



Gulf Coast Protection District

Annual Report - 2024

*Submitted to the Texas Legislature, the Legislative Budget Board,
the Texas General Land Office, and the Commissioners Courts of
Chambers, Galveston, Harris, Jefferson, and Orange Counties*

March 2025

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1. Introduction

In accordance with its authorizing legislation, Senate Bill (SB) 1160 (87th regular legislative session), as codified in Chapter 9502 Texas Special District Local Laws Code (the “Enabling Legislation”), the Gulf Coast Protection District (GCPD) shall annually submit a report to the Texas Legislature, the Legislative Budget Board, the Texas General Land Office (GLO), and the commissioners courts of Chambers, Galveston, Harris, Jefferson, and Orange counties. The report must:

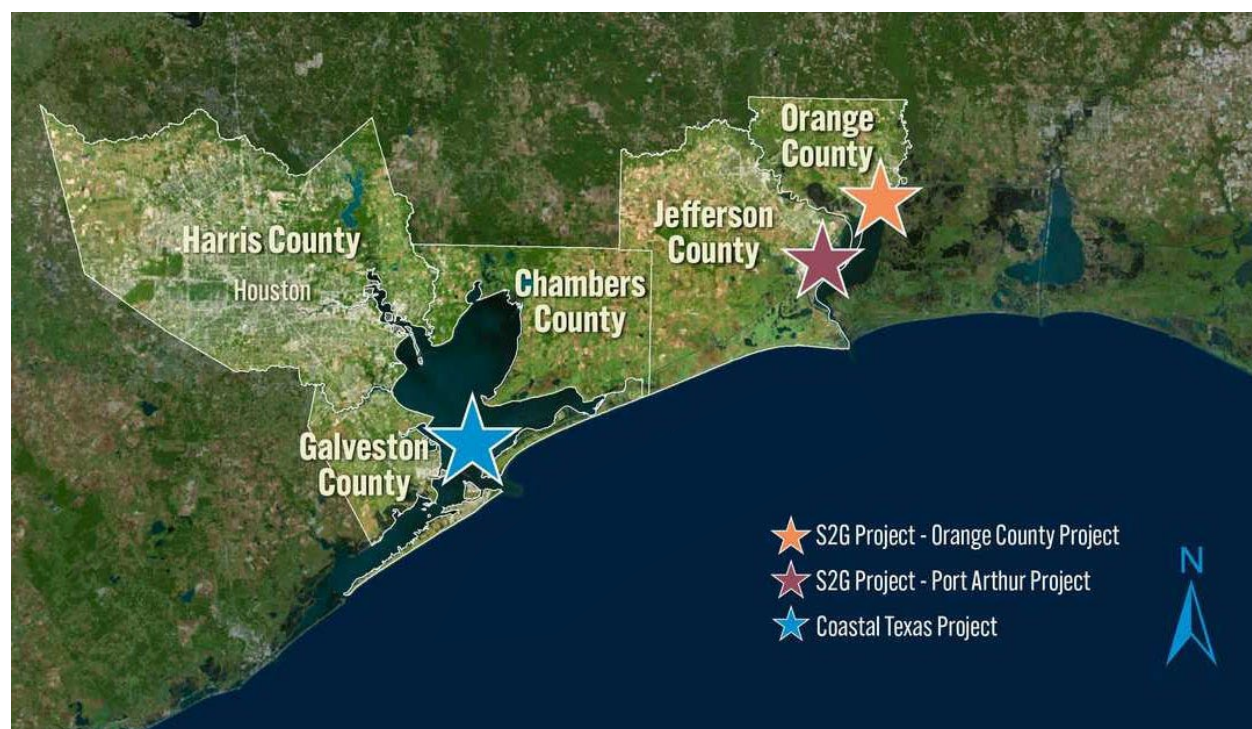
1. describe the District’s financial condition and operations during the preceding year;
2. propose a budget for the following year; and
3. describe generally the work proposed for the following year.

Included herein is the GCPD’s annual report covering the period from January 1, 2024 through December 31, 2024. Questions related to this report should be directed to John Coalter Baker, Jr., Executive Director. More information on the GPCD can be found at www.gcpdtexas.com.

2. District Overview

Along the Texas coast, vital resources critical to the social, economic, and environmental welfare of the nation are at risk. When coastal storms damage homes, businesses, industry, infrastructure, and the natural environments of the Texas coast, the immediate fallout and the continued aftermath affect not only the people who live in these coastal counties, but also the entire State of Texas and the nation as a whole.

The GCPD was created in 2021 by the 87th regular Texas Legislature to oversee the implementation of an integrated and comprehensive coastal resilience strategy for the upper Texas coast. Specifically, this includes assuming the role of non-federal sponsor for portions of the federally-funded, and U.S. Army Corps of Engineers (USACE)-led, Coastal Texas Project and Sabine Pass to Galveston Bay (S2G) Project.



These projects represent a systemwide risk management strategy for the coastline of Texas, employing multiple lines of defense to reduce the risk of coastal storm surge to people and property and to restore degraded coastal ecosystems. Focused on redundancy and robustness, the proposed system of improvements will increase the State's ability to withstand and recover from coastal storms, to adapt to changing sea levels, and to maintain critical social, economic, and support systems which serve both Texas and the entire nation. This includes safeguarding the region's nationally significant energy, petro-chemical, national defense, and manufacturing facilities, and preventing significant and long-lasting disruptions to global supply chains.

The GCPD contains approximately 5,220 square miles of land covering Chambers, Galveston, Harris, Jefferson, and Orange counties. Upon completion of construction, the GCPD will operate and maintain select improvements in conjunction with local jurisdictions.

Specific to the execution of its responsibilities, the GCPD has established the following high-level goals and priorities:

- **Partnership Driven:** The GCPD shall partner closely with local, state, and federal entities to collaboratively deliver the Coastal Texas and S2G projects for the benefit of local communities, the entire State of Texas, and the nation at large.
- **Community Focused:** The GCPD shall emphasize engaging and partnering with local communities and interested stakeholders to develop community supported projects which responsibly address the needs and concerns of at-risk and impacted parties.
- **Performance Oriented:** The GCPD shall focus on collaborating with the USACE in the design of efficient and effective projects, meeting established performance standards, in full compliance with all environmental laws and regulations. The GCPD shall advocate for, and support, the USACE in expediting project sequencing and delivery to deliver benefits as quickly as possible and to minimize total project cost.
- **Equitably Structured:** The GCPD shall focus on developing an equitable and sustainable model for funding the non-federal design and construction cost share in addition to any future operations and maintenance costs.

2.1. Enabling Legislation / Statutory Authority

The GCPD was created by the Texas Legislature in 2021 (87th regular legislative session) pursuant to the Enabling Legislation, which was authored by Senator Larry Taylor and sponsored by Representative Dennis Paul. The Enabling Legislation established the GCPD as a special district under Section 59, Article XVI, Texas Constitution. The GCPD was created as an instrumentality for implementing large-scale coastal protection projects within the established District territory, comprised of Chambers, Galveston, Harris, Jefferson, and Orange counties, and within any territory annexed by the District pursuant to the Enabling Legislation. Specifically, these projects were identified as the Sabine Pass to Galveston Bay, Texas, Coastal Storm Risk Management and Ecosystem Restoration Final Integrated Feasibility Report – Environmental Impact Statement (the “S2G Project”) and the Coastal Texas Protection and Restoration Study and Environmental Impact Statement (the “Coastal Texas Project”).

The Enabling Legislation explicitly grants the GCPD powers to:

- establish, construct, extend, maintain, operate, or improve a coastal barrier or storm surge gate,
- establish, construct, maintain, or operate portions of the Coastal Texas Project and the S2G Project,



Our Mission: To protect Texas Gulf Coast communities, the environment, and economic activity from storm surge

- provide interior drainage remediation or improvements to reduce additional flood risk for a component of the Coastal Texas Project and the S2G Project, where additional flood risk results from the design or construction of the project, and
- establish, construct, and maintain recreational facilities for public use and environmental mitigation facilities related to the Coastal Texas Project and the S2G Project.

The Enabling Legislation provides the GCPD the authority to issue bonds, impose fees, impose an ad valorem tax, and utilize the power of eminent domain in limited circumstances, pursuant to the established mission of the District.

Specific to funding, the GCPD must hold an election to obtain voter approval before the District may impose an ad valorem tax or issue bonds payable from ad valorem taxes. The GCPD is prohibited from imposing a tax rate greater than 5 cents on each \$100 of taxable assessed value. The District may also, without voter approval, issue bonds, notes, or other obligations secured by revenue other than ad valorem taxes. In cooperation with the GLO, or another state agency, the GCPD can accept funding directly appropriated by the Texas Legislature.

Specific to land acquisition, the GCPD may acquire property appropriate for the exercise of the District's functions. The District will attempt to acquire property voluntarily first. In the event eminent domain authority must be exercised, eminent domain actions will be conducted under Chapter 21 of the Texas Property Code, recognizing the Texas Landowner's Bill of Rights. The Enabling Legislation also sets restrictions on the District's eminent domain authority, prohibiting it from exercising the power of eminent domain to acquire property owned or operated by a port authority, navigation district, drainage district, or common carrier railroad.

The GCPD is also granted the authority to enter into design agreements, project partnership agreements, or other similar agreements with the USACE in relation to the Coastal Texas Project or the S2G Project, which is a requirement for these projects to move forward. Furthermore, the GCPD may enter into cooperative agreements with a political subdivision, a state agency, or another federal agency for a purpose related to the Coastal Texas Project or the S2G Project. This includes the authority to enter into interlocal agreements with political subdivisions and the ability to accept or assign the rights or obligations in an existing design agreement or an existing project partnership agreement between the political subdivision and the USACE. Similarly, the GCPD and another governmental entity may enter into contracts with each other, including in relation to the funding of and/or operation and maintenance of the Coastal Texas Project or the S2G Project.

2.2. Organizational Structure

The GCPD is governed by an eleven-member Board of Directors and managed by an Executive Director. The commissioners courts of Chambers County, Galveston County, Harris County, Jefferson County, and Orange County each shall appoint one director. The Governor, with the advice and consent of the Senate, shall appoint six directors as follows:

- two directors to represent Harris County, in addition to the member appointed by the Harris County Commissioners Court,
- one director to represent a municipality in the District,
- one director to represent ports,
- one director to represent industry, and
- one director to represent environmental concerns.

Directors serve staggered four-year terms. When a director's term expires, the appointing entity shall appoint a successor. In addition, the Board of Directors shall elect a presiding officer from among the directors to serve in that position for two-year terms, provided that no presiding officer may serve for more than two consecutive terms.

As of December 31, 2024, the following members serve on the GCPD Board of Directors:

Table 1: GCPD Board of Directors

Name	Role	Appointment	Term Expires
Michel Bechtel	President	Governor appointment, to represent Harris County	June 16, 2025
Robert Mitchell	Vice President	Governor appointment, to represent Harris County	June 16, 2025
Sally Bakko	Secretary	Governor appointment, to represent a municipality in the district	June 16, 2025
Roger Guenther	Director	Governor appointment, to represent ports	June 16, 2025
Sharon Hulgan	Director	Governor appointment, to represent industry	June 16, 2025
Lori Traweek	Director	Governor appointment, to represent environmental concerns	June 16, 2025
Billy Combs	Director	Chambers County appointment	June 16, 2027
Larry Taylor	Assistant Secretary	Galveston County appointment	June 16, 2027
Tina Petersen	Director	Harris County appointment	June 16, 2027
Allan Ritter	Director	Jefferson County appointment	June 16, 2027
Kirk Roccaforte	Director	Orange County appointment	June 16, 2027

The Board of Directors generally meets on the second Wednesday of each month at 10:00 a.m. The Board of Directors invites all members of the public to attend its meetings. In addition, all meetings are live-streamed online on the GCPD website. Agendas for Board of Directors meetings are posted on the GCPD website.

John Coalter Baker, Jr. is the Executive Director of the GCPD. The Executive Director is responsible for the day-to-day management of the District and reports directly to the Board of Directors.

2.3. Relevant Legislative History

The following section summarizes the applicable legislative history, at the state level, as it relates to the GCPD, the S2G Project, and the Coastal Texas Project.

In 2019, the 86th regular session of the Texas Legislature advanced the S2G Project in two pieces of legislation:

- [SB 2212](#), authored by Senator Larry Taylor, allowed Jefferson County Drainage District No. 7 (DD7), the Velasco Drainage District (VDD), and the Orange County Drainage District (OCDD) to become non-federal sponsors and to sign project partnership agreements with the USACE.
- [SB 500](#), a supplemental budget bill introduced by Senator Jane Nelson, appropriated \$200M for the purpose of meeting any non-federal cost-sharing obligations for the S2G Project.

In 2021, the 87th regular session of the Texas Legislature advanced the Coastal Texas Project and the S2G Project in two pieces of legislation:

- [SB 1160](#), authored by Senator Larry Taylor, created the GCPD to be the non-federal sponsor for portions of the Coastal Texas Project and the S2G Project, including coastal storm risk management components within the District's territory.
- [SB 1](#), the general budget bill introduced by Senator Jane Nelson, appropriated \$200 million for Coastal Texas Project and S2G Project programmatic expenses, including non-federal cost sharing obligations, and for GCPD's administrative costs.

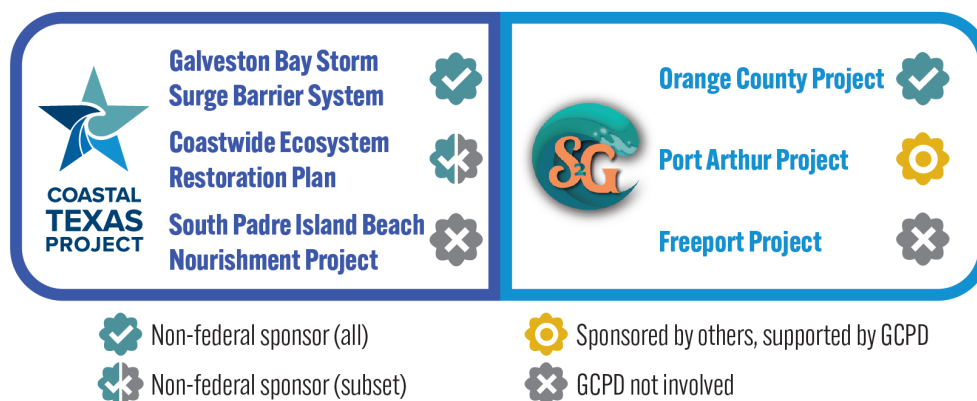
In 2023, the 88th regular session of the Texas Legislature advanced the Coastal Texas Project and the S2G Project in two pieces of legislation:

- [HB1](#), the general appropriations bill advanced by Chairs Bonnen and Huffman, appropriated \$550M for Coastal Texas Project and S2G Project programmatic expenses, including non-federal cost sharing obligations, and for GCPD’s administrative costs.
- [HB 5409](#), amended the District’s Enabling Legislation to clarify procedures related to the composition of the Board of Directors should additional counties elect to join the GCPD.

3. GCPD Projects Overview

The GCPD currently serves or will serve as the non-federal sponsor for portions of the Coastal Texas Project and the S2G Project. Specifically, as illustrated below, this includes serving as the non-federal sponsor for the Galveston Bay Storm Surge Barrier System and the Bolivar Peninsula and West Bay Gulf Intracoastal Waterway (GIWW) Shoreline and Island Protection ecosystem restoration feature (both parts of the Coastal Texas Project) and the Orange County Project (part of the S2G Project). In addition, while not the non-federal sponsor, the GCPD supports DD7 by administering and distributing funding received/collected by the GCPD for the purpose of the Port Arthur Project. Additional information on each project is provided below.

GCPD’s Role in the Coastal Texas and S2G Projects



3.1. Coastal Texas Project

The [Coastal Texas Project](#) includes a combination of ecosystem restoration and coastal storm risk management features that function as a system to reduce the risk of coastal storm surge to people and property and to restore degraded coastal ecosystems through a comprehensive approach employing multiple lines of defense. Focused on redundancy and robustness, the proposed system provides increased resiliency along the Texas coast and is adaptable to future conditions, including relative sea level change.

The Coastal Texas Project can be broken into three groupings, as follows:

- on the upper Texas coast, the **Galveston Bay Storm Surge Barrier System** was formulated as a system with multiple lines of defense to reduce damage to communities, critical petrochemical and refinery complexes, federal navigation channels, and other existing infrastructure in and around Galveston Bay from storm surge. The GCPD is serving as the non-federal sponsor for these projects.
- a **Coastwide Ecosystem Restoration Plan** was formulated to restore degraded ecosystems that buffer communities and industry on the Texas coast from erosion, subsidence, and storm losses. This consists of a combination of ecosystem restoration measures proposed at eight locations along the coast, and includes approximately 114 miles of breakwaters, 15 miles of bird rookery islands, 2,000 acres of marsh, 12 miles of oyster reef, and almost 20 miles of beach and dune. The GLO is serving as the primary non-federal sponsor for seven of the eight ecosystems restoration projects, with the

GCPD serving as non-federal sponsor for the Bolivar Peninsula and West Bay GIWW Shoreline and Island Protection ecosystem restoration feature.

- on the lower Texas coast, the **South Padre Island Beach Nourishment Project** was formulated to include 2.9 miles of beach nourishment and sediment management. The plan proposes beach nourishment on a 10-year cycle for the authorized project life of 50 years. The GLO is serving as the non-federal sponsor for this project.

The various components of the Coastal Texas Project are illustrated in Figure 1 below. As discussed previously, the GCPD is serving as the non-federal sponsor for the Galveston Bay Storm Surge Barrier System and the Bolivar Peninsula and West Bay GIWW Shoreline and Island Protection ecosystem restoration feature.

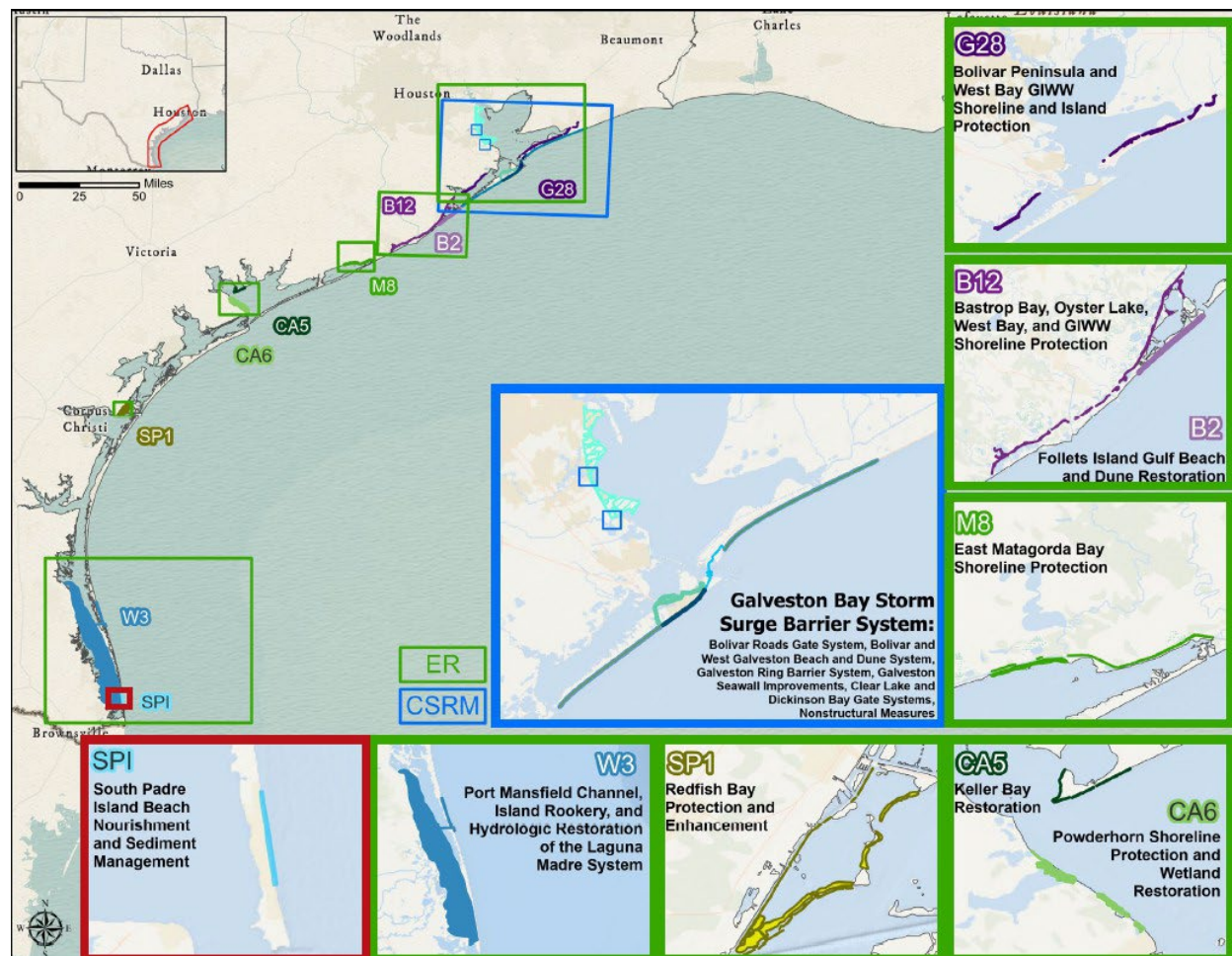


Figure 1: Coastal Texas Project Overview Map

Specific to the GCPD's responsibilities, the Galveston Bay Storm Surge Barrier System includes:

- the Bolivar Roads Gate System, across the entrance to the Houston Ship Channel, between Bolivar Peninsula and Galveston Island.
- 43 miles of beach and dune segments on Bolivar Peninsula and West Galveston Island that work with the Bolivar Roads Gate System to form a continuous line of defense against storm surge, preventing or reducing the volume of storm surge that would enter the bay system.
- improvements to the existing 10-mile Seawall on Galveston Island to complete the continuous line of defense against storm surge.

- an 18-mile Galveston Ring Barrier System that impedes bay waters from flooding neighborhoods, businesses, and critical health facilities within the City of Galveston.
- two surge gates on the west perimeter of Galveston Bay (at Clear Lake and Dickinson Bay) to reduce surge volumes that push into neighborhoods around the critical industrial facilities that line Galveston Bay.
- Complementary non-structural measures, such as home elevations or floodproofing, to further reduce bay-surge risks along the western perimeter of Galveston Bay.

And the Bolivar Peninsula and West Bay GIWW Shoreline and Island Protection ecosystem restoration feature includes:

- Approximately 35 miles of shoreline protection breakwater
- Approximately 200 acres of marsh nourishment
- Approximately 20 acres of oyster reef creation
- Approximately 325 acres of island restoration

Additional information on the Coastal Texas Project can be found at www.coastaltexasproject.com.

PROJECT STATUS: The Coastal Texas Project was authorized by Congress for design and construction as part of Section 8401 of the Water Resources Development Act (WRDA) of 2022. On July 12, 2023, the USACE and GCPD signed a Memorandum of Understanding (MOU) to partner on design activities for the Coastal Texas Project. And on August 1, 2024, the USACE and GCPD signed a Design Agreement (DA) for the Coastal Texas Project. Prior to initiation of the first construction contract, the USACE and GCPD will still need to execute a Project Partnership Agreement (PPA) for the Coastal Texas Project. Initial federal funding in the amount of \$500,000 was provided in the summer of 2024 as part of the 2024 USACE Work Plan. This funding supports the initiation of preconstruction, engineering, and design for Coastal Texas Project's envisioned first construction contract. Subsequently, as work-in-kind, GCPD and GLO have embarked on the design of the envisioned first construction contract, an initial segment of the Bolivar Peninsula and West Bay GIWW Shoreline and Island Protection ecosystem restoration feature. Design completion is targeted for 2026, which would facilitate the award of the first construction contract for the Coastal Texas Project, pending a "New Start" designation and federal construction funding.

The GCPD is also currently negotiating a MOU with USACE to partner on construction activities, in addition to a Design Agreement Amendment with USACE which would allow for the acceleration of non-federal dollars to USACE to advance the design of the Coastal Texas Project. Furthermore, in the 2024 calendar year the GCPD has also initiated sediment source studies (in partnership with the GLO) and a gate alternatives study (in partnership with Texas A&M University at Galveston). And in 2025 and/or 2026, the GCPD, GLO, and USACE intend to move out on design and environmental compliance actions associated with the Bolivar Peninsula and West Galveston Beach and Dune systems and the Bolivar Roads Gate System.

The pace of future implementation activities will depend on the scale of federal funding which is received or appropriated. Critically, funding provided by the Texas Legislature will serve as the required non-federal share for initial design and construction activities, facilitating immediate action prior to and immediately following the receipt of additional federal funding. Also, as discussed above, State funding may also be used to initiate or accelerate project activities in advance of the receipt of federal funding.

3.2. Sabine Pass to Galveston Bay Project

The [S2G Project](#) is comprised of three unique projects: improvements to existing hurricane flood protection systems in the Freeport area (the Freeport Project) and the Port Arthur area (the Port Arthur Project), as well as the construction of a new coastal storm risk management system in Orange County (the Orange County Project). The objectives of the overall S2G Project include:

- reducing risks to human life from coastal storm surge,
- reducing economic damages to residents, businesses, and infrastructure,
- enhancing energy security by reducing storm surge risk to petrochemical facilities, and
- reducing adverse physical economic impacts to waterways used for recreational and commercial purposes.

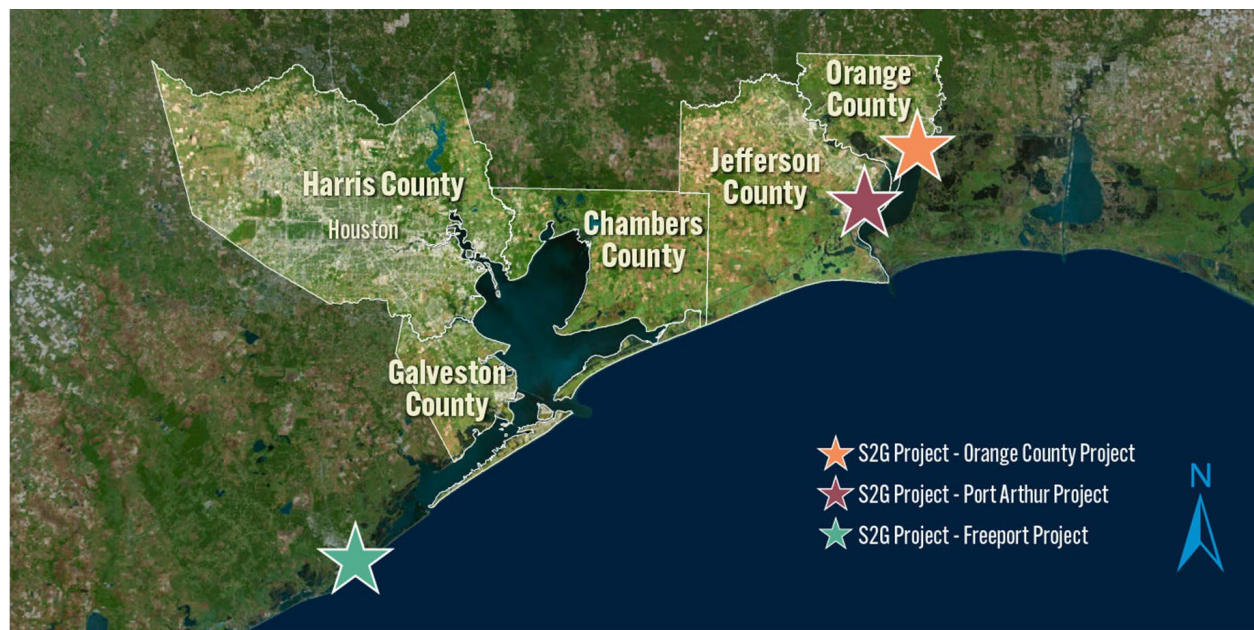


Figure 2: S2G Project Overview Map

The GCPD serves as the non-federal sponsor for the Orange County Project only. As discussed above, DD7 serves as the non-federal sponsor for the Port Arthur Project, with support from the GCPD. The GCPD has no responsibility for the Freeport Project, as Brazoria County is not part of the GCPD. VDD serves as the non-federal sponsor for the Freeport Project. Additional information on the Orange County Project and the Port Arthur Project is provided in the following sections, and at <https://sabine-to-galveston-usace-swg.hub.arcgis.com>.

PROJECT STATUS: The S2G Project was authorized by Congress as part of WRDA 2018 and funded for design and construction by the Bipartisan Budget Act of 2018. Detailed status updates for the Orange County Project and the Port Arthur Project are provided in Sections 3.3 and 3.4.

3.3. The Orange County Project

When coastal storms hit Orange County, storm surge from the Gulf of Mexico moves north through Sabine Lake and the Sabine River and inundates the low-lying areas of Orange County. The [Orange County Project](#) will involve the construction of a levee/floodwall system to reduce the risk of storm surge and flooding that can impact most of Orange County, as well as its critical industrial facilities. Specific features authorized for design and construction as part of the Orange County Project include:

- new earthen levees,
- new concrete floodwalls,
- new gravity drainage structures and pump stations, providing interior drainage for areas behind the levee/floodwall,
- closure structures/gates located at road and railroad crossings,
- navigable sector gates, with adjacent vertical lift gates, at Adams and Cow Bayous, and
- restoration of coastal marsh and preservation of wetlands, as mitigation for the ecosystem values lost due to the construction and operation of the project.

Importantly, the Orange County Project is being designed to reduce the risk of flooding from coastal storm surge, while not increasing the impacts from local rainfall flood events within Orange County.

PROJECT STATUS: The Project Partnership Agreement between USACE and the GCPD was executed on April 29, 2022. The Orange County Project is currently in the design phase. In this phase, the engineering design of the project is advanced and necessary environmental reviews and approvals are secured. Accomplishments in 2024 include:

- performing system-wide geotechnical investigations,
- performing system-wide Phase 2 environmental site assessments,
- performing supplemental interior drainage modeling,
- preparing preliminary designs and cost estimates for all system features,
- advancing final plans, specifications, and cost estimates for three initial construction contracts,
- preparing environmental documentation (Supplemental Environmental Assessment [SEA] for early start contracts, and Supplemental Environmental Impact Statement [EIS] for the entire project) and performing agency coordination,
- performing cultural resources investigations and agency coordination,
- coordinating with project partners, stakeholders, and impacted parties, and
- preparing a Post Authorization Change Report.

Following USACE approvals and environmental clearance (the SEA), it is anticipated that three initial construction contracts will be awarded in 2026. In addition, it is anticipated that final design contracts for the next five construction contracts will be awarded in 2025, leading to additional construction commencing in the 2028 timeframe, following completion of the Supplemental EIS.

3.4. The Port Arthur Project

Authorized by the Flood Control Act of 1962, the existing Port Arthur hurricane flood protection system consists of approximately 32 miles of levees, floodwalls, and associated coastal storm risk management infrastructure, which are operated and maintained by the non-federal sponsor, DD7. In the face of stronger storms and rising seas, improvements are necessary to increase the level of protection (risk reduction) provided by the system. Specific features authorized for design and construction as part of the [Port Arthur Project](#) include:

- the raising of approximately 16 miles of existing levees,
- the addition or reconstruction of approximately 6 miles of floodwall and associated tie-in structures,
- the construction of approximately 2 miles of new earthen levee,
- the construction of a new pump station at Rodair gully,
- the replacement of 20 closure structures located at road and railroad crossings, and
- erosion protection improvements at multiple locations.

Wherever possible, improvements will be constructed within the footprint of the existing hurricane flood protection system (and within DD7 easements/rights-of-way). Furthermore, the Port Arthur Project is being designed to reduce the risk of flooding from coastal storm surge, while not increasing the impacts from local rainfall flood events within the Port Arthur area.

PROJECT STATUS: The Project Partnership Agreement between USACE and the DD7 was executed on November 29, 2019. The Port Arthur Project is currently in the Construction phase. In this phase, multiple separate construction contracts are being awarded to construct different segments of the project. Accomplishments in 2024 include:

- closing out Contract PAV01 (for levee raise),
- bid, award, and construction progress on Contract PAV03A (for fronting protection),
- bid and upcoming award (in 2025) of Contract PAV04,

- continuing utility relocations on various contracts,
- initiation of utility relocations on Contract PAV03B and Contract PAV03C,
- preparation and approval of a Supplemental Environmental Assessment for the project,
- coordinating with USACE on HTRW policy and approvals,
- performing HTRW related site investigations and laboratory testing,
- advancing design on Contract PAV03A.1, PAV03, PAV03B, PAV03C, PAV03D, and PAV05, and
- preparation of a Post Authorization Change Report.

The Project Team anticipates advertising additional construction contracts in 2025 (PAV03A.1 and PAV03) and 2026 (PAV03B and PAV03C). Construction of the Port Arthur Project is anticipated to be completed by 2033.

3.5. GCPD Responsibilities

The specific obligations of the non-federal sponsor are detailed in the applicable agreements between the USACE and the non-federal sponsor. This includes Project Partnership Agreements for the S2G Port Arthur and S2G Orange County projects in addition to a Design Agreement for the Coastal Texas Project.

At the highest level, the most critical obligations of the non-federal sponsor include:

- comply with all requirements of the applicable federal laws and implementing regulations,
- contribute 35% of design and construction costs for the specified components of the Coastal Texas Project,
- review and provide comments on contract solicitations, relevant plans and specifications, contract modifications, and contract claims (design review efforts),
- provide to the federal government all lands, easements, rights-of-way, relocations (including the relocation of utilities within the project footprint), and disposal areas needed for the construction, operation, and maintenance of the project,
- undertake investigations to identify the existence and extent of any hazardous, toxic, or radioactive waste (HTRW) on or under any real property interests required for the specified components of the Coastal Texas Project,
- if property impacted by HTRW is to be provided to the federal government, perform necessary cleanup and response efforts at no cost to the federal government (100% cost-share),
- operate, maintain, repair, rehabilitate, and replace the specified components of the Coastal Texas Project, or such functional portion thereof, at no cost to the federal government (100% cost-share), and
- participate in and ensure compliance with applicable federal floodplain management and flood insurance programs.

When determining the cost-share obligations of the non-federal sponsor, the following contributions are generally allowed:

- cash contributions,
- work-in-kind contributions, when agreed to by the federal government, representing work that the federal government would have performed otherwise, and
- credit for the lands, easements, rights-of-way, relocations, and disposal areas provided to the federal government by the non-federal sponsor, subject to the established crediting policies.

3.6. Estimated Schedule

All schedules presented herein are preliminary, approximate, and subject to change. The pace of project advancement will be contingent on the following primary factors, among others:

- pace and scale of congressional appropriations,
- speed of design and environmental compliance activities, and
- efficiency of construction activities.

3.6.1. Coastal Texas Project

The Coastal Texas Project was authorized by Congress in 2022, with an initial installment of federal funds provided in 2024 to initiate design. The schedule of current activities is provided below:

- initiate sediment sources studies and gate alternatives study - 2024
- initiate final design of G28-1 features (planned first construction award) - 2025
- initiate preliminary design and environmental clearance activities for the Bolivar Peninsula and West Galveston Beach and Dune Systems and the Bolivar Roads Gate System - 2025
- award the initial construction contract for the G28-1 feature, pending “New Start” designation and initial federal funding for construction - 2026/2027

Design and construction of the Coastal Texas Project will occur incrementally, as each individual feature is designed and federal funding is made available. Initial construction on the G28-1 feature is anticipated to begin in 2026/2027 and full construction of the entire Coastal Texas Project is expected to extend into the 2040-2050 timeframe, depending on the availability of funding.

3.6.2. Orange County Project

The Orange County Project was authorized and funded in 2018, with design work beginning in 2019. Design work and environmental review is anticipated to continue for the coming years. Key upcoming milestones are anticipated to include:

- completion of preliminary engineering and cost estimating -2025
- initiation of final design contracts for next five construction contracts - 2025
- award of initial construction contracts - 2026 (pending USACE approval)
- completion and approval of Post Authorization Change Report and Supplemental Environmental Impact Statement - 2026/2027
- award of subsequent construction contracts - 2028

The USACE currently anticipates that construction activities for the Orange County Project could conclude in the mid-2030 timeframe, depending on the pace of design activities and the availability of funding.

3.6.3. Port Arthur Project

The Port Arthur Project was authorized and funded in 2018, with design work beginning in 2019. Construction began on the first segment of the project in 2021. Specific upcoming construction milestones are scheduled to include:

- award of the PAV04 construction contract - 2025
- award of the PAV03A.1 construction contract - 2025/2026
- award of the PAV03 construction contract - 2025/2026
- award of the PAV03B construction contract - 2026/2027
- award of the PAV03C construction contract - 2026/2027
- award of the PAV05 construction contract - 2028/2029

The USACE currently anticipates completing all design activities in the 2027 timeframe and completing all construction activities in the 2033 timeframe, contingent on the pace of construction activities and the availability of funding.

4. District Oversight

Oversight of the GCPD’s activities is accomplished through multiple different means, at multiple levels of government, to ensure the GCPD is executing its duties in accordance with its Enabling Legislation, as amended, and for the benefit of the people, businesses, and communities it represents.

Furthermore, the GCPD is required to comply with the Texas Open Meetings Act, the Texas Public Information Act, all applicable laws relating to local government ethics, conflicts of interest, and public

disclosures, all applicable laws relating to local government contracting, and the Texas Public Funds Investment Act and the Texas Public Funds Collateral Act.

4.1. Texas Commission on Environmental Quality

The GCPD is a district subject to the continuing supervision of the Texas Commission on Environmental Quality (the “TCEQ”) pursuant to Section 5.013, Water Code, and 30 Texas Administrative Code Section 293.3. Pursuant to the requirements set forth in Subchapter G, Chapter 49, Water Code, the GCPD is required to have its fiscal accounts and records audited annually, following the requirements of the accounting manuals promulgated by the TCEQ, and to submit such audits to the TCEQ, for the TCEQ’s review and consideration of further action. The District’s 2024 Annual Financial Report and Independent Audit, conducted by McCall Gibson Swedlund Barfoot PLLC, is provided as Appendix A.

4.2. Appointed Board of Directors

As stated in **Section 2.2** of this report, the GCPD is governed by an eleven-member Board of Directors. The commissioners courts of Chambers County, Galveston County, Harris County, Jefferson County, and Orange County each shall appoint one director. The Governor, with the advice and consent of the Senate, shall appoint six directors as follows:

- two directors to represent Harris County, in addition to the member appointed by the Harris County Commissioners Court,
- one director to represent a municipality in the District,
- one director to represent ports,
- one director to represent industry, and
- one director to represent environmental concerns.

Accordingly, the commissioners courts of each county within GCPD territory and the Governor’s office each have direct or indirect representation on the Board of Directors. Directors serve staggered four-year terms, ensuring the regular turnover of the Board Members, serving with the consent of either the Governor or the locally elected commissioners courts.

4.3. Annual Report

As part of its Enabling Legislation, the GCPD must prepare and annually submit a report to the Texas Legislature, the Legislative Budget Board, the Texas General Land Office, and the commissioners court of each county in which the District is located. The report must 1) describe the District’s financial condition and operations during the preceding year, 2) propose a budget for the following year, and 3) describe generally the work proposed for the following year.

Accordingly, each entity identified above is provided the opportunity annually to review the activities of the District over the previous year and the proposed activities and budget for the following year. This report serves as the statutorily required Annual Report.

4.4. Legislative Hearings

The District has, from time to time, been asked to participate in or provide information for interim or legislative hearings. In the past years, the Executive Director, other GCPD staff, and members of the Board of Directors have presented testimony or responded to questions from various House and Senate committees. In this manner State representatives and State senators are given the opportunity to review and comment on the past activities and future needs of the District.

4.5. Texas General Land Office

Funds appropriated by the Texas Legislature for GCPD are administered through the GLO to provide oversight of and coordination with the GCPD. In order to access those funds, GCPD has entered into Local Cooperation Agreements with the GLO. Local Cooperation Agreements provide a mechanism for the GCPD to obtain advance funding for certain categories of costs, in each case, as approved by the GLO.

In addition, on an annual basis, the District must provide a report to the GLO of budgeted and expended amounts by project or activity area, timelines for completion, and other information as noted in the Local Cooperation Agreement. All costs must be allowable, pursuant to all applicable federal and state laws and regulations. Furthermore, GCPD is subject to audits by the GLO. In addition, the GCPD provides monthly progress reports and expenditure reports to the GLO.

The SB-1 (87R) Local Cooperation Agreement was executed on September 13, 2021. Subsequently, it has been amended three times on November 17, 2022, February 10, 2023, and October 22, 2023. The HB-1 (88R) Local Cooperation Agreement was executed on September 17, 2024. Subsequently, it has been amended once on December 19, 2024.

4.6. Sunset Commission

As part of its Enabling Legislation, the District is subject to review under Chapter 325, Government Code (Texas Sunset Act), but may not be abolished under that chapter. The review shall be conducted under Section 325.025, Government Code, as if the authority were a state agency scheduled to be abolished September 1, 2033, and every 12th year after that year. The limited review under this section must assess the District's 1) governance, 2) management, 3) operating structure, and 4) compliance with legislative requirements.

5. Review of 2024 Operations

The following sections summarize the operations and accomplishments of the GCPD between January 1, 2024 and December 31, 2024.

5.1. Key Milestones

Since its creation, the GCPD has passed through several important milestones. Highlights include:

- **June 2021:** SB 1160 effective, formally launching the GCPD
- **June 2021:** Texas Legislature provides \$200M of funding (SB-1) for the GCPD and its projects
- **August 2021:** First GCPD Board Meeting, GCPD signs letter of intent with the USACE for the Coastal Texas Project
- **September 2021:** Coastal Texas Study completed, Chief's Report signed
- **April 2022:** GCPD signed project partnership agreement with USACE for the Orange County Project, a component of the S2G Project
- **July 2022:** USACE completes construction on Contract PAV-01, the first construction contract under the Port Arthur Project
- **December 2022:** President Biden signs WRDA 2022 into law, authorizing the Coastal Texas Project for design and construction
- **May 2023:** Texas Legislature provides \$550M of funding (HB 1) for the GCPD and its projects
- **July 2023:** GCPD signs Memorandum of Understanding (MOU) with USACE for design activities associated with certain components of the Coastal Texas Project
- **July 2023:** USACE awards subsurface investigation contract for the Orange County Project
- **September 2023:** USACE awards construction contract for Port Arthur Contract PAV03A
- **September 2023:** USACE awards preliminary engineering contract for the Orange County Project
- **September 2023:** USACE awards contract for cultural resources surveys associated with the Orange County Project

In the 2024 calendar year, the following additional milestones/achievements occurred:

- **March 2024:** GCPD and USACE initiate final design of three initial Orange County Project segments
- **May 2024:** USACE 2024 Work Plan allocated \$500K to the Coastal Texas Project in first installment of Federal funding to initiate preconstruction, engineering, and design activities
- **August 2024:** GCPD signs Design Agreement with USACE for the Coastal Texas Project

- **September 2024:** GCPD and GLO execute HB-1 Local Cooperation Agreement, making \$550M of funding from the 88th Legislature available to GCPD

5.2. Organizational Development

Since its creation, the District has made significant progress in standing up critical components of the District's organizational structure and leadership team. Critical accomplishments include:

- appointment and formation of the Board of Directors
- hiring of an Executive Director
- hiring of a Chief Financial Officer

In addition, through an interlocal agreement with the GCPD, Orange County and the Orange County Drainage District serve as the Representative Liaison of the GCPD on the Orange County Project and participate in providing design participation work in interaction with the USACE in the current design phase of the Orange County Project.

In line with the District's operating strategy, the GCPD has executed contracts with consultants to provide the following services:

Legal Services:

- General Counsel: Allen Boone Humphries Robinson LLP
- USACE Contracts: Best Best & Krieger
- Environmental Counsel: AL Law Group

Bookkeeping / Accounting Services:

- Municipal Accounts & Consulting, L.P.

Communications Services:

- Hollaway Environmental + Communications Services, Inc.
- Touchstone District Services

Program Management and Engineering Services:

- Gannett Fleming, and subconsultants (Program Management / Engineering)
- Terracon Consultants, Inc. (HTRW)

Auditing Services:

- McCall Gibson Swedlund Barfoot PLLC

Moving forward, the GCPD intends to continue to build out its organizational structure over the 2025/2026 timeframe through additional key hires and procurement of additional contractors, as appropriate. Specifically, the GCPD is actively recruiting for the following senior-level positions:

- Senior Program Manager / Engineering Lead
- Communications Director
- Grant Accounting Manager

5.3. Public Engagement

Since its creation, the GCPD has placed significant emphasis on being transparent and accessible to the public. Significant accomplishments through December 31, 2024, include:

- Conducted forty-two (42) monthly or special board meetings
- Launched the GCPD website at www.gcpdtexas.com
- Launched GCPD Twitter, Facebook, and LinkedIn accounts
- Implemented live-streaming capabilities, enabling interested parties to stream Board meetings live from the GCPD website

- Hosted multiple virtual and in-person public information sessions for the Port Arthur Project and Orange County Project
- Launched the Coastal Texas Project website at www.coastaltexasproject.com
- Hosted roundtable discussions with multiple environmental interest groups
- Issued various news releases and coordinated project updates with news/media organizations
- Participated in or made presentations at over 100 events, forums, conferences, etc.

6. Review of 2024 Financial Conditions

Detailed financial information for the 2024 fiscal year (October 1, 2023, through September 30, 2024) is presented in Appendix A, the 2024 Annual Financial Report and Independent Audit. In summary, the District stands in strong financial condition, with a net position of \$2,706,217.00 (as illustrated below).

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
GLO Funding	\$ 27,293,089	\$	\$ 27,293,089
Investment Revenues	186,572		186,572
TOTAL REVENUES	<u>\$ 27,479,661</u>	<u>\$ - 0 -</u>	<u>\$ 27,479,661</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	\$ 443,910	\$ (14,828)	\$ 429,082
Professional Fees	2,166,529		2,166,529
Non-Federal Sponsor Funding	25,909,379		25,909,379
Contracted Services	256,178		256,178
Depreciation		4,066	4,066
Other	105,980		105,980
TOTAL EXPENDITURES/EXPENSES	<u>\$ 28,881,976</u>	<u>\$ (10,762)</u>	<u>\$ 28,871,214</u>
NET CHANGE IN FUND BALANCE	\$ (1,402,315)	\$ 1,402,315	\$
CHANGE IN NET POSITION		(1,391,553)	(1,391,553)
FUND BALANCE/NET POSITION - OCTOBER 1, 2023	<u>4,064,044</u>	<u>33,726</u>	<u>4,097,770</u>
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2024	<u>\$ 2,661,729</u>	<u>\$ 44,488</u>	<u>\$ 2,706,217</u>

Figure 3: 2024 GCPD Financial Conditions

In general, the District has established four overarching financial objectives:

- To be a financially solvent, stable, and strong organization with the financial capabilities to advance its mission and to pay all bills and obligations.
- To stay current on non-federal cost-sharing obligations, as detailed in the applicable design agreements or project partnership agreements with the USACE, so as to facilitate continued advancement of the District’s projects and to avoid or minimize accrued interest on funds due to the USACE.
- To manage cash flow on a biennial basis, to align with the state legislative cycle, so as to ensure sufficient funding to facilitate continued administration of the District and the continued advancement of its partnership projects.
- To be responsible fiscal stewards for appropriated funds and other revenues collected.

As of December 31, 2024, the Texas Legislature has appropriated \$950M in total funding for the GCPD and/or its projects. Specifically, this includes \$200M through SB 500 (86th regular legislative session), \$200M through SB 1 (87th regular legislative session), and \$550M through HB 1 (88th regular legislative session). This includes \$600,000 of funding from HB 1 which is retained for use by the GLO. Importantly:

- All SB 500 funds were distributed directly from the GLO, with no GCPD involvement, to its partnering entities (DD7, OCDD, VDD). As of December 31, 2024, all funding has been disbursed as intended.
- All SB 1 funds are directed to the GCPD, through the GLO, for ultimate use by the GCPD or disbursement to its partnering entities (DD7, OCDD, USACE). As of December 31, 2024, \$135,970,283 (70%) has been disbursed as intended. The remaining balance of \$64,029,717 (30%) is anticipated to be disbursed over the remaining 2025 fiscal year.
- All HB 1 funds are directed to the GCPD, through the GLO, for ultimate use by the GCPD or disbursement to its partnering entities (DD7, OCDD, USACE). The budget, as presented in Section 8 of this report, calls for a large portion of these funds to be expended by the end of the 2025 fiscal year. The remainder of funds are projected to be expended in the FY26-FY27 biennium, via unexpended balance authority.

The projected allocation of funding received to date from the State of Texas for the S2G Project and the Coastal Texas Project, in addition to the GCPD, is summarized in the table below. Note that Port Arthur allocations are greater than the allocations for other projects as the Port Arthur Project is currently in construction, triggering additional real estate, relocations, and cash contribution requirements, whereas the other projects are currently in the design phase.

Table 2: Projected Allocation of Current State Funding

Funding Category	Projected Allocation
GCPD Expenses*	\$8,552,150
GCPD Program Management	\$11,500,000
S2G: Orange County Project	\$112,634,932
S2G: Port Arthur Project	\$576,450,918
S2G: Freeport Project**	\$20,000,000
Brazoria Incorporation***	\$0
Coastal Texas Project	\$220,262,000
TOTAL ALLOCATION:	\$949,400,000

* GCPD Expenses includes both SB 1 and HB 1 monies. Includes budget amendment to comply with Local Cooperation Agreement between GCPD and GLO.

** GCPD currently has no responsibility for the S2G Freeport Project. However, \$20M in funds was provided for the Freeport Project as part of SB 500 (86th regular legislative session).

*** \$50M in funds was initially set aside for the Freeport Project as part of HB 1 (88th regular legislative session), in the event that Brazoria County opts in to the GCPD, which they have not.

The GCPD (or DD7) is required, by the terms of the applicable design agreement or project partnership agreement to stay current with the USACE on an annual basis with the 35% non-federal cost-sharing requirement for each project. In the event that the GCPD (or DD7) is not able to provide the non-federal cost-share as stipulated, the USACE shall charge the GCPD (or DD7) interest on the balance due. The GCPD has adopted a goal to avoid accruing interest, if possible or unless strategically advantageous. As of December 31, 2024, no interest expenses have accrued against the GCPD.

Moving forward, with the funding provided via HB 1, and as detailed in the proposed 2025 budget, the GCPD estimates that it will meet or exceed the annual requirement for cash contributions to the USACE for 2025. Accordingly, the GCPD stands in good financial condition with the ability to meet its four overarching financial objectives through the end of 2025.

7. Proposed Work for 2025

The following sections summarize, in general, the work proposed to be performed by the GCPD in the 2025 calendar year. Proposed work has been categorized as efforts related to the GCPD organization, the S2G Orange County Project, the S2G Port Arthur Project, and the Coastal Texas Project.

Importantly, these efforts continue to align with the GCPD's primary objectives:

- To advance the GCPD organization to be ready and capable of taking on the non-federal responsibilities of the S2G Project and the Coastal Texas Project as they transition into subsequent phases
- To comply with and stay current on all requirements stipulated in the applicable design agreements or project partnership agreements for the S2G Project and the Coastal Texas Project

As reflected in the proposed budget, presented in Section 8 of this report, this includes administrative and program management/engineering efforts at the GCPD level, cash contributions to the USACE, creditable utility relocation and/or real estate acquisition costs, and in-kind engineering and design services (encompassing the GCPD, OCDD, and DD7) for each project.

7.1. GCPD Organization

- Continue Board Meetings and general administration of the District,
- Continue to build out District capabilities in advance of upcoming work, including through the addition of key personnel, and
- Continue to liaise with the public, stakeholders, and elected officials.

7.2. S2G: Port Arthur Project

- Continue construction of Contract PAV03A,
- Bid and award Contract PAV04,
- Bid and award of Contract PAV03A.1,
- Bid and award of Contract PAV03,
- Support USACE in finalizing designs for Contract PAV03, PAV03B, PAV03C, PAV04, and PAV05,
- Support USACE in the delivery of environmental clearance activities,
- Continue HTRW related site investigations and laboratory testing,
- Continue to acquire lands prior to award of contracts (creditable expense),
- Continue utility relocations prior to award of contracts (creditable expense),
- Continue coordination with project partners, stakeholders, and impacted parties,
- Continue work on the Post Authorization Change Report, and
- Provide non-federal cash contribution to the USACE.

7.3. S2G: Orange County Project

- Support USACE in the delivery and close-out of its preliminary engineering task order,
- Support USACE in the delivery and close-out of its subsurface investigation task order,
- Support USACE in the delivery of its environmental and cultural resources evaluations,
- Support USACE in the final design of the Torrent floodwall segment,
- Continue GCPD-led final design (as work-in-kind) of the Dow and Arlanxeo levee segments,
- Continue and/or complete various work-in-kind efforts (including interior drainage optimization),
- Continue work on Phase 2 Environmental Site Assessments and HTRW planning,
- Continue non-federal activities such as utility relocation coordination, real estate acquisition, planning, HTRW investigations, and design participation work,
- Continue work on the Post Authorization Change Report,
- Continue coordination with project partners, stakeholders, and impacted parties, and
- Provide non-federal cash contribution to the USACE.

7.4. Coastal Texas Project

- Continue sand source investigations (in partnership with the GLO),
- Continue gate alternatives study (in partnership with Texas A&M University at Galveston),
- Execute second Memorandum of Understanding (for construction activities) with USACE,
- Execute Design Agreement Amendment with USACE,
- Initiate negotiation of Project Partnership Agreement with USACE,
- Initiate final design of G28-1 initial construction award, in partnership with GLO,
- Initiate project planning activities (including the identification and prioritization of initial tasks),
- Initiate preliminary engineering, hydrology and hydraulics studies, environmental evaluations, and/or other priority work efforts for the Bolivar Peninsula and West Galveston Beach and Dune projects as well as the Bolivar Roads Gate System,
- Engage with academic partners on research and development activities,
- Continue stakeholder outreach and coordination efforts, and
- Provide non-federal cash contribution to the USACE.

8. Proposed Budget for 2025

The District's Fiscal Year 2025 budget, presented below, represents anticipated expenditures during the period of October 1, 2024, through September 30, 2025.

Advance funding for the District cannot exceed the \$550M appropriated by HB 1 (88th regular legislative session) for the biennium starting October 1, 2023 and ending September 30, 2025, in addition to any remaining SB 1 (87th regular legislative session) funds. Expenses have been categorized as GCPD, S2G: Orange County Project, S2G: Port Arthur Project, and Coastal Texas Project.

Table 3: Proposed 2025 GCPD Budget

Program / Expense Category	Proposed 2025 Budget
GCPD	
Administrative costs	\$5,000,000.00
Program management and engineering costs	\$2,500,000.00
Subtotal	\$7,500,000.00
S2G: Orange County Project	
Cash contribution to USACE	\$83,500,000.00
Engineering and design work: in-kind	\$5,500,000.00
Land acquisition	\$2,600,000.00
Relocations	\$8,600,000.00
OCDD design participation work/costs	\$1,000,000.00
Subtotal	\$101,200,000.00
S2G: Port Arthur Project	
Cash contribution to USACE	\$48,800,000.00
Land acquisition	\$6,000,000.00
Relocations	\$50,000,000.00
Remediation	\$1,000,000.00
DD7 engineering and design work: in-kind	\$4,000,000.00
Subtotal	\$109,800,000.00
Coastal Texas Project	
Cash contribution to USACE	\$2,962,000.00
Accelerated funds to USACE	\$26,844,000.00
Engineering and design work: in-kind	\$5,000,000.00
G28-1- cash contribution to USACE	\$2,000,000.00
Subtotal	\$36,806,000.00
TOTAL BUDGET: 2025	\$255,306,000.00

Carryover of funding to the 2026 fiscal year is presented below. Specifically, this table details the funding which will be available to the GCPD for the 2026 fiscal year, assuming all expenses called for in the 2025 budget are incurred as planned. The remaining balance will inform the budget for the 2026 fiscal year and subsequent legislative requests. Note – based on current USACE schedules and cost estimates, the projected GCPD obligations for the FY26-FY27 biennium are approximately \$599,000,000, which exceeds the estimated carryover of funding.

Table 4: Balance of Funding for 2026

TOTAL GCPD APPROPRIATIONS THROUGH FY24	\$949,400,000
TOTAL GCPD EXPENDITURES THROUGH FY24	\$325,288,823
REMAINING AVAILABLE FUNDING THROUGH FY24	\$624,111,177
TOTAL BUDGET: for 2025	\$255,306,000
REMAINING BALANCE: for 2026/2027	\$368,805,177

APPENDIX A

GULF COAST PROTECTION DISTRICT

**CHAMBERS, GALVESTON, HARRIS,
JEFFERSON AND ORANGE COUNTIES, TEXAS**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
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Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gulf Coast Protection District
Chambers, Galveston, Harris,
Jefferson and Orange Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Gulf Coast Protection District (the "District") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States 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 and the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of District Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Board of Directors
Gulf Coast Protection District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* 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 an 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 Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

January 8, 2025

**GULF COAST PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Management's discussion and analysis of Gulf Coast Protection District (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2024. Please read it in conjunction with the District's financial statements.

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 financial statements. The fund financial statements and government-wide financial statements combine both: (a) the Statement of Net Position and Governmental Fund Balance Sheet and (b) the Statement of Activities and Governmental Fund Statement of Revenues, 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 District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District'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 all of the District's assets, liabilities, and, if applicable, deferred inflows and outflows of resources 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 District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District'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 District has one governmental fund type. The General Fund accounts for resources not required to be accounted for in another fund, including, without limitation, funds granted, appropriated, or otherwise disbursed to the District from federal or state entities, and general expenditures, including, without limitation, professional fees, administrative costs and capital improvements.

**GULF COAST PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District'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 District 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 accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$2,706,217 as of September 30, 2024. The following is a comparative analysis of the changes in the Statement of Net Position as of September 30, 2024, and September 30, 2023.

**GULF COAST PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 23,643,434	\$ 4,714,985	\$ 18,928,449
Capital Assets (Net of Accumulated Depreciation)	<u>10,810</u>	<u>14,876</u>	<u>(4,066)</u>
Total Assets	\$ 23,654,244	\$ 4,729,861	\$ 18,924,383
Deferred Outflows of Resources	\$ 39,892	\$ 27,595	\$ 12,297
Total Liabilities	\$ 20,987,919	\$ 659,686	\$ (20,328,233)
Net Position:			
Net Investment in Capital Assets	\$ 10,810	\$ 14,876	\$ (4,066)
Restricted	2,584,395	3,086,309	(501,914)
Unrestricted	<u>111,012</u>	<u>996,585</u>	<u>(885,573)</u>
Total Net Position	<u>\$ 2,706,217</u>	<u>\$ 4,097,770</u>	<u>\$ (1,391,553)</u>

The following table provides a comparative analysis of the District's operations for the fiscal years ending September 30, 2024, and September 30, 2023.

	Summary of the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Revenues:			
GLO Funding	\$ 27,293,089	\$ 107,597,308	\$ (80,304,219)
Miscellaneous Revenues	<u>186,572</u>	<u>74,772</u>	<u>111,800</u>
Total Revenues	\$ 27,479,661	\$ 107,672,080	\$ (80,192,419)
Expenses for Services	<u>28,871,214</u>	<u>103,640,113</u>	<u>74,768,899</u>
Change in Net Position	\$ (1,391,553)	\$ 4,031,967	\$ (5,423,520)
Net Position, Beginning of Year	<u>4,097,770</u>	<u>65,803</u>	<u>4,031,967</u>
Net Position, End of Year	<u>\$ 2,706,217</u>	<u>\$ 4,097,770</u>	<u>\$ (1,391,553)</u>

**GULF COAST PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of September 30, 2024, totaled \$2,661,729, a decrease of \$1,402,315 from the prior year, which was primarily due to the timing of receiving GLO funding and the expense of GLO funds and operating costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget on August 14, 2024, to decrease estimated GLO funding revenue and contracted services expenses. Actual revenues were \$20,999,222 more than budgeted revenues and actual expenditures were \$18,225,212 more than budgeted expenditures which resulted in a total positive variance of \$2,774,010.

CAPITAL ASSETS

The District capital assets as of September 30, 2024, total \$10,810 (net of accumulated depreciation). These capital assets include livestream broadcasting equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation: Equipment	<u>\$ 10,810</u>	<u>\$ 14,876</u>	<u>\$ (4,066)</u>

LONG-TERM DEBT ACTIVITY

The District does not have any long-term debt as of September 30, 2024.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Gulf Coast Protection District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

GULF COAST PROTECTION DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2024

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 1,076,941	\$	\$ 1,076,941
Investments	2,559,232		2,559,232
Due from Other	20,005,285		20,005,285
Prepaid Costs	1,976		1,976
Capital Assets (Net of Accumulated Depreciation)		10,810	10,810
TOTAL ASSETS	\$ 23,643,434	\$ 10,810	\$ 23,654,244
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	\$ - 0 -	\$ 39,892	\$ 39,892
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 23,643,434	\$ 50,702	\$ 23,694,136
LIABILITIES			
Accounts Payable	\$ 20,981,705	\$	\$ 20,981,705
Net Pension Liability		6,214	6,214
TOTAL LIABILITIES	\$ 20,981,705	\$ 6,214	\$ 20,987,919
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 1,976	\$ (1,976)	\$
Restricted	2,584,395	(2,584,395)	
Unassigned	75,358	(75,358)	
TOTAL FUND BALANCE	\$ 2,661,729	\$ (2,661,729)	\$ - 0 -
TOTAL LIABILITIES AND FUND BALANCE	\$ 23,643,434		
NET POSITION			
Net Investment in Capital Assets		\$ 10,810	\$ 10,810
Restricted		2,584,395	2,584,395
Unrestricted		111,012	111,012
TOTAL NET POSITION		\$ 2,706,217	\$ 2,706,217

The accompanying notes to the financial
statements are an integral part of this report.

**GULF COAST PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

Total Fund Balance - Governmental Fund	\$	2,661,729
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		10,810
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Portions of the change in net pension asset and liability that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.		33,678
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Total Net Position - Governmental Activities	\$	<u>2,706,217</u>
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The accompanying notes to the financial statements are an integral part of this report.

GULF COAST PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Adjustments	Statement of Activities
REVENUES			
GLO Funding	\$ 27,293,089	\$	\$ 27,293,089
Investment Revenues	186,572		186,572
TOTAL REVENUES	\$ 27,479,661	\$ - 0 -	\$ 27,479,661
EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	\$ 443,910	\$ (14,828)	\$ 429,082
Professional Fees	2,166,529		2,166,529
Non-Federal Sponsor Funding	25,909,379		25,909,379
Contracted Services	256,178		256,178
Depreciation		4,066	4,066
Other	105,980		105,980
TOTAL EXPENDITURES/EXPENSES	\$ 28,881,976	\$ (10,762)	\$ 28,871,214
NET CHANGE IN FUND BALANCE	\$ (1,402,315)	\$ 1,402,315	\$
CHANGE IN NET POSITION		(1,391,553)	(1,391,553)
FUND BALANCE/NET POSITION - OCTOBER 1, 2023	4,064,044	33,726	4,097,770
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2024	\$ 2,661,729	\$ 44,488	\$ 2,706,217

The accompanying notes to the financial
statements are an integral part of this report.

**GULF COAST PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Net Change in Fund Balance - Governmental Fund	\$ (1,402,315)
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Amounts reported for governmental activities in the Statement of Activities are different because:

The changes in the deferred outflows of resources for pensions are recorded as pension expense in the government-wide financial statements.	14,828
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(4,066)
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Change in Net Position - Governmental Activities	<u>\$ (1,391,553)</u>
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The accompanying notes to the financial statements are an integral part of this report.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1. CREATION AND PURPOSE OF DISTRICT

The District is a special district created under Article XVI, Section 59 of the Texas Constitution pursuant to Senate Bill No. 1160, Act of the 87th Legislature, Regular Session, 2021, codified as Chapter 9502, Texas Special District Local Laws Code, effective June 16, 2021, as amended from time to time, (the “Act”). The District was created as an instrumentality to fund, implement, and assist federal and state agencies, counties, special governmental districts, as well as other political subdivisions of the U.S. and the State of Texas, in the funding and implementation of large-scale coastal protection projects within Chambers, Galveston, Harris, Jefferson and Orange Counties, including, without limitation, projects identified in the (1) Sabine Pass to Galveston Bay, Texas Coastal Storm Risk Management and Ecosystem Restoration Final Integrated Feasibility Report and Environmental Impact Statement issued by the Galveston District, Southwestern Division, of the United States Army Corps of Engineers in May 2017 (the “S2G Program”) and (2) Coastal Texas Protection and Restoration Feasibility Study and Final Environmental Impact Statement issued by USACE in August 2021 (the “Coastal Texas Program”).

In furtherance of such purposes and pursuant to the Act and Chapter 571, Texas Local Government Code (“Chapter 571”), the District is empowered to (1) establish, construct, extend, maintain or improve coastal barriers or storm surge gates; (2) to exercise the powers granted to counties under Chapter 571; (3) establish, construct and maintain recreational facilities for public use and environmental mitigation facilities related to projects described by sub-clauses (1) and (2); (4) establish, construct, maintain, or operate projects recommended in the S2G Program or the Coastal Texas Program; and (5) provide interior drainage remediation or improvement to reduce additional flood risk for projects recommended in the S2G Program where additional flood risk results from the design or construction of projects described under sub-clauses (1), (2) and (4).

The District is entitled, after voter approval in an election, to levy a tax not to exceed 5 cents on each \$100 of assessed valuation. The District may, after voter approval in an election, issue bonds, notes or other obligations secured (“Indebtedness”) by its ad valorem taxes, and may, without voter approval in an election, issue Indebtedness secured by revenue other than ad valorem taxes. The District has not yet held a tax election and has not yet issued any Indebtedness.

The Board of Directors held its organizational meeting on August 18, 2021 and holds regular monthly meetings at various locations within the District.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality.

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately appointed governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government.

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 include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position 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 District’s policy to use restricted resources first.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District 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 governmental fund types 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. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

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

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, including, without limitation, funds granted, appropriated, or otherwise disbursed to the District from federal or state entities, and general expenditures, including, without limitation, professional fees, administrative costs and capital improvements.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District considers revenue reported in governmental funds to be available if they are collectable within 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.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Fund Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current fiscal year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has three full time employees. Payments are made into the social security system for them. The Internal Revenue Service has determined that the District's directors are considered "employees" for federal payroll tax purposes only. A separate pension plan has not been established for the directors. See Notes 6 and 7 for full-time employee's retirement plan.

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 presented 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. 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. The District's fund balances 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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does have restricted fund balances related to program management in the amount of \$702,101 and design and engineering in the amount of \$1,882,294.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District 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. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

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 District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District'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 District, 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 fiscal year end, the carrying amount of the District's deposits was \$1,076,941 and the bank balance was \$1,087,638. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at September 30, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	<u>\$ 1,076,941</u>

Investments

Under Texas law, the District 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 District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District'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;

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

and yield, sixth. The District’s investments must be made “with 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 District funds without express written authority from the Board of Directors.

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS), an external investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of September 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 2,559,232	\$ 2,559,232

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2024, the District’s investment in Texas CLASS was rated AAAM by Standard and Poor’s. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS 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 District

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024:

	October 1, 2023	Increases	Decreases	September 30, 2024
Capital Assets Subject to Depreciation				
Equipment	\$ 20,275	\$ - 0 -	\$ - 0 -	\$ 20,275
Accumulated Depreciation				
Equipment	\$ 5,399	\$ 4,066	\$ - 0 -	\$ 9,465
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,876</u>	<u>\$ (4,066)</u>	<u>\$ - 0 -</u>	<u>\$ 10,810</u>

NOTE 5. PARTNERSHIPS WITH FEDERAL AND STATE ENTITIES

The District currently partners with the USACE, the General Land Office (“GLO”), Orange County, the Orange County Drainage District, and Jefferson County Drainage District No. 7 for the purposes of providing for each party’s obligations with respect to cost-sharing, funding, acquisition of real property and appurtenances related thereto, maintenance and operation for (1) the Orange County Coastal Storm Risk Management Project, a separable element of the S2G Program (the “Orange County Project”) and (2) the Port Arthur and Vicinity Coastal Storm Risk Management Project, a separable element of the S2G Program (the “Jefferson County Project”).

General Land Office

Effective September 1, 2021, the District entered into a local cooperation agreement with the Texas General Land Office (the “GLO”), as amended on November 17, 2022, February 10, 2023, and October 22, 2023, regarding funds appropriated for the District’s use pursuant to Section 18.52 (Contingency for Senate Bill 1160), General Appropriations Act (Senate Bill 1), 87th Texas Legislature, Regular Session, 2021 (the “SB 1 LCA”).

Effective September 17, 2024, the District entered into a local cooperation agreement with the GLO, as may be amended from time to time, regarding funds appropriated for the District’s use pursuant to Article VI – Natural Resources, General Land office and Veterans’ Land Board, Section 22 (Gulf Coast Protection District (GCPD)), General Appropriations Act (House Bill 1), 88th Texas Legislature, Regular Session, 2023 (the “HB 1 LCA”, and, together with the SB 1 LCA, the “LCAs”).

Pursuant to the LCAs, the GLO will reimburse or provide advance funding to the District for certain District administrative expenditures and for certain project costs associated with the Coastal Texas Project, the Orange County Project, and the Jefferson County Project, including, without limitation, the District Non-Federal Share (as defined herein), subject to the appropriation of or the availability of state funds to the GLO. The term of the LCAs expire on August 31, 2025, subject to extension by mutual agreement of the GLO and the District.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. PARTNERSHIPS WITH FEDERAL AND STATE ENTITIES (Continued)

General Land Office (Continued)

During the current fiscal year, the District received \$27,293,089 from the GLO to fund operating expenditures (such funds the “GLO Funding”). Portions of the GLO Funding were advance-funded, and as such, the District is required, pursuant to the LCAs, to provide a written reconciliation regarding the total amount of advanced funds received and the total amount of project costs incurred following each fiscal year end. Any remaining balance at the fiscal year end is subject to recapture by the GLO at the GLO’s discretion.

COASTAL TEXAS PROGRAM

The United States Congress (“Congress”) passed the Water Resources Development Act of 2022 (Public Law No. 117-263, effective December 23, 2022), which authorized implementation of the Coastal Texas Program. In USACE’s May 13, 2024, publication of its 2024 Work Plan, USACE allocated the first installment of Federal funding to the Coastal Texas Program in the amount of \$500,000 to support preconstruction engineering and design of the first segment of the Bolivar Peninsula and West Bay Gulf Intracoastal Waterway Shoreline and Island Protection feature, also known as Ecosystem Restoration feature G-28 (“G-28”).

In furtherance of the design of the Coastal Texas Program, including G-28, the District entered into a Design Agreement, dated August 1, 2024, between USACE and the District for Design for the Coastal Texas Protection and Restoration Project, as may be amended from time to time (the “Coastal Texas DA”). Under the Coastal Texas DA, the District shall serve as the Non-Federal Sponsor for the design (*e.g.*, detailed pre-construction engineering a design, including the preparation of plans and specifications prior to the initiation of construction) coastal storm risk management projects, and certain ecosystem restoration projects (*i.e.*, G-28) described in the Coastal Texas Program (the “Coastal Texas Project”). As Non-Federal Sponsor, the District shall contribute 35 percent of certain design costs for the Coastal Texas Project or, in lieu thereof, may perform certain design work-in-kind (the “District Non-Federal Share – Coastal Texas”), and may fund 100% of certain other design, investigative, and other costs. Additional partnership arrangements and agreements with federal and state entities may be necessary in order for the District to assist USACE in the implementation of the Coastal Texas Project.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. PARTNERSHIPS WITH FEDERAL AND STATE ENTITIES (Continued)

S2G PROGRAM

USACE, Orange County Drainage District (“OCDD”), and Orange County (together with OCDD, “Orange County”)

On September 18, 2020, Orange County and the USACE entered into a Design Agreement (“DA”), which obligated Orange County, as the Non-Federal Sponsor for the Orange County Project, to pay 35% of total design costs for the Orange County Project in accordance with the terms of the Agreement. On December 14, 2021, the District entered into an interlocal agreement with Orange County, as amended on November 9, 2022 (such agreement, the “Orange County IA”). Upon execution of the Orange County PPA, (as defined herein) the District assumed Orange County’s liabilities and obligations as the Non-Federal Sponsor under the Design Agreement. Pursuant to the terms of the Orange County IA, Orange County shall continue to perform Design Participation Work as defined in the Orange County IA, and the District will, inter alia, remit payment to Orange County for the cost of such Design Participation costs.

On April 29, 2022, the District entered into a project partnership agreement with the USACE (the “Orange County PPA”). Pursuant to the Orange County PPA, the USACE, with input from Orange County, will complete design and construction of the Orange County Project using funds provided in the Bipartisan Budget Act of 2018 (Public Law No. 115-123, effective February 9, 2018) and funds provided by the District. As the Non-Federal Sponsor, the District shall contribute 35 percent of certain construction costs for the Orange County Project (inclusive of the Orange County Non-Federal Share) or, in lieu of all or part of such contribution, the District may directly fund, acquire necessary real property, and install and construct certain facilities and improvements as part of the Orange County Project and may receive credit for any such in-kind contributions pursuant to the terms and contributions of the Orange County PPA (such cost share, the “District Non-Federal Share – Orange County”) and may fund 100% of certain other design, investigative, construction, and other costs. For each portion of the Orange County Project that is completed, the District shall, at its sole cost, operate, maintain, repair, rehabilitate and replace such portion of the Orange County Project, utilizing funds generated by the levy of District ad valorem taxes or otherwise appropriated to the District for such purposes by Congress or the Texas Legislature.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. PARTNERSHIPS WITH FEDERAL AND STATE ENTITIES (Continued)

Jefferson County Drainage District No. 7 (“DD7”)

On November 29, 2019, DD7 and the USACE entered into a Project Partnership Agreement, pursuant to which DD7 shall serve as the Non-Federal Sponsor for the Jefferson County Project and shall fund and/or finance certain costs associated with the design, construction, operation, maintenance, repair, replacement and rehabilitation of the Jefferson County Project (such cost share, the “DD7 Non-Federal Share” and, such agreement, the “DD7 PPA”), and may fund 100% of certain other design, investigative, construction, and other costs. On February 9, 2022, the District approved an interlocal agreement with DD7 (the “Jefferson County IA”). Pursuant to the terms of the Jefferson County IA, DD7 shall continue to serve as the Non-Federal Sponsor and continue to engage and participate in the design, construction, operation, maintenance, repair, replacement and rehabilitation of the Jefferson County Project and the District will advance fund or reimburse DD7 for the remaining portion of the DD7 Non-Federal Share (such reimbursement obligation, the “District Non-Federal Share – DD7”, and together with the District Non-Federal Share – Coastal Texas and the District Non-Federal Share – Orange County, the “District Non-Federal Share”).

NOTE 6. RETIREMENT PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 800 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. RETIREMENT PLAN

Benefits Provided (Continued)

Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-0-
Inactive employees entitled but not yet receiving benefits	-0-
Active employees	2

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 11.94% and 12.59% for the months of the 2023 and 2024 accounting, respectively. The deposit rate payable by the employee members for calendar years 2023 and 2024 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District’s accounting year ended September 30, 2024, the annual pension cost for the TCDRS plan for its employees was \$46,567; the actual contributions were \$46,567. The employees contributed \$26,456 to the plan for the 2024 fiscal year.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/23
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	19.1 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	7.50%
Projected salary increases ¹	4.70%
Inflation	2.50%
Cost-of-living adjustments	0.00%

¹ Includes inflation at the stated rate

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Mortality rates were based on the following:

Depositing members – 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees – 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. The discount did not change from the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. PENSION PLAN (Continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.75%
Global Equities	2.50%	4.75%
International Equities-Development	5.00%	4.75%
International Equities-Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships (MLPs)	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.75%
Hedge Funds	6.00%	3.25%
Cash Equivalents	2.00%	0.60%

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2023 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2022	\$ 50,393	\$ 41,648	\$ 8,745
Changes for the year:			
Service Costs	46,622		46,622
Interest on the Total Pension Liability	7,373		7,373
Effect of Economic/Demographic			
Gains or Losses	758		758
Administrative Expenses		(52)	52
Member Contributions		18,390	(18,390)
Net investment income		5,070	(5,070)
Employer Contributions		31,369	(31,369)
Other		2,507	(2,507)
Balances of December 31, 2023	<u>\$ 105,146</u>	<u>\$ 98,932</u>	<u>\$ 6,214</u>

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.60%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.60%	7.60%	8.60%
Total Pension Liability	\$ 126,866	\$ 105,146	\$ 87,721
Fiduciary Net Position	<u>98,932</u>	<u>98,932</u>	<u>98,932</u>
Net Pension Liability/(Asset)	<u>\$ 27,934</u>	<u>\$ 6,214</u>	<u>\$ (11,211)</u>

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. PENSION PLAN (Continued)

As of September 30, 2024, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -0-	\$ 736
Net difference between projected and actual earnings		3,063
Contributions paid to TCDRS subsequent to the measurement date		36,093
	\$ -0-	\$ 39,892

\$36,093 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2024 (i.e. to be recognized in the District's financial statements dated September 30, 2025). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2024	\$ 1,071
2025	1,071
2026	1,072
2027	61
2028	53
Thereafter	471

NOTE 7. GROUP TERM LIFE INSURANCE

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System; P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

GULF COAST PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 7. GROUP TERM LIFE INSURANCE (Continued)

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contribution to the GTLF for the years ending September 30, 2024, 2023 and 2022 were \$141, \$78 and \$37, respectively, which equaled the contractually required contribution.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the year.

GULF COAST PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024

GULF COAST PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
GLO Funding	\$78,635,900	\$ 6,293,089	\$ 27,293,089	\$ 21,000,000
Investment Revenues	56,000	187,100	186,572	(528)
Miscellaneous Revenues	<u>250</u>	<u>250</u>	<u> </u>	<u>(250)</u>
TOTAL REVENUES	<u>\$78,692,150</u>	<u>\$ 6,480,439</u>	<u>\$ 27,479,661</u>	<u>\$ 20,999,222</u>
EXPENDITURES				
Service Operations:				
Personnel	\$ 379,500	\$ 446,500	\$ 443,910	\$ 2,590
Professional Fees	2,913,000	2,957,000	2,166,529	790,471
Non-Federal Sponsor Funding	75,000,000	6,871,089	25,909,379	(19,038,290)
Contracted Services	275,000	265,000	256,178	8,822
Other	<u>124,650</u>	<u>117,175</u>	<u>105,980</u>	<u>11,195</u>
TOTAL EXPENDITURES	<u>\$78,692,150</u>	<u>\$ 10,656,764</u>	<u>\$ 28,881,976</u>	<u>\$ (18,225,212)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ (4,176,325)	\$ (1,402,315)	\$ 2,774,010
FUND BALANCE - OCTOBER 1, 2023	<u>4,064,044</u>	<u>4,064,044</u>	<u>4,064,044</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2024	<u><u>\$ 4,064,044</u></u>	<u><u>\$ (112,281)</u></u>	<u><u>\$ 2,661,729</u></u>	<u><u>\$ 2,774,010</u></u>

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Year Ended December 31, 2023	Year Ended December 31, 2022
Total Pension Liability		
Service Cost	\$ 46,622	\$ 46,803
Interest (on the Total Pension Liability)	7,373	3,557
Effect of economic/demographic gains or losses	758	33
Benefit payments, including refunds of employee contributions	<u> </u>	<u> </u>
Net change in total pension liability	\$ 54,753	\$ 50,393
Total pension liability, beginning	<u>50,393</u>	<u> </u>
Total pension liability, ending (a)	<u>\$ 105,146</u>	<u>\$ 50,393</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 31,369	\$ 24,889
Contributions - employee	18,390	14,592
Net investment income	5,070	(3,367)
Benefit payments, including refunds of employee contributions	<u> </u>	<u> </u>
Administrative Expense	(52)	(24)
Other	<u>2,507</u>	<u>5,558</u>
Net Change in plan fiduciary net position	\$ 57,284	\$ 41,648
Plan Fiduciary net position, beginning	<u>41,648</u>	<u> </u>
Plan Fiduciary net position, ending (b)	<u>\$ 98,932</u>	<u>\$ 41,648</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ 6,214</u>	<u>\$ 8,745</u>
Plan fiduciary net position as a percentage of the total pension liability	94.09%	82.65%
Covered-employee payroll	\$ 262,719	\$ 208,452
Net pension liability as a percentage of covered employee payroll	2.37%	4.20%

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2024

<u>Year</u> <u>Ending</u> <u>September 30</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Pensionable</u> <u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a Percentage of</u> <u>Covered Payroll</u>
2022	\$ 24,889	\$ 24,889	\$ -0-	\$ 208,452	11.9%
2023	\$ 31,369	\$ 31,369	\$ -0-	\$ 262,719	11.9%
2024	\$ 46,567	\$ 46,567	\$ -0-	\$ 377,946	12.3%

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 1. NET PENSION LIABILITY - TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19.1 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7%, average over career including inflation
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected 2022: New investment return and inflation assumptions were reflected
Changes in Plan Provisions reflected in Schedule*	2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in Notes to Schedule

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2024

GULF COAST PROTECTION DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 443,910</u>
PROFESSIONAL FEES:	
Auditing	\$ 12,000
Engineering	1,885,624
Legal	<u>268,905</u>
TOTAL PROFESSIONAL FEES	<u>\$ 2,166,529</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 71,494
Communications	129,767
Media Services	<u>54,917</u>
TOTAL CONTRACTED SERVICES	<u>\$ 256,178</u>
NON-FEDERAL SPONSOR FUNDING	<u>\$ 25,909,379</u>
ADMINISTRATIVE EXPENDITURES:	
Dues	\$ 8,303
Insurance	8,138
Office Supplies	14,690
Lease Payments	17,500
Seminar	4,756
Travel and Meetings	36,605
Website	12,305
Other	<u>3,683</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 105,980</u>
TOTAL EXPENDITURES	<u><u>\$ 28,881,976</u></u>

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
SCHEDULE OF INVESMENTS
SEPTEMBER 30, 2024

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u> Texas CLASS	XXXX0001	Varies	Daily	<u>\$ 2,559,232</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – THREE YEARS

	Amounts	
	2024	2023
REVENUES		
GLO Funding	\$ 27,293,089	\$ 107,597,308
Investment Revenues	186,572	74,258
Miscellaneous Revenues	<u>514</u>	<u>514</u>
TOTAL REVENUES	<u>\$ 27,479,661</u>	<u>\$ 107,672,080</u>
EXPENDITURES		
Service Operations:		
Personnel	\$ 443,910	\$ 326,238
Professional Fees	2,166,529	1,990,713
Non-Federal Sponsor Funding	25,909,379	100,973,460
Contracted Services	256,178	272,191
Other	105,980	92,306
Capital Outlay	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 28,881,976</u>	<u>\$ 103,654,908</u>
NET CHANGE IN FUND BALANCE	\$ (1,402,315)	\$ 4,017,172
BEGINNING FUND BALANCE	<u>4,064,044</u>	<u>46,872</u>
ENDING FUND BALANCE	<u>\$ 2,661,729</u>	<u>\$ 4,064,044</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues		
<u>2022</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
\$ 944,886	99.3 %	99.9 %	99.9 %
1,041	0.7	0.1	0.1
127			
<u>\$ 946,054</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 256,923	1.6 %	0.3 %	27.2 %
366,646	7.9	1.8	38.8
	94.3	93.8	
183,075	0.9	0.3	19.4
64,063	0.4	0.1	6.8
20,275			2.1
<u>\$ 890,982</u>	<u>105.1 %</u>	<u>96.3 %</u>	<u>94.3 %</u>
\$ 55,072	<u>(5.1) %</u>	<u>3.7 %</u>	<u>5.7 %</u>
<u>(8,200)</u>			
<u>\$ 46,872</u>			
<u>N/A</u>			
<u>N/A</u>			

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

District Mailing Address - Gulf Coast Protection District
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	(Appointed) Term of Office	Fees of office for the year ended September 30, 2024	Expense reimbursements for the year ended September 30, 2024	Position
Michel Bechtel	08/21 06/25	\$ -0-	\$ 2,159	President
Robert Mitchell	08/21 06/25	\$ -0-	\$ -0-	Vice President
Sally Bakko	08/21 06/25	\$ -0-	\$ 3,684	Secretary
Larry Taylor	04/24 06/27	\$ -0-	\$ -0-	Assistant Secretary
Roger Guenther	08/21 06/25	\$ -0-	\$ -0-	Director
Sharon Hulgan	01/24 06/25	\$ -0-	\$ -0-	Director
Lori Traweek	08/21 06/25	\$ -0-	\$ -0-	Director
Billy Combs	06/23 06/27	\$ -0-	\$ 198	Director
Tina Petersen	08/24 06/27	\$ -0-	\$ -0-	Director
Allan Ritter	06/23 06/27	\$ -0-	\$ -0-	Director
Kirk Roccaforte	06/23 06/27	\$ -0-	\$ 733	Director

See accompanying independent auditor's report.

GULF COAST PROTECTION DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	08/18/21	\$ 237,467	Attorney
AL Law Group	05/08/2024	\$ 2,900	Attorney
McCall Gibson Swedlund Barfoot Ellis PLLC	09/14/22	\$ 12,000	Auditor
Municipal Accounts & Consulting, LP	08/18/21	\$ 75,292	Bookkeeper/ Investment Officer
Gannett Fleming, Inc. (Formerly DE Corp)	08/10/22	\$3,579,877	Engineer
Hollaway Environmental + Communications		\$ 163,735	Communications
Touchstone District Services		\$ 33,255	Public Relations
Personnel:			
Dedrea Norman	04/16/24	\$ Salary	Chief Financial Officer/ Investment Officer
Nicole Sunstrum	08/18/21	\$ Salary	Exec. Director
Grace Bader	06/16/22	\$ Salary	Exec. Assistant

See accompanying independent auditor's report.