/EXPENSES	\$ 1,300,426	\$ (1,203,514)	\$ 96,912
NET CHANGE IN FUND BALANCE	\$ (390,637)	\$ 390,637	\$ -
CHANGE IN NET POSITION	-	812,877	812,877
FUND BALANCE/NET POSITION - JULY 1, 2018	1,620,066	(7,537,806)	(5,917,740)
FUND BALANCE/NET POSITION - JUNE 30, 2019	\$ 1,229,429	\$ (6,334,292)	\$ (5,104,863)

The Accompanying notes to the financial
Statements are an integral part of this report.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance - Governmental Fund	\$	(390,637)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay for developer reimbursements as expenditures. However, such costs are not reported as expenses on the Statement of Activities, but are instead used to reduce the long-term liability in the Statement of Net Position.		799,143
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Governmental funds report capital outlay for development costs as expenditures. However, such costs are not reported as expenses on the Statement of Activities, but are instead capitalized in the Statement of Net Position.		404,371
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Change in Net Position - Governmental Activities	\$	<u>812,877</u>
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DRAFT SUBJECT TO CHANGE

The Accompanying notes to the financial
Statements are an integral part of this report.

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF CORPORATION

The City of Houston, Texas (the "City") authorized the creation of the Hardy/Near Northside Authority (the "Authority") by Ordinance No. 2009-32 on November 10, 2009. The State of Texas Certificate of Incorporation became effective November 20, 2009. The Authority was created and organized as a local government corporation pursuant to provisions of Chapter 311 of the Texas Tax Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of the Hardy/Near Northside Zone (the Zone), approximately 326.1 acres generally bounded by Quitman Street on the North, U.S. Highway 59 on the East, Interstate 10 on the South, and Interstate Highway 45 on the West. The Zone is described in City of Houston, Texas, Ordinance No 2003-1258. The primary focus of the Zone is to facilitate affordable housing, transit orientated mixed-use development, and the extension and potential grade separation of San Jacinto Street north from Interstate 10 to the southern terminus of Fulton Street. Additional efforts will focus on improvements to public utility systems, parks and the repositioning of distressed infrastructure conditions. The basis for the creation of the Authority in 2009 was to a) facilitate the implementation of the Project Plan and a Reinvestment Zone Financial Plan for the Hardy/Near Northside Zone and the implementation of amendments thereto; b) facilitate the development of a policy for and implementation of the financing and construction of public infrastructure improvements and open space improvements necessary for the development of residential, commercial, public and other land uses in the Hardy/Near Northside Zone; and c) facilitate the development and implementation of a redevelopment policy for the Hardy/Near Northside Zone, including the acquisition of land for redevelopment purposes. The Authority may issue tax-exempt bonds or notes with consent of City Council to fund improvements. The Authority is governed by a Board of Directors consisting initially of four (4) persons who are appointed by the Mayor with the approval of City Council. Additional persons may be added to the Board of the Authority in accordance with the provisions of the Bylaws.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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 ("GASB").

The GASB has established the criteria for determining whether 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 and (4) is there a financial benefit or burden relationship. The Authority was created as an instrumentality of the City. The Authority does meet the criteria for inclusion as a component unit of the City. Copies of the financial statements for the City may be obtained from the City Secretary's office.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

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

- Net Investment in Capital Assets – This component of net position 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 Net Position – This component of net position consists of external constraints placed on the use of assets 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 position consists of assets that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

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

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 on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the general fund to report only items related to current year revenues and expenditures. Items such as land and land improvements are charged to cost of sales when sold. 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 Balance.

Governmental Funds

The Authority has only one major governmental fund type – the General Fund. This fund is the general operating fund of the Authority and accounts for all resources of the Authority.

Basis of Accounting

The District 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.

Cash

The Authority's cash consists of amounts in demand deposits.

Investments

The Authority invests cash not needed for near term operating needs in the Texas Local Government Investment Pool (“TexPool”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with the Tri-Party Agreement (see Note 4), the Authority's board members adopted an unappropriated budget for the General Fund.

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 Position 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 position, 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 position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally required. The Authority does not have any restricted fund balances.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Authority does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned - all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

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 disclosure 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.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the 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 statutes require 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 June 30, 2019, the BBVA Compass Bank balance was \$61,569, which was covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at June 30, 2019, as listed below:

Total Cash Deposits	<u>\$61,569</u>
---------------------	-----------------

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas statute, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The Authority's investments must be made "with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest Authority funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. The Authority has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

The Authority invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of June 30, 2019, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u> TexPool	\$ 681,043	\$ 681,043	\$ -	\$ -	\$ -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the Authority's investment in TexPool, an external investment pool, was rated AAAM by Standard & Poor's.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

NOTE 4. TRI-PARTY AGREEMENT

The City of Houston, Reinvestment Zone Number Twenty-One, and the Authority entered into the Tri-Party Agreement pursuant to City Ordinance No. 2009-1271 effective December 15, 2009. 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 implementation and updating, and services with respect to the tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority is also required to assist the Zone Board in establishing a program to increase the level of safety within the Zone, preparing development plans, establishing a marketing and public relations program and in planning, design and construction of infrastructure improvements and land acquisition.

The Tri-Party Agreement also provides for the Authority to issue bonds and notes, enter into obligations with developers or builders, and enter into contracts with consultants and to be repaid from Contract Tax Increments. All bonds must be approved by City Council and the Director of the Finance Department of the City of Houston must approve all development agreements. This Agreement shall end upon termination of the Zone.

Pursuant to the Agreement, the City and the Zone have agreed to pay the Authority not later than the first business day of each July in which a current approved budget is in effect for the Authority, all monies available in the Tax Increment Fund, less (a) a reserve of up to five percent of the monies then available in the Tax Increment Fund for administrative costs of the City, (b) the amount due to the City from the Zone pursuant to the affordable housing agreement, and (c) certain tax increments constituting educational facilities project costs to be paid to the Houston Independent School District. Notwithstanding the above, in the event the Authority's budget is not approved by the thirtieth (30th) day before the date of a principal and interest payment on the Authority's bonds or notes, the City shall pay from available funds sufficient monies to the Authority to allow for meeting the Authority's debt service obligations.

NOTE 5. TAX INCREMENTS

The City of Houston, Texas has agreed to deposit tax increments into the Tax Increment Fund established by the Zone (See Note 6).

The amount of a Participant's tax increment for a year is the amount of property taxes levied and collected by the Participant for that 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"). In the event property is annexed into the Zone by ordinance of the City, the Tax Increment Base for annexed property is the value of all real property taxable by a Participant and located in the annexed area on January 1 of the year of annexation. No Participant is required to deposit tax increments derived from property annexed into the Zone unless the Participant has agreed to do so.

Each Participant is required to collect taxes on property located within the Zone in the same manner as other taxes are collected. The Participant is required to pay into the tax increment fund the collected tax increments by no later than the 90th day after the delinquency date for the Participant's property taxes.

NOTE 6. CITY OF HOUSTON TAX INCREMENTS

Pursuant to City Ordinance No. 2009-1271, the City and the Zone have established the Tax Increment Fund (the "Fund"), a separate fund in the City Treasury into which tax increments have and will be deposited.

Tax increments of \$489,898 were remitted from the fund to the Authority for tax year 2018. In addition, the City withheld \$264,810 from the tax increment to fund affordable housing and \$39,721 to pay City administrative fees.

NOTE 7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide general liability, errors and omission and automobile liability. The Authority, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During the year ended June 30, 2019, the Authority contributed \$928 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8. DEVELOPMENT AGREEMENT

The Authority has entered into a Development Agreement dated March 4, 2010, and as amended on May 14, 2012, with CR V Hardy Yards, L.P. ("Hardy Yards LP"), the owner of property located within the Hardy/Near Northside Zone. Hardy Yards LP is responsible for the inspection, supervision and management of the construction and installation of the improvements to the Hardy/Near Northside Zone. The improvements are to be made in accordance with the terms of the Development Agreement and amendment thereto and relevant City ordinances or procedures.

The Authority shall reimburse Hardy Yards LP for the amount of actual project costs incurred plus accrued interest. Hardy Yards LP is responsible for determining that project costs are eligible in accordance with terms defined in the Developer Reimbursement Agreement and amendment thereto. The costs to be reimbursed are not to exceed \$33,312,000 as noted in the original agreement. Included in the original reimbursable amount were costs related to the purchase or condemnation of right-of-way for the San Jacinto Street Extension Project in the amount of \$2,700,000. During fiscal year 2012, an ordinance was passed that authorized the appropriation of \$2,033,223 out of the Woodlands Regional Participation Fund to fund these costs.

The Authority will utilize available tax increments in order to reimburse Hardy Yards LP for the costs incurred until all project costs have been fully reimbursed. Hardy Yards LP has no right to claim any reimbursement other than from available tax increment or bond proceeds.

As of June 30, 2019, Hardy Yards LP has incurred a total of \$6,861,685 in development costs on behalf of the Authority. The total is comprised of \$4,556,185 for onsite public improvements and \$2,305,500 for offsite public improvements. The Authority reimbursed the Developer \$799,143 during the fiscal year ended June 30, 2019.

NOTE 9. CAPITAL ASSETS – DEVELOPMENT COSTS

During the fiscal year ended June 30, 2019, the Authority did not incur development costs with Central Houston Civic Improvement for planning and design work in connection with a project for a hike and bike trail within the Zone. Cumulative costs for this project as of June 30, 2019, totaled \$123,022.

During the fiscal year ended June 30, 2019, Hardy Yards LP did not incur development costs related to onsite and offsite public improvements within the boundaries of the Authority. The project has been completed and assets were conveyed to the City of Houston for maintenance and operation. The Authority will reimburse the Developer for project costs in the amount of the actual costs of the public improvements to the extent that the Developer's project generates tax increment revenues.

NOTE 10. GRANT PROGRAMS

The City of Houston

On December 10, 2014, the Authority executed an agreement with the City of Houston (the "City"). On behalf of the City, the City's Housing & Community Development Department submitted an application for federal assistance to the Texas General Land Office to receive an award of Community Development Block Grant Disaster Recovery Program funding in the amount of \$11,986,000 allocated for the repair, replacement, redesign and/or reconstruction of public infrastructure within the boundaries of the Authority.

Through June 30, 2019, the Authority has recorded a total of \$10,479,283 in engineering and construction costs. During the current year, the Authority paid \$404,371 in capital improvement costs related to improvements of the Hernandez Tunnel. The Authority was reimbursed \$404,371 in grant revenues related to this project.

DRAFT SUBJECT TO CHANGE

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

DRAFT SUBJECT TO CHANGE

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund		
	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Tax Increment Revenue	\$ 443,887	\$ 489,898	\$ 46,011
Grant Revenue	1,286,960	404,371	(882,589)
Interest Revenue	332	15,520	15,188
TOTAL REVENUES	\$ 1,731,179	\$ 909,789	\$ (821,390)
EXPENDITURES			
Maintenance and Operations	\$ 114,250	\$ 81,912	\$ 32,338
Capital Expenditures	1,301,960	419,371	882,589
Developer/Project Reimbursements	369,637	799,143	(429,506)
TOTAL EXPENDITURES	\$ 1,785,847	\$ 1,300,426	\$ 485,421
NET CHANGE IN FUND BALANCE	\$ (54,668)	\$ (390,637)	\$ (335,969)
FUND BALANCE - JULY 1, 2018	(5,822,824)	1,620,066	7,442,890
FUND BALANCE - JUNE 30, 2019	\$ (5,877,492)	\$ 1,229,429	\$ 7,106,921

See accompanying independent auditor's report.

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

REQUIRED BY THE CITY OF HOUSTON

JUNE 30, 2019

DRAFT SUBJECT TO CHANGE

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
OPERATING AND CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

Category	Vendor	Budget	Actual Expenditures	Variance Positive (Negative)
ADMINISTRATION AND OVERHEAD				
Accounting	Bentley, Bratcher & Associates, P.C.	\$ 10,000	\$ 22,849	\$ (12,849)
Administrative Consultant	Bracewell LLP	8,000	13,629	(5,629)
Auditor	McCall Gibson Swedlund Barfoot PLLC	10,000	8,250	1,750
Planning Consultant	TIFWorks, LLC	25,000	15,788	9,212
Insurance	Texas Municipal League	1,000	928	72
Office Administration		250	17	233
SUBTOTAL		\$ 54,250	\$ 61,461	\$ (7,211)
PROGRAM AND PROJECT CONSULTANTS				
Engineering Consultant	Jones & Carter, Inc.	\$ 40,000	\$ 2,465	\$ 37,535
Legal Consultant	Bracewell LLP	20,000	16,122	3,878
Other Consultant		-	1,864	(1,864)
SUBTOTAL		\$ 60,000	\$ 20,451	\$ 39,549
TOTAL MANAGEMENT CONSULTING SERVICES		\$ 114,250	\$ 81,912	\$ 32,338
CAPITAL EXPENDITURES				
Project T-2101: Pedestrian Pathways/Hike and Bike Trails		\$ 137,381	\$ -	\$ 137,381
DEVELOPER/PROJECT REIMBURSEMENTS				
CRV Hardy Yards: Roadway and Sidewalk Improvements		\$ 369,637	\$ 799,143	\$ (429,506)
Greater Northside Management District: Hernandez Tunnel Mural		15,000	15,000	-
NBG Constructors: Hernandez Tunnel		1,286,960	404,371	882,589
TOTAL DEVELOPER/PROJECT REIMBURSEMENTS		\$1,671,597	\$ 1,218,514	\$ 453,083

See accompanying independent auditor's report.

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2019

	Project Plan Estimated Amount	Cumulative Expenditures as of the Fiscal Year Ended 2019	Variance Positive (Negative)
ESTIMATED PROJECT COSTS			
Roadway and Sidewalk Improvements	\$ 37,692,000	\$ 11,062,809	\$ 26,629,191
Public Utility Improvements	7,884,000	-	7,884,000
Parks, Plazas and Recreational Facilities	4,328,000	-	4,328,000
Affordable Housing	24,920,874	1,625,563	23,295,311
Financing Costs	1,700,000	-	1,700,000
Zone Creation and Administration	2,200,000	606,053	1,593,947
TOTAL ESTIMATED PROJECT COSTS	\$ 78,724,874	\$ 13,294,425	\$ 65,430,449

See accompanying independent auditor's report.

HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2019

DRAFT SUBJECT TO CHANGE

HARDY/NEAR NORTHSIDE TIRZ #21

Balance Sheet

As of September 23, 2019

	<u>Sep 23, 19</u>
ASSETS	
Current Assets	
Checking/Savings	
BBVA Compass	551,533.43
Tex Pool AC 7932300001	683,682.78
Total Checking/Savings	<u>1,235,216.21</u>
Total Current Assets	<u>1,235,216.21</u>
TOTAL ASSETS	<u><u>1,235,216.21</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
*Accounts Payable	24,797.03
Total Liabilities	<u>24,797.03</u>
Equity	
*Fund Balance	1,229,429.33
Net Income	-19,010.05
Total Equity	<u>1,210,419.28</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,235,216.31</u></u>

No Assurance Is Provided.

Page #1

HARDY/NEAR NORTHSIDE TIRZ #21
Profit Loss Budget vs. Actual
July 1, 2019 through September 23, 2019

	Actual		Budget	
	July 1, 2019 - Sep 23, 2019	July 1, 2019 - June 30, 2020	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Grant Income - Construction	0.00	1,286,960.00	-1,286,960.00	0.00%
Interest Income checking	96.34	170.00	-73.66	56.67%
Interest on TexPool	2,639.60	500.00	2,139.60	527.92%
Tax Increments	0.00	502,154.00	-502,154.00	0.00%
Total Income	2,735.94	1,789,784.00	-1,787,048.06	0.15%
Gross Profit	2,735.94	1,789,784.00	-1,787,048.06	0.15%
Expense				
Program and Project Consultants				
General Counsel Representation	0.00	20,000.00	-20,000.00	0.00%
Planning Consultants	6,975.00	25,000.00	-18,025.00	27.90%
Engineering Consultants	0.00	10,000.00	-10,000.00	0.00%
Tax Consultants	467.10	2,000.00	-1,532.90	23.36%
Total Program and Project Consultants	7,442.10	57,000.00	-49,557.90	13.06%
TIRZ Administration Overhead				
Accounting Services	7,561.00	10,000.00	-2,439.00	75.61%
Administrative Services	213.00	8,000.00	-7,787.00	2.66%
Audit Services	6,500.00	10,000.00	-3,500.00	65.00%
Office Expense	0.00	250.00	-250.00	0.00%
Insurance	0.00	1,000.00	-1,000.00	0.00%
Bank Charges	29.99	0.00	29.99	100.00%
Total TIRZ Administration Overhead	14,303.99	29,250.00	-14,946.01	48.90%
Developer Reimbursement	0.00	702,543.00	-702,543.00	0.00%
Total Expense	21,746.09	788,793.00	-767,046.91	2.76%
Net Income (Loss)	-19,010.15	1,000,991.00	-1,020,001.15	-1.90%

HARDY/NEAR NORTHSIDE TIRZ #21

Profit Loss Detail

July 1, 2019 through September 23, 2019

	Type	Date	Memo	Amount
Ordinary Income/Expense				
Income				
Interest Income checking				
	Deposit	07/01/2019	Interest	24.14
	Deposit	08/01/2019	Interest	72.20
	Total Interest Income checking			<u>96.34</u>
Interest on TexPool				
	Deposit	07/31/2019	Interest	1,381.06
	Deposit	08/31/2019	Interest	1,258.54
	Total Interest on TexPool			<u>2,639.60</u>
	Total Income			<u>2,735.94</u>
Gross Profit				2,735.94
Expense				
Program and Project Consultants				
Planning Consultants				
	Bill	09/23/2019	General Counseling Services June through September 2019	6,975.00
	Total Planning Consultants			<u>6,975.00</u>
Tax Consultants				
	Bill	07/01/2019	Monthly Consultant Services fee per Contract	155.70
	Bill	08/01/2019	Monthly Consultant Services fee per Contract	155.70
	Bill	09/01/2019	Monthly Consultant Services fee per Contract	155.70
	Total Other Consultants			<u>467.10</u>
	Total Program and Project Consultants			<u>7,442.10</u>
TIRZ Administration Overhead				
Accounting Services				
	Bill	09/18/2019	Attendance of June 2019 Board meeting, Prepare for September 2019 Board meeting, Post Board meeting procedures, cooperation with City of Houston for Compliance Review, draft formal financial statements and footnotes for year-end audit, assist auditors with procedures	7,561.00
	Total Accounting Services			<u>7,561.00</u>
Administrative Services				
	Bill	09/09/2019	Meeting services through August 31, 2019	213.00
	Total Administrative Services			<u>213.00</u>
Audit Services				
	Bill	09/12/2019	FYE 6.30.19 Audit - interim billing	6,500.00
	Total Audit Services			<u>6,500.00</u>
Bank Charges				
	Check	07/15/2019	Service Charge	15.19
	Check	08/15/2019	Service Charge	14.80
	Total Bank Charges			<u>29.99</u>
	Total TIRZ Administration Overhead			<u>14,303.99</u>
Total Expense				<u>21,746.09</u>
Net Loss				<u><u>-19,010.15</u></u>

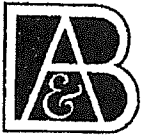
No Assurance Is Provided.

HARDY/NEAR NORTHSIDE TIRZ #21

Unpaid Bills Detail

As of September 23, 2019

Type	Date	Num	Memo	Open Balance	Pages
Bentley, Bratcher & Associates, P.C.					
			Attendance of June 2019 Board meeting, Prepare for September 2019 Board meeting, Post Board meeting procedures, cooperation with City of Houston for Compliance Review, draft formal financial statements and footnotes for year-end audit, assist auditors with procedures		
Bill	09/18/2019	13030-001-028		7,561.00	5
Total Bentley, Bratcher & Associates, P.C.				<u>7,561.00</u>	
BRACEWELL LLP					
Bill	06/30/2019	21854479	General Counsel services through June 30, 2019	800.00	6
Bill	06/30/2019	21854478	Meeting services through June 30, 2019	2,280.93	7
Bill	09/09/2019	21859641	Meeting services through August 31, 2019	213.00	9
Total BRACEWELL LLP				<u>3,293.93</u>	
Equi-Tax Inc.					
Bill	07/01/2019	54180	Monthly Consultant Services fee per Contract	155.70	10
Bill	08/01/2019	54291	Monthly Consultant Services fee per Contract	155.70	11
Bill	09/01/2019	54400	Monthly Consultant Services fee per Contract	155.70	12
Total Equi-Tax Inc.				<u>467.10</u>	
MCCALL GIBSON SWENDLUND BARFOOT PLLC					
Bill	09/12/2019		FYE 06.30.19 Audit - interim billing	6,500.00	13
Total MCCALL GIBSON SWENDLUND BARFOOT PLLC				<u>6,500.00</u>	
TIFWorks, LLC					
Bill	09/23/2019	11	General Counseling Services June through September 2019	6,975.00	14
Total TIFWorks, LLC				<u>6,975.00</u>	
TOTAL				<u><u>24,797.03</u></u>	



BENTLEY, BRATCHER & ASSOCIATES, P.C.

Certified Public Accountants

Hardy/Near Northside Redevelopment Authority
515 W. Greens Rd., Suite 710
Houston, TX 77067

Invoice Date: September 18, 2019

Invoice Number: 13030-001-028

For professional services rendered through September 14, 2019 in connection with the following:

- ❖ Attend June Board meeting
- ❖ Post Board meeting procedures
- ❖ Send documents to the City of Houston for their Compliance Review
- ❖ Telephone calls and emails to the City of Houston regarding their Compliance Review
- ❖ Draft formal financial statements and footnotes for the year-end audit
- ❖ Assist auditors with their procedures
- ❖ Assist with locked Compass Bank account
- ❖ Prepare for September Board meeting

as well as miscellaneous advice and consultation related thereto

\$ 7,561

As a reminder, our invoices are due and payable within 30 days from the invoice date, noted above. Interest commences at the rate of 1.5% per month for any portion of a month the invoice is outstanding beyond this time period.

BRACEWELL

Hardy/Near Northside Redevelopment Authority
c/o John R. Madsen, Bookkeeper
6750 West Loop South Freeway
Bellaire, TX 77401-4108

July 02, 2019
Invoice Number: 21854479
BA: 04674 Clark Stockton Lord

Our Matter #: 0037619.000001 For Services Through June 30, 2019
General Counsel

<u>Date</u>	<u>Description</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
06/10/19	Prepare for and attend Board meeting	Clark Stockton Lord	2.00	400.00	800.00
Total Fees					\$ 800.00

Summary of Fees

<u>Timekeeper</u>	<u>Title</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Clark Stockton Lord	Partner	<u>2.00</u>	400.00	<u>800.00</u>
Total Summary of Fees		2.00		\$ 800.00

Total Fees, Expenses and Charges **\$ 800.00**

BRACEWELL

Hardy/Near Northside Redevelopment Authority
 c/o John R. Madsen
 6750 West Loop South Freeway
 Bellaire, TX 77401-4108

July 02, 2019
 Invoice Number: 21854478
 BA: 04674 Clark Stockton Lord

Our Matter #: 0037619.000003 For Services Through June 30, 2019
 Meeting Services

<u>Date</u>	<u>Description</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
06/03/19	Attention to agenda comments; Attention to letter relating to GLO Interlocal Agreement and First Amendment to Interlocal Agreement; Attention to City of Houston letter requesting conference and materials for First Amendment Interlocal Agreement for compliance review.	Tiffany M. Ehmke	0.75	284.00	213.00
06/04/19	Draft meeting minutes for RA and Zone; Finalize agenda; Transmit agenda and minutes to C. Lord for review and approval.	Tiffany M. Ehmke	2.00	284.00	568.00
06/05/19	Review Interlocal Agreement and First Amendment to Interlocal Agreement with District for GLO; Conference call for compliance of the First Amendment Interlocal Agreement; Revise agenda; Prepare all minutes (x2) and agenda for posting and distribution.	Tiffany M. Ehmke	1.50	284.00	426.00
06/07/19	Organize and coordinate meeting file and related items for execution for upcoming meeting.	Tiffany M. Ehmke	0.50	284.00	142.00
06/10/19	Prepare for and attend District meeting; Post meeting conference regarding follow up matters with C. Lord; Organize and coordinate meeting file.	Tiffany M. Ehmke	3.00	284.00	852.00
06/28/19	Review notes and contact attorney regarding possible July meeting; Contact administrator regarding the same.	Tiffany M. Ehmke	0.25	284.00	71.00
Total Fees					\$ 2,272.00

BRACEWELL

Client: Hardy/Near Northside Redevelopment Authority

July 02, 2019
Invoice Number: 21854478

Summary of Fees

<u>Timekeeper</u>	<u>Title</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Tiffany M. Ehmke	Paralegal	<u>8.00</u>	284.00	<u>2,272.00</u>
Total Summary of Fees		8.00		\$ 2,272.00

Expense Detail

<u>Date</u>	<u>Cost</u>	<u>Description</u>	<u>Amount</u>
06/27/19	Local Travel	Ehmke, Tiffany M - : 06/10/19 - Mileage Tiffany Ehmke Attend June meeting on June 10, 2019. 010034278060	\$8.93
Total Expenses			<u>\$8.93</u>
Total Fees, Expenses and Charges			\$ 2,280.93

BRACEWELL

Hardy/Near Northside Redevelopment Authority
 c/o John R. Madsen
 6750 West Loop South Freeway
 Bellaire, TX 77401-4108

September 09, 2019
 Invoice Number 21859641
 BA: 04674 Clark Stockton Lord

Our Matter #: 0037619.000003 For Services Through August 31, 2019
 Meeting Services

<u>Date</u>	<u>Description</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
08/05/19	Attention to requested by City for board packets for fiscal year ending 2018 through 2019.	Tiffany M. Ehmke	0.75	284.00	213.00
Total Fees					\$ 213.00

Summary of Fees

<u>Timekeeper</u>	<u>Title</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Tiffany M. Ehmke	Paralegal	0.75	284.00	213.00
Total Summary of Fees				\$ 213.00

Total Fees, Expenses and Charges **\$ 213.00**

Equi-Tax Inc.

Invoice

Suite 200
17111 Rolling Creek Drive
Houston Texas 77090
281-444-4866

DATE	INVOICE #
7/1/2019	54180

BILL TO
TIRZ 21 - Hardy / Near Northside c/o Ralph DeLeon Tifworks, L.L.C. P.O. Box 10330 Houston TX 77206

DESCRIPTION	AMOUNT
Monthly Consultant Services fee per Contract	155.70
Invoice emailed to: Tracy Salinas at tracy@bentleyassoc.com Middy Ragwar at middy@bentleyassoc.com John Madsen at john@bentleyassoc.com cc'ed Ralph DeLeon at rdeleon1028@sbcglobal.net	

Total	\$155.70
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Equi-Tax Inc.

Invoice

Suite 200
17111 Rolling Creek Drive
Houston Texas 77090
281-444-4866

DATE	INVOICE #
8/1/2019	54291

BILL TO
TIRZ 21 - Hardy / Near Northside c/o Ralph DeLeon Tifworks, L.L.C. P.O. Box 10330 Houston TX 77206

DESCRIPTION	AMOUNT
Monthly Consultant Services fee per Contract	155.70
Invoice emailed to: Tracy Salinas at tracy@bentleyassoc.com Breland Coleman at breland@bentleyassoc.com John Madsen at john@bentleyassoc.com cc'ed Ralph DeLeon at rdeleon1028@sbcglobal.net	

Total	\$155.70
--------------	-----------------

Equi-Tax Inc.

Invoice

Suite 200
17111 Rolling Creek Drive
Houston Texas 77090
281-444-4866

DATE	INVOICE #
9/1/2019	54400

BILL TO
TIRZ No. 21 - Hardy / Near Northside c/o Ralph DeLeon Tifworks, L.L.C. P.O. Box 10330 Houston TX 77206

DESCRIPTION	AMOUNT
Monthly Consultant Services fee per Contract	155.70
Invoice emailed to: Tracy Salinas at tracy@bentleyassoc.com Breland Coleman at breland@bentleyassoc.com John Madsen at john@bentleyassoc.com cc'ed Ralph DeLeon at rdeleon1028@sbcglobal.net	

Total	\$155.70
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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

September 12, 2019

Hardy/Near Northside Redevelopment Authority
c/o Bracewell LLP
711 Louisiana Street, Suite 2300
Houston, TX 77002

Client Number: 300-20

Audit of Hardy/Near Northside Redevelopment Authority as of
and for the year ended June 30, 2019.

Interim Billing

\$ 6,500.00

INVOICE

Date: 9/23/2019
Invoice # Number 11

TIFWorks, LLC
P.O. Box 10330
Houston, Texas 77206
(832)-978-5910
rdeleon1028@sbcglobal.net

To

Ed Reyes
Chairman of the Board
Hardy/Near Northside Redevelopment Authority
Tax Increment Investment Zone Number
Twenty-One, City of Houston

<i>Salesperson</i>	<i>Job</i>	<i>Payment Terms</i>	
Ralph De Leon	Hardy/Near Northside Redevelopment Authority General Consulting Services	Due Upon Receipt	
<i>Qty</i>	<i>Description</i>	<i>Unit Price</i>	<i>Line Total</i>
Labor (Hours)	Meetings, Travel, Mileage, Electronic Correspondence and Telephone Calls:		
2	Electronic and telephonic correspondence June 4, 2019 thru September 23, 2019, predominately with COH HCD, Annexation/Project Plan Amendment related activities.	\$150.00	\$300.00
4	6/4/2019 – Conference call Jones & Carter regarding archive documents Phase 1 Hernandez Tunnel Project, preparation of Fiscal Year 2020 Budget, correspondence regarding Mural, preparation, review and process Change Orders 1 & 2 Hernandez Tunnel Project.	\$150.00	\$600.00
1.5	6/5/2019-6/6/2019 – Travel and mileage needed for signature on Change Orders, scan and distribution of same, and related correspondence.	\$150.00	\$225.00
2.5	6/10/2019 – Preparation and Attendance Board of Directors Meeting including mileage and travel.	\$150.00	\$375.00
8	6/26/2019 – Parking fee Tranquility Park, travel and mileage Texas Art Supply, map preparation and informational hand-outs needed for Annexation Public Workshops.	\$150.00	\$1,200.00
4.5	7/2/2019 - Preparation, attendance and conducting of Public Workshop related to Annexation, including mileage and travel.	\$150.00	\$675.00
3	7/25/2019 – Exit Interview, GLO Certification of Completion Hernandez Tunnel Project Phase 2, mile and travel to Ed Reyes for signature, scan and distribution of same.	\$150.00	\$450.00
4.5	7/29/2019 – Preparation, attendance and conducting of Public Workshop related to Annexation, including mileage and travel.	\$150.00	\$675.00
1.5	7/31/2019 – Review and preparation of Change Order 3, mileage and travel needed for signature, scan and distribution of same.	\$150.00	\$225.00
3	8/14/2019 – Review and preparation GLO documents needed for close out Hernandez Tunnel Project Phase 2, scan and distribution of same, review and translation of comments and reports obtained at Workshops and preparation of Zone Annexation Map,	\$150.00	\$450.00

5	8/21/2019 – Annexation Maps to A&E for scanning then to COH GIS Department for review and preparation needed to digitize final maps, including mileage and travel.	\$150.00	\$750.00
7	9/18/2019 – Preparation of Amended Project Plan including review and input of updated Base Value and Maps, additional territory added by Community Workshops, updated Project Cost Schedule and Narrative.	\$150.00	\$1,050.00
Subtotal			\$6,975.00
Total			\$6,975.00

Make all checks payable to TIFWorks, LLC

Thank you for your business!

Hardy Near Northside Tirz
 Quarterly Investment Report
 As of June 30, 2019

INVESTMENT IN TEXPOOL

FUND	BEGINNING BALANCE	DEPOSIT (WITHDRAW)	INTEREST EARNED	ENDING BALANCE
REVENUE FUND	\$ 676,975.37	-	4,067.81	681,043.18
TOTAL	676,975.37	-	4,067.81	681,043.18

TexPool Average interest for the month of April 2019
 TexPool Average interest for the month of May 2019
 TexPool Average interest for the month of June 2019

0.1997%
 0.2035%
 0.1953%

The above information comprises the quarterly investment report for Hardy Near Northside Tirz for the quarter ended June 30, 2019. The undersigned acknowledge that the Board's investment portfolio has been and is in compliance with the policies and strategies as contained in the Board's Investment Policy and also in compliance with the Public Funds Investment Act of the State of Texas.

Edward Reyes -- Chair

Lloyd Burke

Richard Cantu

Sylvia Cavazos -- Secretary

Fernado Zamarripa

Mario Castillo

AMENDED INVESTMENT POLICY

This Amended Investment Policy (the “Policy”) is adopted by the Board of Directors of Hardy/ Near Northside Redevelopment Authority (the “Authority”) pursuant to Chapter 2256 of the Texas Government Code, effective as of September 23, 2019.

ARTICLE I PURPOSE

Section 1.01. Purpose. This Policy with respect to Authority investments has been adopted to establish the principles and criteria by which the funds of the Authority should be invested and secured and to comply with various provisions of Texas law relating to the investment and security of funds of local government corporations (the “Investment Laws”). As of the date of the adoption of this Policy, the following laws are applicable to the investment of the Authority’s funds: Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Section 404.101 et seq., Texas Government Code. The Investment Laws generally provide the minimum criteria for the authorized investment and security of the Authority’s funds and require the Authority to adopt rules to ensure the investment of Authority funds in accordance with such laws. This Policy will specify the scope of authority of Authority Officials who are responsible for the investment of Authority funds.

ARTICLE II DEFINITIONS

Section 2.01. Definitions. Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- (a) “Authority Officials” means the Investment Officer, Directors, Employees, and persons and business entities engaged in handling the investment of Authority funds.
- (b) “Authorized Collateral” means any means or method of securing the deposit of Authority funds authorized by Chapter 2257, Texas Government Code.
- (c) “Authorized Investment” means any security in which the Authority is authorized to invest under Chapter 2256, Texas Government Code.
- (d) “Board” means the Board of Directors of the Authority.
- (e) “Collateral” means any means or method of securing the deposit of Authority funds under Article IV hereof.
- (f) “Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- (g) “Director” means a person appointed to serve on the Board of Directors of the Authority.
- (h) “Employee” means any person employed by the Authority, but does not include independent contractors or professionals hired by the Authority as outside consultants, such as the Authority’s financial advisor, accountant or general counsel.
- (i) “FDIC” means the Federal Deposit Insurance Corporation or any successor entity.

- (j) “Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time.
- (k) “Investment Officer(s)” means the Director(s) or Employee(s) of the Authority appointed from time to time by the Board to invest and reinvest the funds of the Authority held in its various accounts.
- (l) “State” means the State of Texas.

**ARTICLE III
INVESTMENT OFFICER**

Section 3.01. Investment Officer.

From time to time, the Authority shall appoint one or more of its Directors or Employees to serve as Investment Officer(s) to handle the investment of Authority funds. The Investment Officer(s) shall be responsible for investing Authority funds in accordance with this Policy. The Investment Officer(s) shall invest the Authority’s funds, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived, with all investment decisions to be governed by the objectives set forth in Section 7.01 hereof.

Section 3.02. Training. The Investment Officer(s) shall attend training sessions and receive the number of hours of instruction as required by the Investment Act.

Section 3.03. Reporting by the Investment Officer and Authority Officials. Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer and Authority Officials shall prepare and submit to the Board a written report of the investment transactions for all funds of the Authority for the preceding reporting period. The report must (1) describe in detail the investment position of the Authority on the date of the report, (2) be prepared jointly by all the Investment Officers of the Authority, if the Authority appoints more than one, (3) be signed by all Investment Officers and Authority Officials who prepare the report, (4) contain a summary statement of each pooled fund group that states the beginning market value for the reporting period; ending market value for the period; and fully accrued interest for the reporting period; (5) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the Authority fund for which each individual investment was acquired, and (8) state the compliance of the investment portfolio as it relates to this Policy and the Investment Act.

Section 3.04. Assistance with Certain Duties of the Investment Officer. The Board hereby authorizes and directs the Authority Officials requested by the Investment Officer to assist the Investment Officer(s) with any of his/her duties, including but not limited to the following:

- (a) Presenting a copy of this Policy to any person or business organization seeking to sell an investment to the Authority and obtaining the necessary written certification from such seller referred to in this section;
- (b) Handling investment transactions;
- (c) Preparing and submitting to the Board the written report of all investment transactions for the Authority as required by this section;

- (d) Researching investment options and opportunities;
- (e) Obtaining written depository pledge agreements as required herein;
- (f) Obtaining safe-keeping receipts from the Texas financial institution which serves as a depository for pledged Collateral; and
- (g) Reviewing the market value of the Authority's investments and of the Collateral pledged to secure the Authority's funds.

ARTICLE IV PROCEDURES FOR INVESTMENT OF AUTHORITY MONIES

Section 4.01. Qualified Broker/Dealers. The list of qualified broker/dealers with whom the Authority may engage in investment transactions is attached hereto as **Exhibit A**.

Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with the Authority. The Investment Officer(s) and the Authority Officials shall disclose in writing (a) any "personal business relationship" with a business organization offering to engage in an investment transaction with the Authority and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any individual seeking to sell an investment to the Authority, as required by the Investment Act. The existence of a "personal business relationship" shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

Section 4.03. Certifications from Sellers of Investments. The Investment Officer(s) or the Authority Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with the Authority and obtain a certificate stating that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to the Authority and shall state that the potential seller has received and reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with the Authority that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Authority's entire portfolio or requires an interpretation of subjective investment standards. Neither the Investment Officer nor the Authority Officials shall purchase or make any investment from a potential seller that has not delivered to the Authority this required certification. A form of certificate acceptable to the Authority is attached hereto as **Exhibit B**.

Section 4.04. Solicitation of Bids for Certificates of Deposit. Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

Section 4.05. Settlement Basis. All purchases of investments, except investment in investment pools or in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all Authority investments and for all Collateral pledged to secure Authority funds shall be one approved by the Investment Officer(s).

Section 4.06. Monitoring of the Market Value of Investments and Collateral. The Investment Officer(s), with the help of such Authority Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of Authority funds at least quarterly and at a time as close as practicable to the closing of the reporting period for investments. Such values shall be included on the investment report. The following methods shall be used:

- (a) Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- (b) Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- (c) Other investment securities with a remaining maturity of one year or less may be valued in any of the following ways:
 - (1) the lower of two bids obtained from securities broker/dealers for such security;
 - (2) the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;
 - (3) the bid price published by any nationally recognized security pricing service; or
 - (4) the market value quoted by the seller of the security or the owner of such Collateral.
- (d) Other investment securities with a remaining maturity greater than one year shall be valued at the lower of two bids obtained from securities broker/dealers for such security, unless two bids are not available, in which case the securities may be valued in any manner provided in 4.06(c) hereof.

Section 4.07. Monitoring the Rating Changes in Investments. Consistent with Section 2256.021, Texas Government Code, as amended, the Investment Officer shall monitor all investments that require a minimum rating under subchapter A of Chapter 2256, Texas Government Code, as amended, such that any such investment that does not have the minimum rating shall no longer constitute an authorized investment. Such investments that do not have the required minimum rating shall be liquidated within 30 days of the investment's failure to maintain its required minimum rating.

ARTICLE V PROVISIONS APPLICABLE TO ALL FUNDS

Section 5.01. Provisions Applicable to All Fund Groups.

- (a) All funds of the Authority shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by bond resolutions or trust indentures of the Authority and applicable state law or federal tax law, including the Investment Laws.
- (b) The Board, by separate resolution, may provide that a designated officer or agent of the Authority may withdraw or transfer funds from and to accounts of the Authority only in compliance with this Policy.
- (c) No fund groups shall be pooled for the purposes of investment, e.g. the funds in the Operating Account and in the Project Account shall not be commingled or pooled for purposes of investment.

Section 5.02. Policy of Securing Deposits of Authority Funds -- Applicable to All Deposited Authority Funds.

- (a) The Authority recognizes that FDIC (or its successor) insurance is available for Authority funds deposited at any one Texas Financial Institution (including branch banks) only up to a maximum of \$250,000 (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders.¹ It is the policy of the Authority that all deposited funds in each of the Authority's accounts shall be insured by the FDIC, or its successor, and to the extent the deposit surpasses the FDIC Deposit Insurance Coverage limit at any given time, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.
- (b) If it is necessary for the Authority's depositories to pledge Collateral to secure the Authority's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide to the Investment Officer or Authority Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to the Authority. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any Authority funds in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and Authority Officials to proceed diligently to have such agreement approved and documented to assure protection of the Authority's funds. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the Authority's Executive Director shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.
- (c) Collateral pledged by a depository shall be held in safekeeping at an independent third party institution, and the Authority's Executive Director shall obtain safe-keeping receipts from the Texas financial institution or the safekeeping institution that reflect that Collateral as allowed by this Investment Policy and in the amount required was pledged to the Authority. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC's, or its successor's, insurance limits or the market value of the Collateral pledged as security for the Authority's deposits. It shall be acceptable for the Authority's Executive Director to periodically receive interest on deposits to be deposited to the credit of the Authority if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing, splitting or cotenancy of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and Authority Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Authority's Executive Director shall monitor the pledged

¹ The \$250,000 limit is temporary and may change from time to time under applicable law.

Collateral to assure that it is pledged only to the Authority, review the fair market value of the Collateral to ensure that the Authority's funds are fully secured, and report periodically to the Investment Officer and the Board regarding the Collateral.

- (d) The Authority's funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured by the pledge of any of the following:
- (1) Surety bonds;
 - (2) An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
 - (3) A general or special obligation that is (a) payable from taxes, revenues, or a combination of taxes and revenues and (b) issued by a state or political or governmental entity, agency, instrumentality or subdivision of the state, including a municipality, an institution of higher education as defined by Section 61.003, Texas Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital;
 - (4) A fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a "high-risk mortgage security" under the Collateral Act;
 - (5) A floating-rate collateralized mortgage obligation that does not constitute a "high-risk mortgage security" under the Collateral Act;
 - (6) A letter of credit issued by a federal home loan bank; or
 - (7) A security in which a public entity may invest under the Investment Act. As of the date of this Policy, the following are the securities in which a public entity may invest under the Investment Act and, therefore, may be used as Collateral:
 - (i) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
 - (ii) Direct obligations of the State of Texas or its agencies and instrumentalities;
 - (iii) Collateralized mortgage obligations directly issued by a federal agency or instrumentality or the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
 - (iv) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or the State of Texas or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

- (v) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
 - (vi) Certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas that are (1) guaranteed by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (2) secured by the obligations in which the Authority may invest under the Investment Act, or (3) secured in any other manner and amount provided by law for deposits of the Authority;
 - (vii) Certificates of deposit made in accordance with the following conditions: (1) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority; (2) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (3) the broker or the depository institution selected by the Authority under Subdivision (2) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (4) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (5) the depository institution selected by the Authority under Subdivision (2), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and Exchange Commission Rule 15c3-3 (17C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;
 - (viii) Repurchase agreements that comply with the Investment Act;
 - (ix) Bankers' acceptances that comply with the Investment Act;
 - (x) Commercial paper that complies with the Investment Act;
 - (xi) No-load money market mutual funds that comply with the Investment Act;
 - (xii) No-load mutual funds that comply with the Investment Act; and
 - (xiii) Guaranteed investment contracts that comply with the Investment Act.
- (e) Notwithstanding anything to the contrary provided above, the following may not be used as Collateral and are not authorized as investments for the Authority under the Investment Act:
- (1) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

- (2) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) Collateralized mortgage obligations that have a final stated maturity date of greater than 10 years other than those listed in Sections 5.02(d)(4) and 5.02(d)(5) above; or
- (4) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 5.03. Diversification. The Investment Officer may invest up to 100% of the funds of the Authority in any investment instrument authorized in this Policy.

ARTICLE VI AUTHORIZED INVESTMENTS

Section 6.01. Authorized Investments. Unless specifically prohibited by law or elsewhere by this Policy, Authority funds may be invested and reinvested only in the following types of investments:

- (a) Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- (b) Direct obligations of the State or its agencies and instrumentalities;
- (c) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (d) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities;
- (e) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- (f) Bonds issued, assumed, or guaranteed by the State of Israel;
- (g) Interest-bearing banking deposits that are guaranteed or insured by:
 - (1) The Federal Deposit Insurance Corporation or its successor; or
 - (2) The National Credit Union Share Insurance Fund or its successor;
- (h) Interest-bearing banking deposits other than those described by Subsection (g) if:
 - (1) The funds invested in the banking deposits are invested through (i) a broker with a main office or branch in this state and is selected from a list adopted by the Authority, or (ii) a depository institution with a main office or branch office in this state that the Authority selects;

- (2) The broker or depository institution selected as described by Subdivision (1) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the Authority's account;
 - (3) The full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and
 - (4) The Authority appoints as the Authority's custodian of the banking deposits issued for the Authority's account: (i) the depository institution selected as described by Subdivision (1); (ii) an entity described by Section 2257.041(d) of the Texas Government Code, as amended; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3.
- (i) Certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas that are (1) guaranteed by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (2) secured by the obligations in which the Authority may invest under the Investment Act, or (3) secured in any other manner and amount provided by law for deposits of the Authority;
 - (j) Certificates of deposit made in accordance with the following conditions: (1) (A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority, or (B) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (2) the broker or the depository institution selected by the Authority under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (4) the depository institution selected by the Authority under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and Exchange Commission Rule 15c3-3 (17C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;
 - (k) Repurchase agreements that comply with the Investment Act;
 - (l) Bankers' acceptances that comply with the Investment Act;
 - (m) Commercial paper that complies with the Investment Act;
 - (n) No-load money market mutual funds that comply with the Investment Act;
 - (o) No-load mutual funds that comply with the Investment Act;
 - (p) Investment Pools which meet the requirements set forth in Section 2256.016 and Section 2256.019 of the Texas Government Code, as amended, and which are specifically authorized by a resolution that is approved by the Board; and

- (q) With respect to bond proceeds, guaranteed investment contracts that comply with the Investment Act.

Section 6.02. Prohibited Investments. Notwithstanding anything to the contrary stated herein, no funds of the Authority may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

- (a) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's);
- (b) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's);
- (c) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (d) Collateralized mortgage obligations the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).

Section 6.03. Investment of Funds Held Under Trust Indentures. Anything in this Policy to the contrary notwithstanding, to the extent that any funds are held by a trustee under a trust indenture relating to the Authority's bonds, such funds may be invested as provided by the resolution authorizing the issuance of the bonds or the trust indenture.

ARTICLE VII INVESTMENT STRATEGIES

Section 7.01. Strategy Applicable to All Funds. The Authority's general investment strategy for all fund groups shall be to invest such monies from such fund groups so as to accomplish the following objectives, which are listed in the order of importance:

- (a) Understanding of the suitability of the investment to the financial requirements of the Authority;
- (b) Preservation and safety of principal;
- (c) Liquidity;
- (d) Marketability of the investment if the need arises to liquidate the investment before maturity;
- (e) Diversification of the investment portfolio; and
- (f) Yield.

Section 7.02. Investment Strategy for the Operating Account. Funds in the Operating Account shall be invested to meet the operating and cash flow requirements of the Authority as determined by the annual operating budget adopted by the Board. Operating funds shall not be invested for longer than three years.

**ARTICLE VIII
MISCELLANEOUS**

Section 8.01. Annual Review. The Authority shall review this Investment Policy at least annually and adopt a resolution confirming the continuance of the Investment Policy without amendment or adopt an Amended Investment Policy.

Section 8.02. Superseding Clause. This Policy supersedes any prior policies adopted by the Board of Directors regarding investment or securitization of Authority funds.

Section 8.03. Open Meeting. The Board officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Board, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public within the Authority and on a bulletin board located at a place convenient to the public in the City of Houston, Texas for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

[EXECUTION PAGE FOLLOWS]

Adopted on the 23rd day of September, 2019.

Edward Reyes

Lloyd Burke

Sylvia Cavazos

Richard Cantu

Fernando Zamarripa

Mario Castillo

EXHIBIT A
LIST OF AUTHORIZED BROKER/DEALERS

Allegiance Bank
Amegy Bank of Texas (Amegy Bank, N.A.)
American First National Bank
Bank of America Corporation
Bank of America, N.A.
Bank of OZK
Bank of Texas (BOKF, NA)
BBVA Compass Bank
Beal Bank
BOKF Financial
Capital Bank, N.A.
Capital One, N.A.
Capital Markets Group, Inc.
Cathay Bank
Central Bank
Chase Investments Services Corp.
Chasewood Bank
Citibank
City Bank
Comerica Bank
Commercial State Bank
CommunityBank of Texas, N.A.
CUNA
Edward Jones
Encore
Enterprise Bank and Trust Company
FirstBank & Trust Company
First Bank Texas
First Citizens Bank
First Community Bank, N.A.
First Financial Bank
First International Bank & Trust
First National Bank of Bastrop
First National Bank Texas
First Texas Bank
Fiserve, Inc.
Frost Bank
FTN Financial
Guaranty Bank and Trust
Green Bank, N.A.
Golden Bank, National Association
Hanmi Bank
Herring Bank
Hilltop Securities
HomeTown Bank, N.A.
Icon Bank
Independence Bank
Independent Bank

Integrity Bank
IBC Bank
Invesco
JPMorgan Chase & Co.
Chase Bank, N.A.
J.P. Morgan Securities LLC
Legacy Texas Bank
Legg Mason
LOGIC (Local Government Investment Cooperative)
Lone Star National Bank
Lone Star Investment Pool
LPL Financial Services
Masterson Advisors
Mercantil Commercebank, National Association
Merchants Bank
Metro Bank, National Association
Midkiff & Stone Capital Group, Inc.
MidSouth Bank
Moody National Bank
Morgan Stanley
Morgan Stanley Wealth Management
New First National Bank
Northern Trust, National Association
Omnibank National Association
Patriot Bank
Plains State Bank
Post Oak Bank
Preferred Bank
Prime Way Federal Credit Union
Prosperity Bank
Prudential Equity Group
Raymond James
RBC Wealth Management USA
Regions Bank
Regions Financial Corporation
Security State Bank
Southwestern National Bank
Spirit of Texas Bank
State Bank of Texas
State Street Bank & Trust Co.
TexSTAR
Texan Bank
Texas Capital Bank, National Association
Texas Citizens Bank
Texas CLASS
Texas Community Bank
Texas First Bank
Texas Gulf Bank
Texas State Bank
TIB – The Independent BankersBank
TexPool/TexPool Prime

The Bank of River Oaks
Tri Star Financial
Trustmark National Bank
U.S. Bank National Association
UBS Financial Services, Inc.
Unity National Bank
Vista Bank
Wallis State Bank
Wells Fargo Advisors, LLC
Wells Fargo Bank, N.A.
Whitney Bank
Woodforest National Bank

EXHIBIT B

**CERTIFICATE OF COMPLIANCE FROM SELLERS OF
INVESTMENTS AS REQUIRED BY THE PUBLIC FUNDS INVESTMENT ACT**

To: Hardy/ Near Northside Redevelopment Authority (the "Authority")

From:

[Name of the person offering or the "qualified representative of the business organization" offering to engage in an investment transaction with the Authority] _____ [Office such person holds]

of _____ (the "Business Organization")
[name of financial institution, business organization or investment pool]

Date: _____, 20__

In accordance with the provisions of Chapter 2256 of the Texas Government Code, I hereby certify that:

1. I am an individual offering to enter into an investment transaction with the Authority or a "qualified representative" of the Business Organization offering to enter an investment transaction with the Authority, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to the Authority investments that comply with the Authority's Investment Policy and the Investment Act (collectively referred to herein as the "Investments") dated _____ (the "Investment Policy").
3. I or a registered investment professional that services the Authority's account, as applicable, have received and reviewed the Investment Policy, which the Authority has represented is the complete Investment Policy of the Authority now in full force and effect. The Authority has further acknowledged that I or the Business Organization, as applicable, may rely upon the Investment Policy until the Authority provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy.
4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls in an effort to preclude investment transactions between the Authority and me or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of the Authority's entire portfolio or requires an interpretation of subjective investment standards.
5. I or the Business Organization, as applicable, have/has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to the Authority and determined (i) that each of the Investments is an authorized investment for local governments under the Investment Act and (ii) each of the Investments is an authorized

investment under the Investment Policy. The Business Organization makes no representation as to whether any limits on the amount of Authority monies to be invested in the Investments exceeds or in any way violates the Investment Policy.

6. The Business Organization makes no representations or guarantees regarding the prudence, reasonableness or adequacy of the Investment Policy.
7. The Business Organization has attached hereto, for return to the Authority, or will provide a prospectus or disclosure document for each of the Investments other than certificates of deposit and direct obligations of the United States.

By: _____

Name: _____

Title: _____

MEMORANDUM

Date: September 23, 2019

To: Board of Directors
Hardy/Near Northside Redevelopment Authority (the "Authority")

Copy: Board of Directors
Attorney for the Authority
Bookkeeper for the Authority
Texas Ethics Commission

From: Lloyd Burke, Investment Officer
John Madsen, Bookkeeper

Subject: DISCLOSURE UNDER THE PUBLIC FUNDS INVESTMENT ACT

As investment officer/bookkeeper for the Authority, I submit this disclosure of my relationships with entities or individuals who are offering, have offered, or may offer to engage in an investment transaction with the Authority as of the date of this memorandum, in compliance with the Public Funds Investment Act and with the Authority's Investment Policy.

1. I have the following "personal business relationships" with individuals or entities who are offering to engage, have offered to engage or may offer to engage in an investment transaction with the District:

(a) I own (i) ten per cent (10%) or more of the voting stock or shares or (b) \$5,000 or more of the fair market value of the following business organizations:

(b) I have received from the following business organizations funds that exceed ten percent (10%) of my gross income for the previous year:

(c) During the previous year, I acquired for my personal account investments with a book value of \$2,500 or more from the following business organizations:

2. I am related within the second degree of affinity (marriage) or consanguinity (blood) as determined by Chapter 573, Government Code, to the following individuals who are seeking, have sought or may seek to sell an investment to the District:

(SIGNATURE)

STATE OF TEXAS
COUNTY OF HARRIS

Agreement for Services of Tax Consultant

THIS AGREEMENT, made and entered into as of this ____ day of _____, 2018, by and between

HARDY / NEAR NORTHSIDE REDEVELOPMENT AUTHORITY TIRZ #21

(the Authority) and Equi-Tax Inc. (hereinafter referred to as Consultant) in consideration of the mutual covenants and agreements herein contained the parties hereto agree as follows:

I. TERM OF AGREEMENT

The Authority hereby employs Equi-Tax Inc. as the Authority's Tax Consultant for the term beginning _____, 2019 through _____, 2020 , and thereafter from year to year, pursuant to terms and conditions hereof, unless this agreement be terminated as hereinafter provided or modified or superseded by written agreement between the parties hereto.

Either party may terminate this agreement hereto, with or without cause, by written notice to the other party, with such termination to be effective as of the end of the month next succeeding the receipt of such notice. Consultant shall be paid in full and reimbursed in full for all fees and expenses incurred on behalf of the Authority through the date of such termination.

II. CONSULTANT SERVICES

1. Services Related To Review and Correction of Tax Roll
 - A. Review changes to the Authority's base year certified taxable value.
 - B. Coordinate with the Appraisal District on the contractual agreements for rendering / non-protesting property between developers and the Authority.
 - C. Review the preliminary and certified tax rolls for new properties and new development to ensure they are properly coded to the Authority.

2. Staff Support Services

- A. Work closely with Executive Director and Board of Directors to monitor development within the Authority and coordinate with Harris County Appraisal District.
- B. Work with Financial Advisor in preparation of tax section of bond documents.
- C. Be an available resource to the staff for information relative to ad valorem tax procedures.

3. Bond Documents

- A. Provide list of top ten taxpayers.
- B. Provide historical data regarding tax rates.
- C. Provide historical certified taxable value and incremental taxable value.
- D. Provide a Certificate of Taxable Value as reflected on the certified appraisal rolls of the Appraisal District.

4. Continuing Disclosure Audit

- A. Provide current tax information.
- B. Provide information regarding material changes in incremental taxable values.
- C. Provide list of principal taxpayers by total value and type of property assessed.

5. Strategic Planning

- A. Monitor City, County, and School District tax data.
- B. Provide periodic reports of incremental values.
- C. Monitor changes in base year taxable value.
- D. Maintain tracking system for contractual agreements with developers.
- E. Create and maintain a district reference book with historical data and district maps produced by GIS.

6. Recurring Services:

Maintain database including:

- a. Update property owners' names and addresses.
- b. Retain legal description of real property.
- c. Track new or split properties in the boundaries to be added.
- d. Obtain preliminary values of properties for review and correction.
- e. Monitor taxable values as reflected on the appraisal district records.
- f. Serve as liaison between the appraisal district and the Authority.
- g. Manage certified roll to determine assessed value and net taxable value.
- h. Calculate the incremental value for comparison with the City of Houston.
- i. Providing timely reports to the Executive Director or designated representative.
- j. Execute special mailings as may be required from time to time by the Board of Directors at the cost of printing, mailing and handling.

III. COMPENSATION

1. Monthly Fee

The monthly fee is based upon the number of accounts within the Authority on January first of each year. The current fee is based upon 519 items on the tax roll @ \$0.30 per item = \$155.70 per month, effective with the date of this agreement. This fee includes all computer resources, purchase of data and office supplies, and all out-of-pocket expenses. The fee will be adjusted each year on January first to reflect the number of items on the current year's tax rolls.

2. Services Related to the Sale of Bonds

- A. Bond document tax data: includes estimated taxable value, principal taxpayer analysis, historical tax rates, levy, collection data, comfort letter, and use of the Equi-Tax Inc. name in bond documents.

Cost Per Bond Sale \$2,000.00

- B. Certificate of Taxable Value based upon the tax appraisal records of the Appraisal District.

Cost Per Estimate \$1,000.00

- C. Continuing Disclosure Audit providing updated information regarding tax base, collections, delinquencies and principal taxpayers for publication in disclosure documents.

Cost Per Audit \$ 300.00

3. Additional Services

- A. Services other than those specified in this agreement and authorized in advance shall be billed at the rate of \$95.00 per hour including providing expert testimony on behalf of the Authority at special challenge hearings before the Appraisal District Appraisal Review Board.
- B. Attendance at special meetings at the request of the Board of Directors will be charged at the rate of \$100.00 per meeting.

IV. AUTHORITY RESPONSIBILITIES

To aid the Consultant in performing the services under this Agreement it will be necessary for the Authority to provide certain information and documents that are in, or will come into, its possession from time to time. The Authority agrees to use its best efforts to provide the Consultant with the following:

- A. Boundary maps of the original area and annexed areas.
- B. Copies of collection reports received from the City of Houston.
- C. Copies of any reports received from HCAD.
- D. Copies of any agreements that affect the collection of ad valorem taxes.
- E. Copies of Interlocal Agreements.

V. OWNERSHIP OF RECORDS

All records prepared and maintained by the Consultant in connection with the execution of the duties and services under this Agreement shall be the property of the Authority and shall be surrendered to the Authority's authorized agent upon termination of this Agreement.

VI. OTHER EMPLOYMENT

This Agreement shall not prohibit or prevent Consultant or any representative of the Consultant from accepting employment by and performing services for individuals or organizations other than the Authority in whatever capacity, provided, however, that such employment does not interfere with the proper performance of his duties, express and implied, as Consultant.

VII. FOREIGN TERRORIST ORGANIZATIONS

Iran, Sudan and Foreign Terrorist Organizations Equi-Tax Inc. represents that, to the extent this Agreement constitutes a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, neither Equi-Tax Inc., nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of Equi-Tax Inc. (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

VIII. EXECUTION

IN TESTIMONY WHEREOF, this Agreement has been executed in multiple originals for and on behalf of the Authority by the Chairman and attested by the Secretary of its Board of Directors and by Consultant as of the day and year above first written.

Chairman
Tax Increment Reinvestment Zone No. 21

ATTEST:

Secretary to the Board of Directors

Kenneth R. Byrd, President
Equi-Tax Inc.

City of Houston