



## **Gulf Coast Protection District**

### **Annual Report - 2022**

*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*

*April 2023*

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## 1. Introduction

In accordance with its authorizing legislation, Senate Bill (SB) 1160 (87<sup>th</sup> regular legislative session), 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 August 2021 (the District's creation) through December 31, 2022. Questions related to this report should be directed to Nicole Sunstrum, Executive Director. More information on the GPCD can be found at [www.gcpdtexas.com](http://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 and Sabine Pass to Galveston Bay (S2G) programs.



These programs 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.

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 programs 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 in order to deliver benefits as quickly as possible and to minimize total program 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 the ongoing operations and maintenance costs.



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

## 2.1. Authorizing Legislation / Statutory Authority

The GCPD was created by the Texas Legislature in 2021 (87th regular legislative session) by SB 1160, authored by Senator Larry Taylor and sponsored by Representative Dennis Paul. This 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. Specifically, these projects were identified as the Coastal Texas and the S2G programs.

SB 1160 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 Program and the S2G Program,
- Provide interior drainage remediation or improvements to reduce additional flood risk for a component of the Coastal Texas Program and the S2G Program, 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 Program and the S2G Program.

SB 1160 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 valuation. The District may also 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 State 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. SB 1160 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 a project partnership agreement, or other similar agreements, with the USACE in relation to the Coastal Texas Program or the S2G Program, 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 Program and the S2G Program. 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 a 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 operation and maintenance of the Coastal Texas Program or the S2G Program.

## 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 years.

As of December 2022, the following members serve on the GCPD Board of Directors:

*Table 1: GCPD Board of Directors*

Name	Role	Appointment	Term Expires
<b>Michel Bechtel</b>	President	Governor appointee, to represent Harris County	June 16, 2025
<b>Robert Mitchell</b>	Vice President	Governor appointee, to represent Harris County	June 16, 2025
<b>Roger Quiroga</b>	Secretary	Galveston County appointee	June 16, 2023

Name	Role	Appointment	Term Expires
<b>Sally Bakko</b>	Assistant Secretary	Governor appointee, to represent a municipality in the District	June 16, 2025
<b>Roger Guenther</b>	Director	Governor appointee, to represent ports	June 16, 2025
<b>Michael VanDerSnick</b>	Director	Governor appointee, to represent industry	June 16, 2025
<b>Lori Traweek</b>	Director	Governor appointee, to represent environmental concerns	June 16, 2025
<b>Billy Combs</b>	Director	Chambers County appointee	June 16, 2023
<b>Adrian Garcia</b>	Director	Harris County appointee	June 16, 2023
<b>Allan Ritter</b>	Director	Jefferson County appointee	June 16, 2023
<b>Kirk Roccaforte</b>	Director	Orange County appointee	June 16, 2023

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.

Nicole Sunstrum 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 Program, and the Coastal Texas Program.

In 2019, the 86th regular session of the Texas Legislature advanced the S2G Program 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 as non-federal cost-share for the S2G Program.

In 2021, the 87th regular session of the Texas Legislature advanced the Coastal Texas Program and the S2G Program 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 Program and the S2G Program, specifically coastal storm risk management components within the District's established territory.
- [SB 1](#), the general budget bill introduced by Senator Jane Nelson, appropriated \$200 million to these two programs and for GCPD administrative costs.

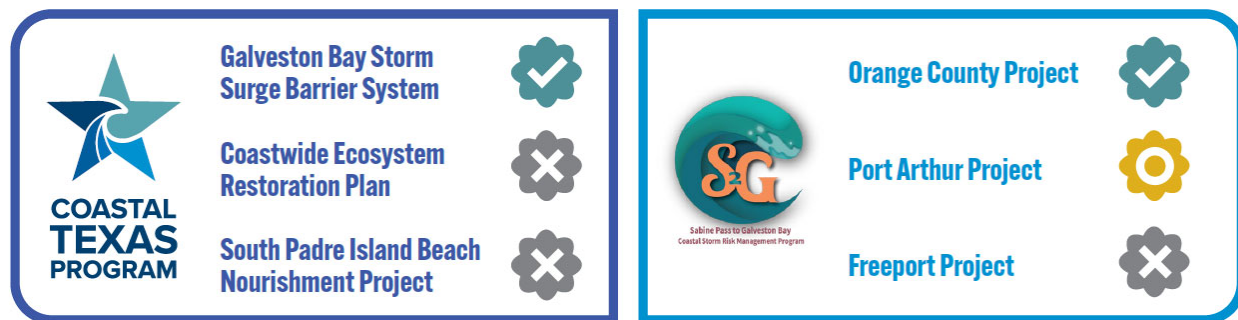


### 3. GCPD Projects Overview

The GCPD currently serves or will serve as the non-federal sponsor for portions of the Coastal Texas Program and the S2G Program. Specifically, as illustrated below, this includes serving as the non-federal sponsor for the Galveston Bay Storm Surge Barrier System (part of the Coastal Texas Program) and the Orange County Project (part of the S2G Program). In addition, while not the non-federal sponsor, the GCPD supports DD7 by administering and distributing funding provided via SB 1 (87th legislative session) and any other funding received/collected by the GCPD for the purpose of the Port Arthur Project. Additional information on each program is provided below.

## GCPD’s Role in the Coastal Texas Program and S2G Program

 Non-federal sponsor    
  Sponsored by others, supported by GCPD    
  GCPD not involved



#### 3.1. Coastal Texas Program

The [Coastal Texas Program](#) 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 Program 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 anticipates 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 includes a combination of ecosystem restoration measures proposed at eight locations along the coast, and include 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 anticipates serving as the non-federal sponsor for these projects.
- 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 anticipates serving as the non-federal sponsor for this project.



The various components of the Coastal Texas Program are illustrated in *Figure 1* below. As discussed previously, the GCPD anticipates serving as the non-federal sponsor for the Galveston Bay Storm Surge Barrier System, which is detailed in the blue box.

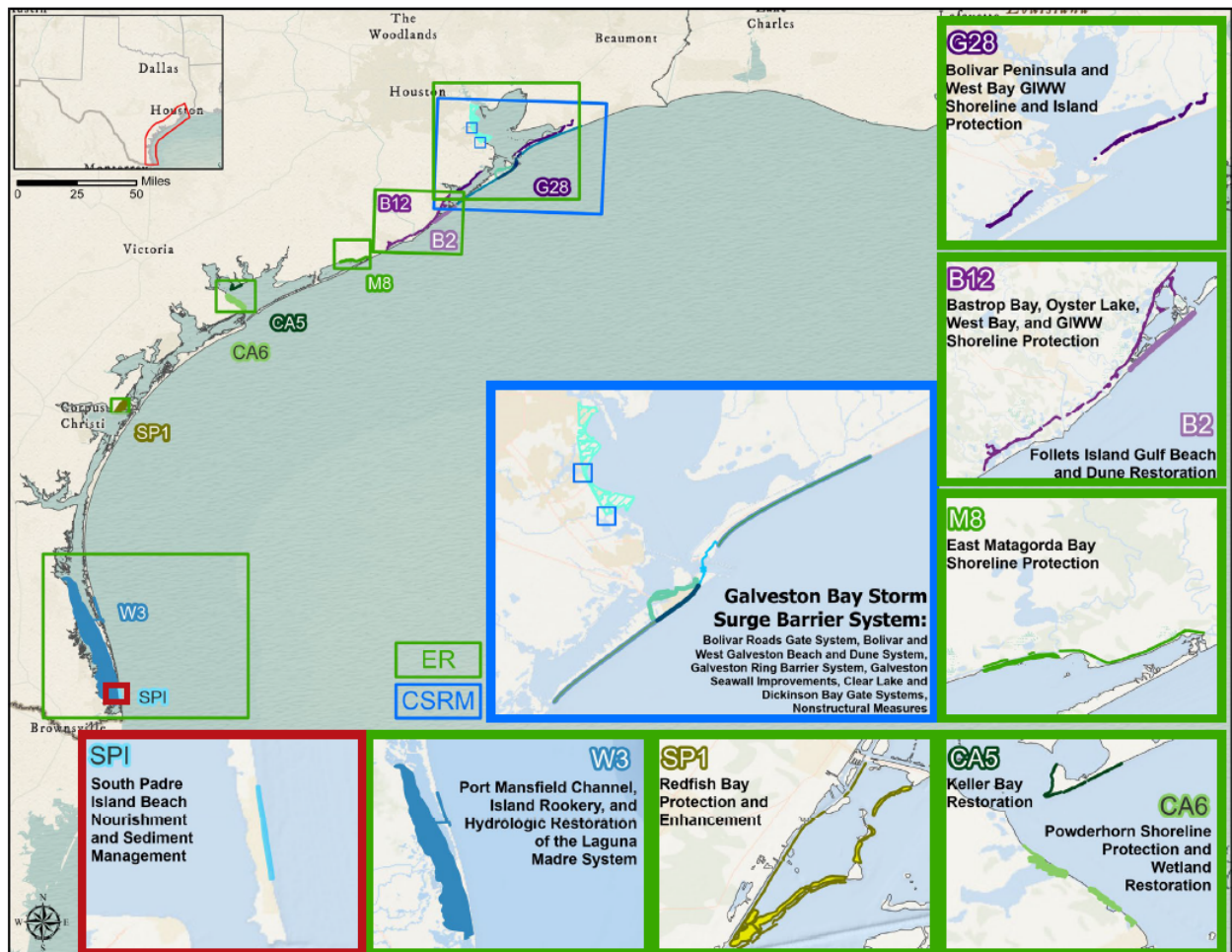
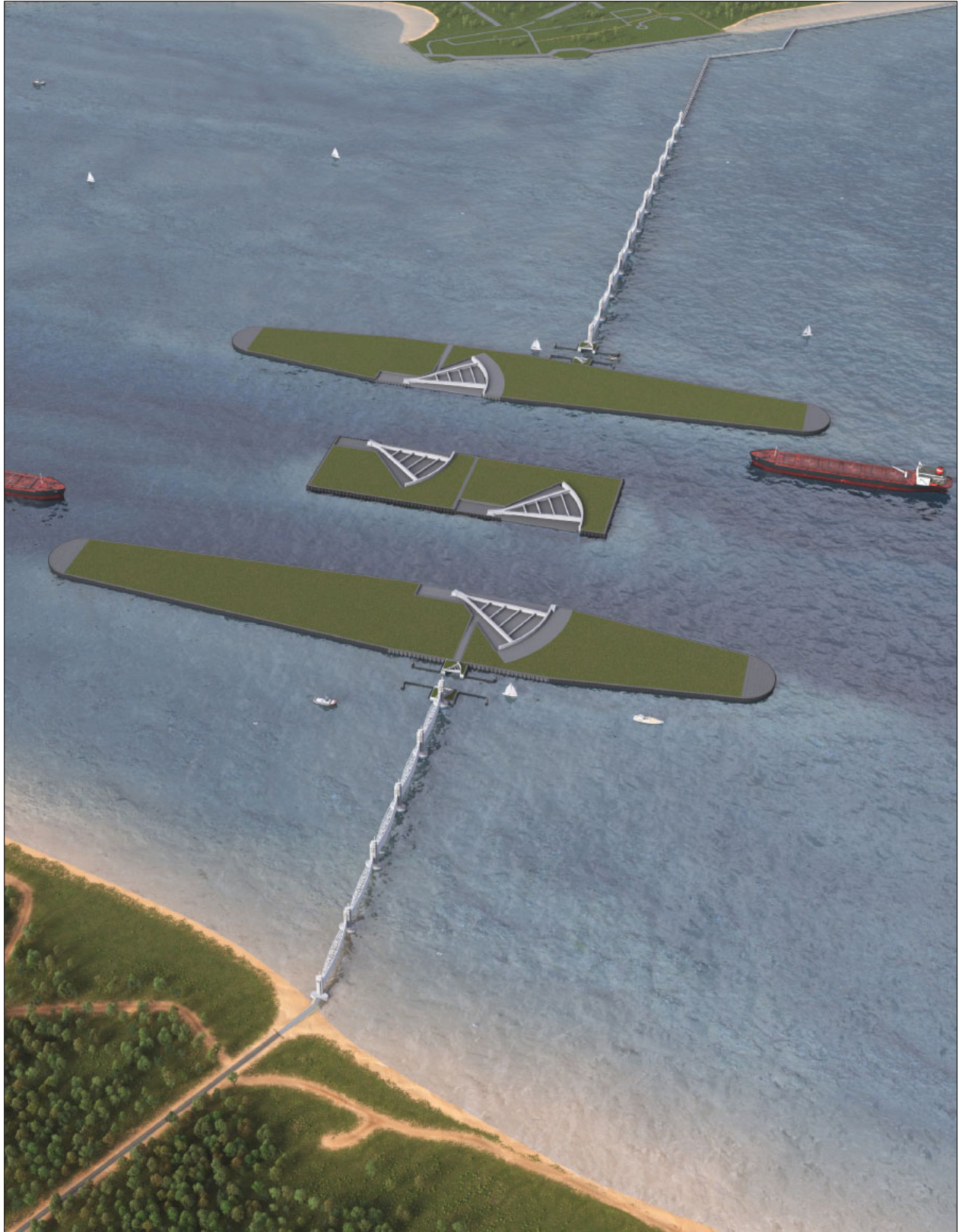


Figure 1: Coastal Texas Program Overview Map



*Conceptual Rendering of the Bolivar Roads Gate System*

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.

Additional information on the Coastal Texas Program can be found in [Appendix A](#).

**PROGRAM STATUS:** The Coastal Texas Program was authorized by Congress for design and construction as part of Section 8401 of the Water Resources Development Act (WRDA) of 2022. However, as of March 2023, Congress has not yet provided funding for the Coastal Texas Program and agreements must still be executed between the USACE and its non-federal sponsors (either in the form of a design agreement or a project partnership agreement). Initial funding is expected in 2023 or 2024, which would allow the design phase of the Coastal Texas Program to commence. However, the pace of implementation activities will depend on the scale of funding which is received or appropriated.

### 3.2. Sabine Pass to Galveston Bay Program

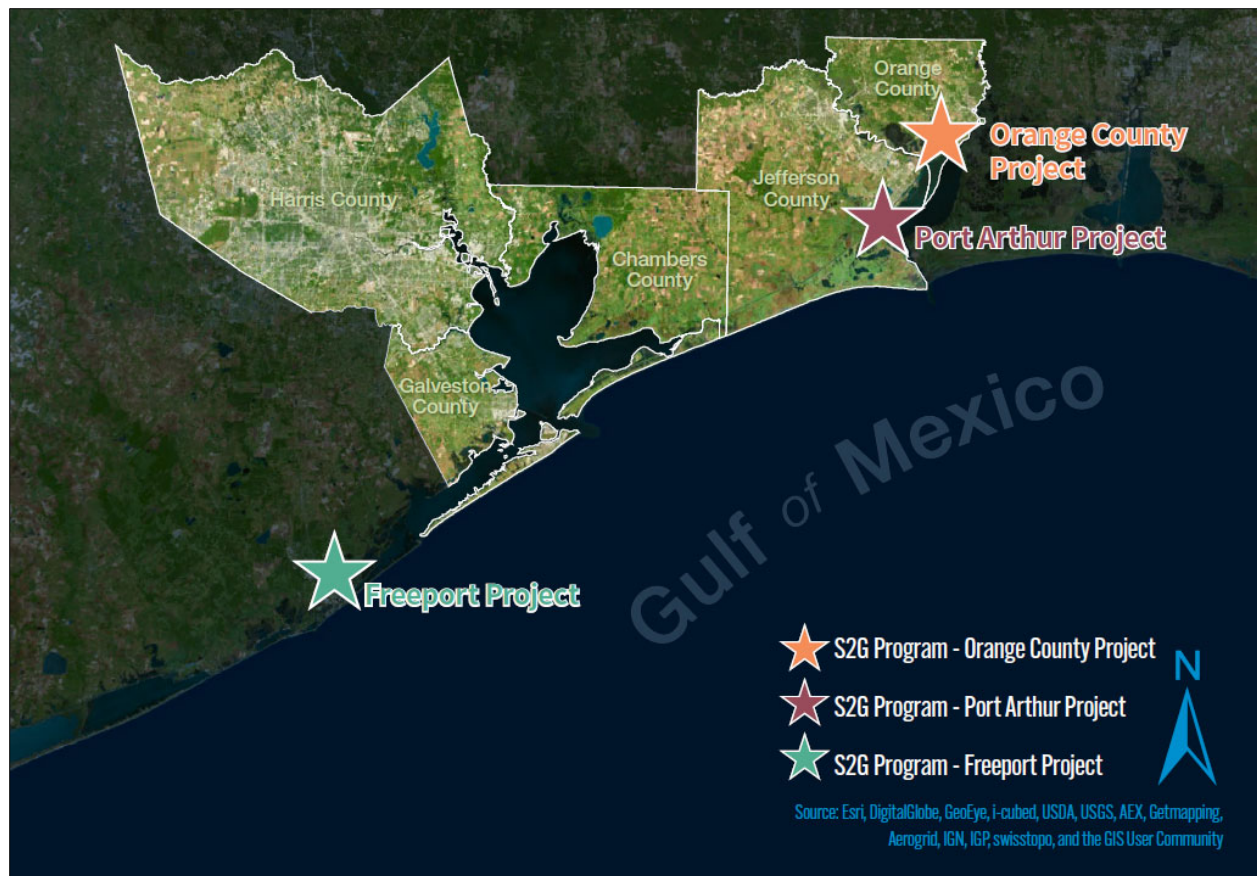
The S2G Program is comprised of three unique projects: improvements to existing hurricane flood protection systems in the Freeport area (the Freeport Project) and the Port Arthur area (the Port Arthur Project), as well as the construction of a new coastal storm risk management system in Orange County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

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. And as Brazoria County is not part of the GCPD, the GCPD has no responsibility for the Freeport Project. 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.

**PROGRAM STATUS:** The [S2G Program](#) was authorized by Congress as part of WRDA 2018 and funded for design and construction by the Bipartisan Budget Act of 2018. Accordingly, the S2G projects are already underway, with the Orange County Project in the design phase and the Port Arthur Project in the construction phase.





### 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:

- Approximately 20 miles of new earthen levees,
- Approximately 3 miles of new concrete floodwalls,
- Approximately 150-200 gravity drainage structures and multiple new pump stations, providing interior drainage for areas behind the levee/floodwall,
- Approximately 40 closure structures located at road and railroad crossings,
- Two 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 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.

As stated above, the Orange County Project is currently in the design phase, with construction anticipated to begin in 2026-2027.

### 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 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 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.

As stated above, the Port Arthur Project is currently in the construction phase, with the first construction contract completed and additional contracts anticipated to commence soon.

### 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. While agreements have been executed for the three S2G projects, and therefore specific non-federal obligations are known for the S2G Program, no agreements have been executed yet in furtherance of the Coastal Texas Program. However, as agreements largely follow a model agreement employed by the USACE, the obligations of the non-federal sponsor are generally known.

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 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 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 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 Cost Share

Current program cost and non-federal cost-share estimates for the S2G Program and the Coastal Texas Program are presented below. These costs are presented at a certain price level (e.g. 2018 or 2023), meaning the cost of the project if it were constructed in that year based on the information known at that point in time.

The USACE is currently updating cost estimates and cost-share estimates to reflect anticipated program schedule (recognizing that construction will not begin for years, in many instances), ongoing design refinements, and importantly, to account for inflation through the estimated midpoint of construction. Accordingly, both program cost and non-federal cost-share will be higher than presented below. While estimates can be provided during the planning and design phases, ultimate cost-share obligations will be based on the actual cost of the project when constructed, accommodating for inflation, design changes, and other factors.

*Table 2: Estimated Coastal Texas Program and S2G Program Cost Share*

Program Component	Total Cost*	Price Level	Non-federal Share**	Non-federal Sponsor
S2G: Orange County	\$2.39B	FY18	\$837M	GCPD
S2G: Port Arthur	\$863M	FY18	\$302M	DD7
S2G: Freeport	\$704M	FY18	\$246M	VDD
Coastal Texas: GBSSBS	\$31.20B	FY23	\$11.79B	GCPD
Coastal Texas: Ecosystem Restoration	\$3.10B	FY23	\$1.16B	GLO
Coastal Texas: South Padre Island	\$81.8M	FY23	\$50.7M	GLO

\* Program cost estimates are currently being updated by USACE. Program cost will be increasing to reflect inflation and the status of ongoing design and construction efforts.

\*\* Cost-share requirements are currently being updated by USACE. Cost-share will be increasing to reflect inflation and the status of ongoing design and construction efforts.

### 3.7. 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.

#### 3.7.1. Coastal Texas Program

The Coastal Texas Program was authorized by Congress in 2022, but as of March 2023 no federal funding has been appropriated to the program. Upon funding, the program will shift into the design phase. Initial efforts related to the Galveston Bay Storm Surge Barrier System are anticipated to be focused on the Bolivar Roads Gate System and the Bolivar Peninsula and West Galveston Beach and Dune Systems. Depending on the timeline for environmental clearance, initial construction activities could commence in the second half of this decade. The USACE and the GLO will also be working to implement the program's ecosystem



restoration projects over the same timeline. The USACE currently anticipates that all construction for the full Coastal Texas Program should be complete in the 2040-2050 timeline, depending on the availability of funding.

### 3.7.2. Orange County Project

The Orange County Project was authorized and funded in 2018, with design work beginning in 2019. Design work is anticipated to continue through 2026 or 2027, concurrent with the procurement of two separate Early Contractor Involvement (ECI) contractors, one for gates and pump stations and the other for levees and floodwalls. Construction work is anticipated to begin in 2026 or 2027 for both ECI contractors and will be completed incrementally through various options/segments as segments are environmentally cleared, right-of-way is acquired, and utility relocations are completed. The USACE currently anticipates that construction activities for the Orange County Project should conclude in the 2030-2035 timeframe, depending on the pace of design activities and the availability of funding.

### 3.7.3. 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, with additional construction contracts to be issued sequentially over the coming years. The USACE currently anticipates completing all design activities in the 2025 / 2026 timeframe and completing all construction activities in 2031, 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 authorizing legislation 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 Sections 49.192 through 49.196, 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 2022 Annual Financial Report and Independent Audit, conducted by McCall Gibson Swedlund Barfoot PLLC, is provided as **Appendix B**.

### 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 and the ability to oversee the proper operation of the District. 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. Furthermore, all Directors must be residents of a GCPD county.

### 4.3. Annual Report

As part of its authorizing legislation (SB 1160), 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 will, from time to time, be asked to participate in or need to comment on interim or legislative hearings. Each legislative session, the Executive Director and members of the Board of Directors may present testimony or respond 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.

#### *Interim Hearings:*

During the 87<sup>th</sup> interim, GCPD was the subject of an interim charge issued to the House Natural Resources Committee. Upon passage of SB 1160, the Speaker of the House tasked the House Committee on Natural Resources to conduct oversight of the implementation of SB 1160 to ensure its intended legislative purpose is being met. In response, the Committee provided an Interim Report to the 88<sup>th</sup> Texas Legislature, submitted in January 2023, reporting its findings. The Committee's Interim Report is provided as [Appendix C](#). The Committee concluded that "the Legislature has given the District the tools they need to move forward, and no statutory changes are necessary at this time." The Committee encourages the continued funding of GCPD operations and the non-federal share of the S2G and Coastal Texas programs, given the importance of protecting our citizens and important industries along the coast. Furthermore, the Committee indicated its intent to continue to monitor the progress of GCPD annually.

#### *Legislative Session Hearings:*

As a recipient of state funding, the District was also asked to participate in various committee hearings during the 88<sup>th</sup> regular legislative session. The District provided comments to both the House Appropriations Committee and the Senate Finance Committee regarding proposed District funding.

The GCPD stands ready to participate in any hearings requested by the legislature, answering questions or providing testimony. This includes both regular and special sessions, as called by the Governor.

### 4.5. Texas General Land Office

Funds appropriated by the Legislature for GCPD are administered through the GLO. In order to access those funds, GCPD has entered into a Local Cooperation Agreement with the GLO. The Local Cooperation Agreement provides a mechanism for the GCPD to obtain advance funding for allowable project costs.

In addition, the District must provide a written reconciliation at the end of each fiscal year stating the total amount of advanced funds received, total project costs incurred, and the balance of advanced funds as of the date of reconciliation. Any remaining balance at the end of the fiscal year must be returned to the GLO unless otherwise directed by the GLO. All costs must be allowable, allocable, reasonable, and otherwise

consistent with the standards in 2 C.F.R. Part 200 (notwithstanding the source of funding for this contract), and all applicable federal and state laws and regulations.

The initial Local Cooperation Agreement was executed on September 13, 2021. Subsequently, it has been amended twice on November 17, 2022 and February 10, 2023.

## 4.6. Sunset Commission

As part of its authorizing legislation (SB 1160), 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 12<sup>th</sup> 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 2022 Operations

The following sections summarize the operations and accomplishments of the GCPD between its creation in August 2021 and December 31, 2022.

### 5.1. Key Milestones

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

- **June 16, 2021:** SB 1160 effective, formally launching the GCPD
- **August 18, 2021:** First GCPD Board Meeting, GCPD signs letter of intent with the USACE for the Coastal Texas Program
- **September 16, 2021:** Coastal Texas Study completed, Chief's Report signed
- **April 29, 2022:** GCPD signed project partnership agreement with USACE for the Orange County Project, a component of the S2G Program
- **July 30, 2022:** USACE completes construction on PAV-01, the first construction contract under the Port Arthur Project and the S2G Program
- **December 23, 2022:** President Biden signs WRDA 2022 into law, authorizing the Coastal Texas Program for design and construction

Subsequent to the close of the 2022 calendar year, the GCPD executed Amendment 2 to the Local Cooperation Agreement between the GLO and the GCPD. Critically, this amendment facilitates the drawdown of funding allocated to the GCPD by the State Legislature as part of SB 1 (87<sup>th</sup> regular legislative session). This provides funding for the GCPD to execute its duties and to meet its responsibilities during the period ending on August 31, 2023.

### 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

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. Furthermore, Orange County and the Orange County Drainage District are providing a representative to serve, in effect, as the Project Executive for 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

**Bookkeeping / Accounting Services:**

- Municipal Accounts & Consulting, L.P.

**Communications Services:**

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

**S2G: Orange County Program Management and Engineering Services:**

- DE CORP

**Auditing Services:**

- McCall Gibson Swedlund Barfoot PLLC

Moving forward, the GCPD intends to continue to build out its organizational structure over the 2023/2024 timeframe through additional key hires and procurement of additional contractors, as appropriate.

### 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, 2022, include:

- Conducted seventeen (17) monthly board meetings.
- Launched the GCPD website at [www.gcpdtexas.com](http://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 Program website at [www.coastaltexasprogram.com](http://www.coastaltexasprogram.com).
- Hosted roundtable discussions with multiple environmental interest groups.
- Issued various news releases and coordinated program updates with news/media organizations.
- Participated in or made presentations at over 100 events, forums, conferences, etc.

## 6. Review of 2022 Financial Conditions

The 2022 fiscal year represented the District's first full year of operation, as the District was created in the second half of 2021. Detailed financial information for the 2022 fiscal year is presented in [Appendix B](#), the 2022 Annual Financial Report and Independent Audit. In summary, the District stands in strong financial condition with revenues exceeding expenditure in 2022, resulting in a net position of \$65,803.00 (as illustrated below).

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
GLO Funding	\$ 944,886	\$	\$ 944,886
Investment Revenues	1,041		1,041
Miscellaneous Revenues	127		127
<b>TOTAL REVENUES</b>	<b>\$ 946,054</b>	<b>\$ - 0 -</b>	<b>\$ 946,054</b>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Personnel	\$ 256,923	\$	\$ 256,923
Professional Fees	366,646		366,646
Contracted Services	183,075		183,075
Depreciation		1,344	1,344
Other	64,063		64,063
Capital Outlay	20,275	(20,275)	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 890,982</b>	<b>\$ (18,931)</b>	<b>\$ 872,051</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 55,072</b>	<b>\$ (55,072)</b>	<b>\$</b>
<b>CHANGE IN NET POSITION</b>		74,003	74,003
<b>FUND BALANCE (DEFICIT)/NET POSITION - OCTOBER 1, 2021</b>	<b>(8,200)</b>		<b>(8,200)</b>
<b>FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022</b>	<b>\$ 46,872</b>	<b>\$ 18,931</b>	<b>\$ 65,803</b>

*Figure 2: 2022 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 cost-share obligations, as detailed in the applicable 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, 2022, the State Legislature has appropriated \$400M in total funding for the GCPD and/or its projects. Specifically, this includes \$200M through SB 500 (86<sup>th</sup> regular legislative session) and \$200M through SB 1 (87<sup>th</sup> regular legislative session). 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, 2022, all funding has been disbursed as intended, with no remaining balance.

- 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). The 2023 budget, as presented in Section 8 of this report, calls for the complete disbursement of these funds by the end of the year. This reflects the February 2023 execution of Amendment No. 2 to the Local Cooperation Agreement between the GLO and GCPD, which facilitates the drawdown of funding allocated as part of SB 1.

The projected allocation of funding received to date from the State for the S2G and Coastal Texas programs, 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, whereas the other projects are in design, triggering additional real estate, relocations, and cash contribution requirements.

*Table 3: Projected Allocation of Current State Funding*

Funding Category	Projected Allocation Through Aug. 2023
GCPD Expenses	\$6M
S2G: Orange County Project	\$54M
S2G: Port Arthur Project	\$293M
S2G: Freeport Project*	\$20M*
Coastal Texas Program	\$27M
<b>TOTAL ALLOCATION:</b>	<b>\$400M</b>

*\* GCPD has no responsibility for the S2G Freeport Project. However, funds were provided for the Freeport Project as part of SB 500 (86<sup>th</sup> regular legislative session).*

The GCPD (or DD7) is required, by the terms of the project partnership agreement, to stay current with the USACE on an annual basis with the 35% cost-share requirement for each project. In the event that the GCPD (or DD7) is not able to provide the 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 otherwise. As of December 31, 2022, no interest expenses have accrued against the GCPD and each project is moving ahead without delay.

Moving forward, with the funding provided via SB 1, and as detailed in the proposed 2023 budget, the GCPD estimates that it will meet or exceed the annual requirement for cash contributions to the USACE for 2023. Accordingly, the GCPD stands in good financial condition with the ability to meet its four overarching financial objectives through the end of 2023.



## 7. Proposed Work for 2023

The following sections summarize, in general, the work proposed to be performed by the GCPD in the 2023 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 Program.

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 and Coastal Texas programs as they transition into subsequent phases.
- To comply with and stay current on all requirements stipulated in the project partnership agreements (executed or anticipated) for the S2G Program and the Coastal Texas Program

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.
- Continue to liaise with the public, stakeholders, and elected officials.

### 7.2. S2G: Port Arthur Project

- Award Contract 3a (estimated: April).
- Award Contract 4 (estimated: May).
- Award Contract 3b (estimated: October).
- Continue design efforts on the remaining contracts.
- Acquire lands and relocate utilities, prior to award of contracts (creditable expense)
- Provide non-federal cash contribution to the USACE (towards Contracts 3a, 4, 3b and ongoing design activities)

### 7.3. S2G: Orange County Project

- Continue field investigation, environmental clearance, interior drainage analysis, design engineering, and ECI contract procurement efforts.
- Continue non-federal activities such as utility relocation coordination, real estate acquisition planning, HTRW investigations, and design participation work.
- Provide non-federal cash contribution to the USACE (covering the ongoing design activities).

### 7.4. Coastal Texas Program

- Execute Memorandum of Understanding.
- Negotiate Design Agreement or Project Partnership Agreement.
- Initiate program planning activities (including the identification and prioritization of initial tasks).
- Initiate sand source investigations, preliminary engineering, H&H studies, environmental evaluations, and/or other priority work efforts identified by the initial program planning effort.
- Continue stakeholder outreach and coordination efforts.
- Provide non-federal cash contribution to the USACE (covering initial planning/design efforts).

## 8. Proposed Budget for 2023

The District's Fiscal Year 2023 budget, presented below, represents anticipated expenditures during the period of October 1, 2022, through September 30, 2023. In accordance with the terms of the Local Cooperation Agreement, which facilitates the transfer of funding from the State to the GCPD, this 2023 budget has been presented to and accepted by the GLO.

Importantly, advance funding for expenses necessary to establish and operate the District cannot exceed the \$200M appropriated by SB 1 (87<sup>th</sup> regular legislative session) for the biennium starting October 1, 2021 and ending September 30, 2023. Expenses have been categorized as GCPD expenses, S2G Orange County Project expenses, S2G Port Arthur Project expenses, and Coastal Texas Program expenses.

For additional detail on any individual budget item, Attachment A-2 of Amendment No.2 to the Local Cooperation Agreement between the GLO and the GCPD is provided as [Appendix D](#).

*Table 4: Proposed 2023 GCPD Budget*

Program / Expense Category	2023 Budget
<b>GCPD</b>	
Administrative costs	\$2,070,150.00
Program management and engineering costs	\$3,500,000.00
<b>Subtotal</b>	<b>\$5,570,150.00</b>
<b>S2G: Orange County Project</b>	
Cash contribution to USACE	\$33,800,000.00
Engineering and design work: in-kind	\$1,500,000.00
OCDD design participation work/costs	\$1,300,000.00
<b>Subtotal</b>	<b>\$36,600,000.00</b>
<b>S2G: Port Arthur Project</b>	
DD7 relocations	\$65,000,000.00
Cash contribution to USACE	\$64,485,838.77
DD7 engineering and design work: in-kind	\$1,000,000.00
<b>Subtotal</b>	<b>\$130,485,838.77</b>
<b>Coastal Texas Program</b>	
Cash contribution to USACE	\$26,844,011.23
<b>Subtotal</b>	<b>\$26,844,011.23</b>
<b>TOTAL BUDGET: 2023</b>	<b>\$199,500,000.00</b>
<b>PRIOR BUDGET: 2022</b>	<b>\$500,000.00</b>
<b>TOTAL BUDGET: 2022 – 2023 Biennium (SB 1)</b>	<b>\$200,000,000.00</b>

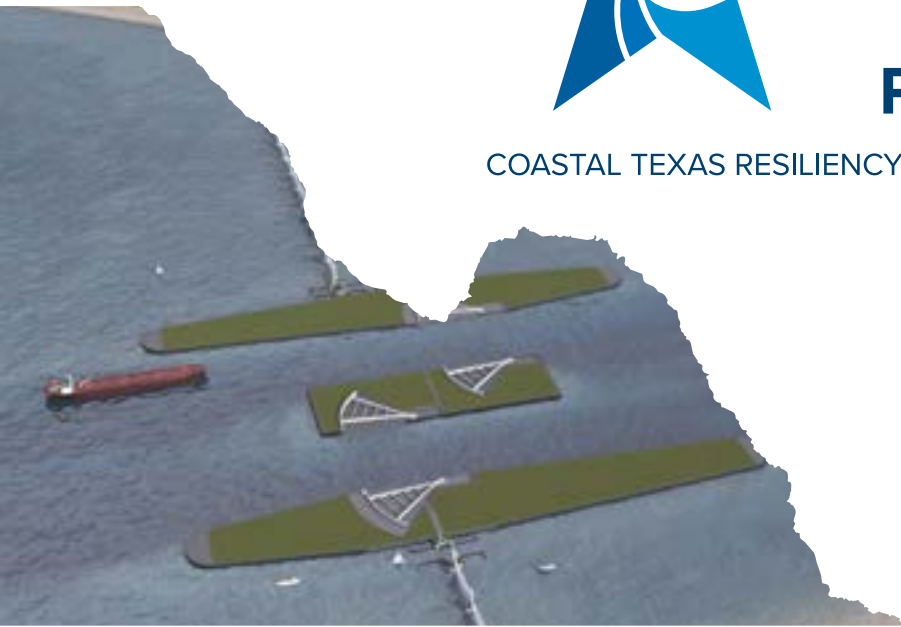
# APPENDIX A

# DEFENDING OUR COAST TO SECURE A RESILIENT FUTURE



**COASTAL  
TEXAS  
PROGRAM**

COASTAL TEXAS RESILIENCY IMPROVEMENT PLAN



**US Army Corps  
of Engineers®**  
Galveston District



---

## THE VALUABLE TEXAS COAST BY THE NUMBERS...

---

**6+** MILLION  
RESIDENTS

---

**3,300**  
MILES OF COASTLINE

---

**24%**  
OF STATE'S  
POPULATION

**15.8%**  
OF U.S. PORT  
CARGO HANDLED

---

**30%** OF U.S. REFINING  
CAPACITY

---

## Program Background

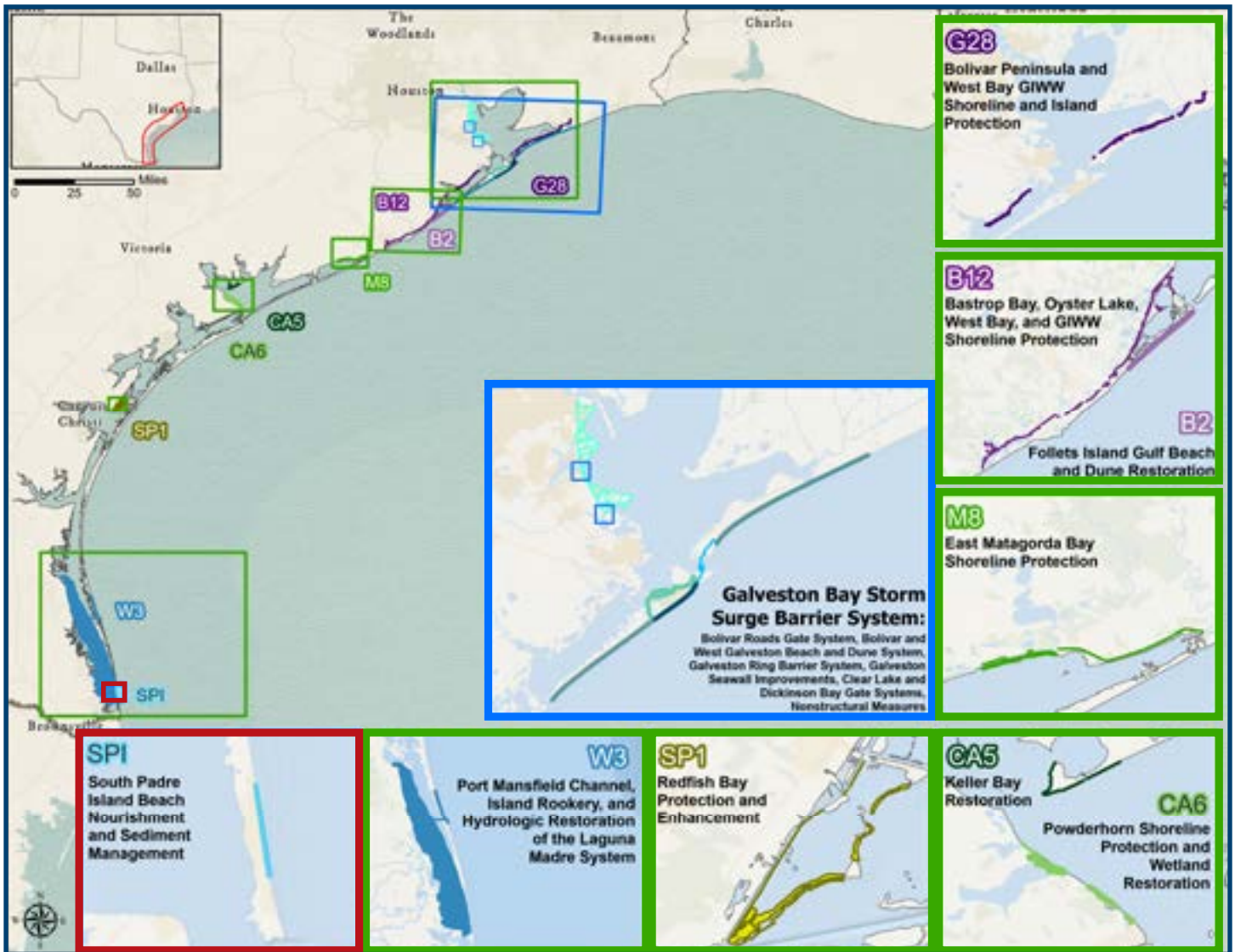
Along the Texas coast, vital resources critical to the social, economic, and environmental welfare of the nation are at risk. When coastal storms damage homes, businesses, industry, infrastructure, and the natural environments of the Texas coast, the immediate fallout and the continued aftermath affects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

In response, the United States Army Corps of Engineers (USACE) partnered with the Texas General Land Office (GLO) to deliver the Coastal Texas Protection and Restoration Feasibility Study and Environmental Impact Statement (EIS). This six-year, \$20 million comprehensive study sought to identify feasible, cost-effective, and ecologically sound projects to reduce risks to public health and the economy, to restore critical ecosystems, and to advance coastal resiliency.

These efforts culminated in Lt. Gen. Scott Spellmon, USACE commanding general, signing the Chief's Report on Sept. 16, 2021, representing the largest single investment recommendation to Congress in USACE history. Subsequently, as part of the Water Resources Development Act of 2022 (WRDA), Congress formally authorized the Coastal Texas Program to advance into design and construction, pending appropriation of funding.

The USACE Galveston District (SWG), along with its non-Federal partners the Gulf Coast Protection District (GCPD) and the GLO, will lead the delivery of this approximately \$34 billion, in today's dollars, program representing an integrated and comprehensive coastal resiliency strategy for the Texas coast.





## Program Overview

The Coastal Texas Program includes a combination of coastal storm risk management and ecosystem restoration projects that function as a system to reduce the risk of coastal storm surge damages to our coastal communities and vitally important industries, and to restore degraded coastal ecosystems. Focused on redundancy and robustness, the Coastal Texas Program provides increased resiliency along the Texas coast and is adaptable to future conditions, including sea level rise. The Coastal Texas Program consists of:

- **The Galveston Bay Storm Surge Barrier System**, 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.
- **A Coastwide Ecosystem Restoration Plan**, to restore degraded ecosystems that buffer communities and industry at eight locations on the Texas coast from erosion, subsidence, and storm losses.
- **The South Padre Island Beach Nourishment Project**, including 2.9 miles of beach nourishment and sediment management activities.

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“By authorizing the Coastal Texas Program, we are one step closer to ensuring Texas has the storm mitigation components it needs to be as prepared as possible for future hurricane seasons.”

*U.S. Senator John Cornyn (Texas)*

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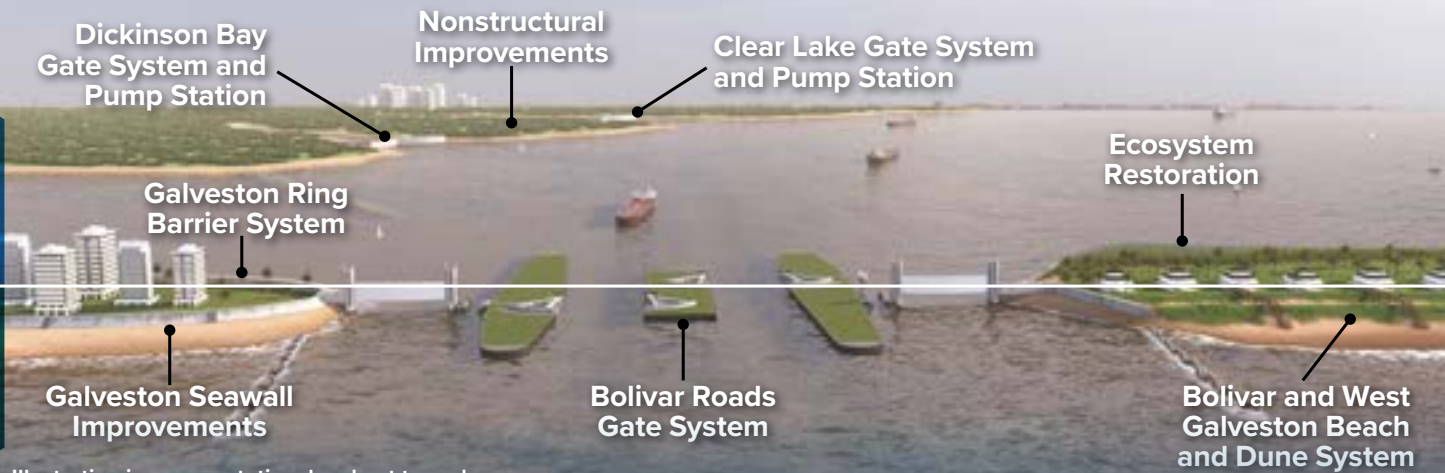


Illustration is representational and not to scale

# MULTIPLE LINES OF DEFENSE

## THE GALVESTON BAY STORM SURGE BARRIER SYSTEM

The Galveston Bay Storm Surge Barrier System is comprised of eight unique projects, split into gulf defenses and bay defenses, as illustrated above. This includes the integration of structural and non-structural coastal storm risk management actions with ecosystem restoration actions to improve the resiliency of coastal communities and the living shoreline.

The gulf defenses separate Galveston Bay from the Gulf of Mexico to reduce storm surge volumes entering the bay and to provide direct protection against storm surge for communities on the barrier island. The largest single component of the Galveston Bay Storm Surge Barrier System and the gulf defenses is the Bolivar Roads Gate System, an approximately 2-mile-long closure structure between Galveston Island and Bolivar Peninsula. Critically, this multi-part gate system will remain open unless the region is threatened by a tropical storm event, maintaining both navigation and environmental flows.

The bay defenses enable the system to manage residual risks from the run-up of water contained within the Galveston Bay system, plus any additional gulf surge that overtops the gulf line of defense. The bay defenses also provide further resiliency against variations in storm track and intensity and relative sea level change.

The Galveston Bay Storm Surge Barrier System also integrates with measures included in the Coastwide Ecosystem Restoration Plan to protect the shoreline from erosion and restore marshes and oyster reefs, which enhance the resiliency of the adjacent structural and natural and nature-based risk reduction measures. In addition, mitigation will be provided to offset the direct and indirect impacts of the Galveston Bay Storm Surge Barrier System. As currently formulated, more than 1,300 acres of habitat are proposed to be created or enhanced as mitigation.

### GULF DEFENSE COMPONENTS:

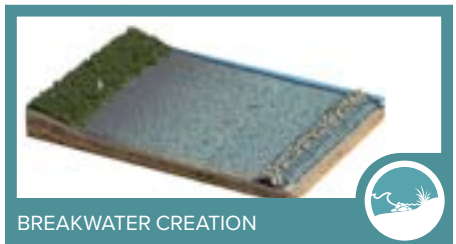
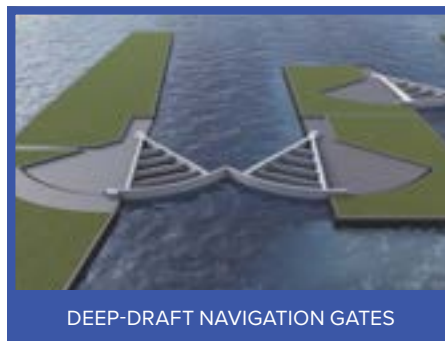
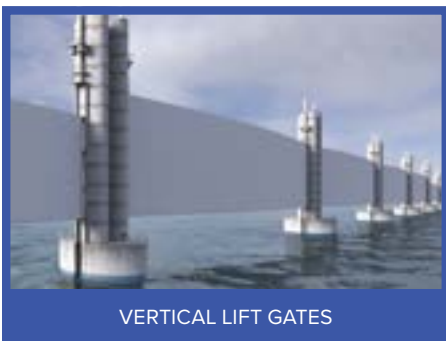
- The Bolivar Roads Gate System, across the entrance to the Houston Ship Channel, between Bolivar Peninsula and Galveston Island;
- 43 miles of beach and dune segments on Bolivar Peninsula and West Galveston Island that work with the Bolivar Roads Gate System to form a continuous line of defense against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

### BAY DEFENSE COMPONENTS:

- An 18-mile Galveston Ring Barrier System that impedes bay waters from flooding neighborhoods, businesses, and critical health facilities within the City of Galveston;
- 2 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; and
- Complementary non-structural measures, such as home elevations or floodproofing, to further reduce bay-surge risks along the western perimeter of Galveston Bay.

# BOLIVAR ROADS GATE SYSTEM

## COASTWISE ECOSYSTEM RESTORATION MEASURES



“The Texas Gulf Coast is responsible for 32% of the refining capacity for our entire country, including an estimated 40% of our country’s jet fuel that we rely on for our national security. The consequences of loss of that capacity cannot be overstated as it relates to our national security.”

*U.S. Representative Lizzie Fletcher (TX-7)*

# Program Cost

FEDERAL SPONSOR



**US Army Corps of Engineers®**  
Galveston District

TOTAL PROJECT COST | ESTIMATED COST SHARE  
**\$34.38 Billion** | **65%** FEDERAL | **35%** NON-FEDERAL

**Galveston Bay Storm Surge Barrier System**  
Lead Non-Federal Sponsor



**Authorized Cost**  
\$31.20 Billion

**Federal Share:**  
\$19.41 Billion

**Non-Federal Share:**  
\$11.79 Billion

**Coastwide Ecosystem Restoration Plan**  
Lead Non-Federal Sponsor



**Authorized Cost**  
\$3.10 Billion

**Federal Share:**  
\$1.94 Billion

**Non-Federal Share:**  
\$1.16 Billion

**South Padre Island Beach Nourishment**  
Lead Non-Federal Sponsor



**Authorized Cost**  
\$81.8 Million

**Federal Share:**  
\$31.1 Million

**Non-Federal Share:**  
\$50.7 Million

“Think of all the hurricanes and damage that we’ve heard over the years that have come in on the eastern shore of Galveston and Houston. This will help mitigate the impacts of future hurricanes and ensure critical port assets can continue to serve our country’s shipping and supply chain needs.”

*U.S. Senator Shelley Moore Capito (West Virginia)*

# Program Benefits

**FLOOD DAMAGE REDUCTION**



**\$2.31 Billion**  
EQUIVALENT ANNUAL BENEFITS

**1.91** BENEFIT TO COST RATIO

**77%** REDUCTION IN DAMAGED STRUCTURES

**64%** REDUCTION IN FLOODED CRITICAL INFRASTRUCTURE POINTS

**ENVIRONMENTAL ENHANCEMENT**



PROTECTING NATIONALLY AND GLOBALLY SIGNIFICANT HABITAT

**21,010**

AAHUs ECOLOGICAL LIFT

**6,610**

ACRES HABITAT IMPROVED

**ECONOMIC RESILIENCY**



SAFEGUARDING...

**#1** U.S. PORT FOR WATERBORNE TONNAGE

**30%** OF THE NATION’S TOTAL REFINING CAPACITY

**60%** OF THE NATION’S AVIATION FUEL

**42%** OF THE NATION’S SPECIALTY CHEMICAL FEEDSTOCK

**80%** OF THE NATION’S MILITARY GRADE FUEL



# The Path Forward

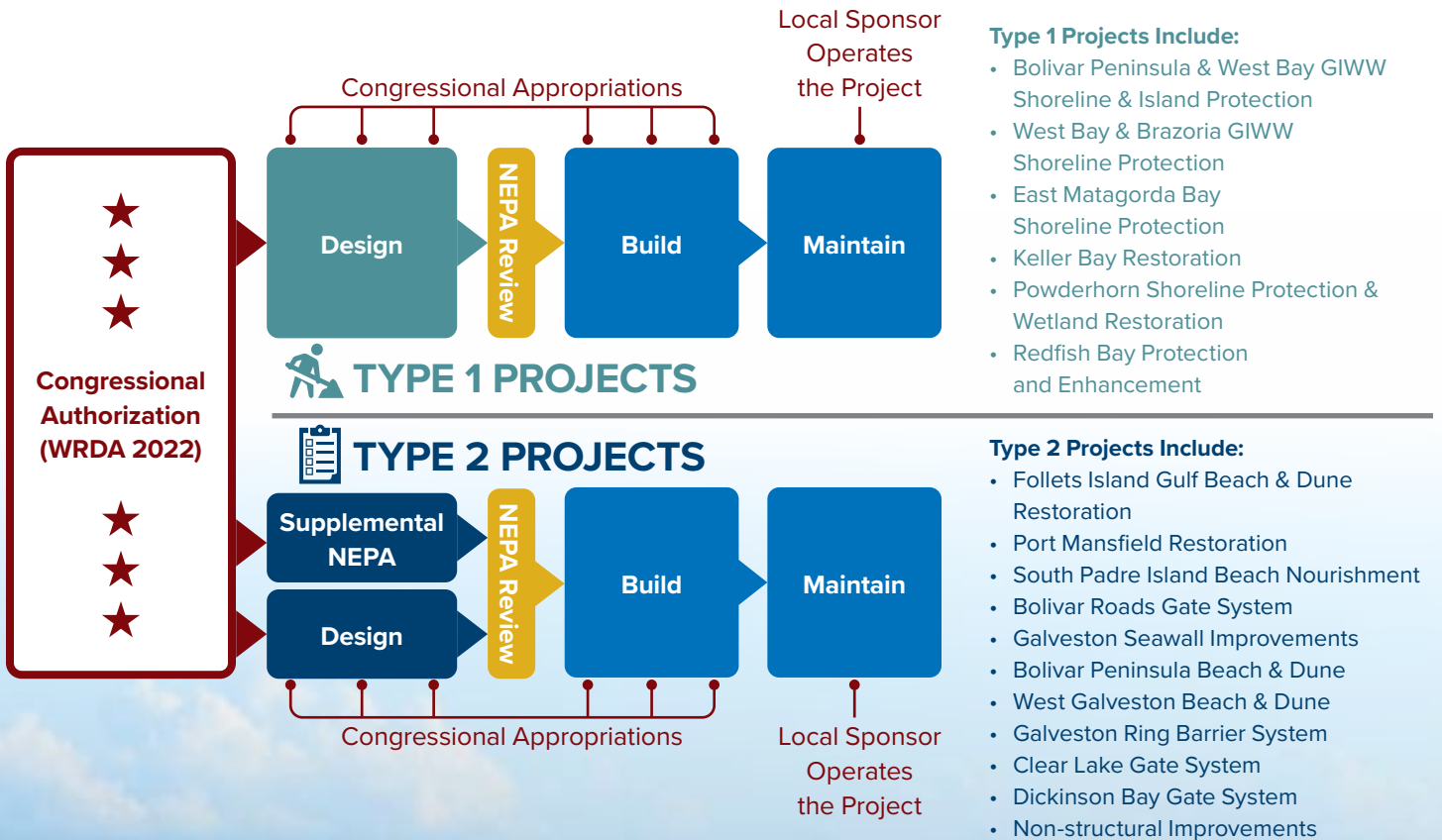
The Coastal Texas Program is comprised of more than 15 unique projects that could take up to 20 years to build, depending on the pace of funding. Ensuring compliance with all environmental laws and regulations, including the National Environmental Protection Act (NEPA), is critical to the implementation strategy.

Using a Tiered NEPA approach, projects have been categorized as either Type 1 or Type 2. Type 1 projects met all environmental compliance requirements as part of the 2021 Environmental Impact Statement, which was published alongside the final study report. For these projects, implementation will move ahead as soon as funding is available and designs are complete, assuming no significant change in site conditions or project design. Six ecosystem restoration projects have been classified as Type 1.

For the remainder the projects, classified as Type 2, additional environmental analyses and preparation of supplemental NEPA assessments will be required before the projects can move into construction. This process provides additional time for designs to be advanced, for the potential impacts to be better quantified, for mitigation plans (if necessary) to be prepared or further refined, and for additional agency consultation and public review. All components of the Galveston Bay Storm Surge Barrier System are classified as Type 2 and require additional environmental evaluation and review prior to their construction.

“The Coastal Texas Program is not only an important safety measure, but it will save money in the long term by softening the destructive power of storms along the Gulf Coast. This is a win-win, not just for Texans, but for taxpayers nationwide.”

*U.S. Senator Ted Cruz (Texas)*



# An Integrated and Comprehensive Coastal Resiliency Strategy

The Coastal Texas Program, in combination with other ongoing Federal and state efforts, presents a systemwide risk management strategy for the coastline of Texas. These proposed improvements work in concert with each other, employing multiple lines of defense to enhance the resiliency of Texas' coastal regions, its sensitive ecosystems, and the broader economy. The primary ongoing companion programs, which make up the integrated coastal protection system, include:

- Coastal Texas Program – USACE led
- Sabine Pass to Galveston Bay (S2G) Program – USACE led
- Texas Coastal Resiliency Master Plan – GLO led

Taken as a whole, these efforts form an integrated and comprehensive coastal resilience strategy, addressing a wide array of immediate coastal protection and environmental restoration needs across the entire Texas coast.



## COASTAL TEXAS PROGRAM

VISIT US ONLINE:

[www.coastaltexasprogram.com](http://www.coastaltexasprogram.com)



LEARN MORE AT OUR STORY MAP:



PROJECT PARTNERS:

[www.swg.usace.army.mil](http://www.swg.usace.army.mil)

[www.GCPDtxas.com](http://www.GCPDtxas.com)

[www.glo.texas.gov](http://www.glo.texas.gov)

*Developed and produced by the Gulf Coast Protection District. Version: Winter 2022*

# APPENDIX B



**GULF COAST PROTECTION DISTRICT**

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

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2022**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**GULF COAST PROTECTION DISTRICT**

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

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2022**



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**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, 2022, 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, 2022, 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 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 PLLC  
Certified Public Accountants  
Houston, Texas

January 11, 2023





**GULF COAST PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022. 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, 2022**

**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"). A budgetary comparison schedule is included as RSI for General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's assets exceeded liabilities by \$65,803 as of September 30, 2022. The following presents a Summary of the Statement of Net Position. This is the District's first audit. Future audits will present this information on a comparative basis.

**GULF COAST PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of the Statement of Net Position
	2022
Current and Other Assets	\$ 467,313
Capital Assets (Net of Accumulated Depreciation)	18,931
Total Assets	\$ 486,244
Other Liabilities	\$ 420,441
Net Position:	
Net Investment in Capital Assets	\$ 18,931
Unrestricted	46,872
Total Net Position	\$ 65,803

The following table provides a summary of the District's operations for the year ended September 30, 2022, which is the initial audit period for the District.

	Summary of the Statement of Activities
	2022
Revenues:	
GLO Funding	\$ 944,886
Miscellaneous Revenues	1,168
Total Revenues	\$ 946,054
Expenses for Services	872,051
Change in Net Position	\$ 74,003
Net Position, Beginning of Year	(8,200)
Net Position, End of Year	\$ 65,803

**GULF COAST PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The District's General Fund fund balance as of September 30, 2022, totaled \$46,872, an increase of \$55,072 from the prior year, which was primarily due to the GLO funding exceeding operating costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors amended the budget twice during the current fiscal year on, December 8, 2021 and July 13, 2022, respectively. Actual revenues were \$31,103,946 less than budgeted revenues and actual expenditures were \$3,779,168 less than budgeted expenditures.

**CAPITAL ASSETS**

The District capital assets as of September 30, 2022, total \$18,931 (net of accumulated depreciation). These capital assets include livestream broadcasting equipment.

**LONG-TERM DEBT ACTIVITY**

The District does not have any long-term debt as of September 30, 2022.

**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, 2022**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 464,875	\$	\$ 464,875
Investments	1,011		1,011
Prepaid Costs	1,427		1,427
Capital Assets (Net of Accumulated Depreciation)		18,931	18,931
<b>TOTAL ASSETS</b>	<u>\$ 467,313</u>	<u>\$ 18,931</u>	<u>\$ 486,244</u>
<b>LIABILITIES</b>			
Accounts Payable	<u>\$ 420,441</u>	<u>\$ - 0 -</u>	<u>\$ 420,441</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Prepaid Costs	\$ 1,427	\$ (1,427)	\$
Unassigned	<u>45,445</u>	<u>(45,445)</u>	<u></u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 46,872</u>	<u>\$ (46,872)</u>	<u>\$ - 0 -</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 467,313</u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 18,931	\$ 18,931
Unrestricted		<u>46,872</u>	<u>46,872</u>
<b>TOTAL NET POSITION</b>		<u>\$ 65,803</u>	<u>\$ 65,803</u>

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, 2022**

Total Fund Balance - Governmental Fund	\$ 46,872
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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.	<u>18,931</u>
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Total Net Position - Governmental Activities	<u>\$ 65,803</u>
--	------------------

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, 2022**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
GLO Funding	\$ 944,886	\$	\$ 944,886
Investment Revenues	1,041		1,041
Miscellaneous Revenues	<u>127</u>		<u>127</u>
<b>TOTAL REVENUES</b>	<u>\$ 946,054</u>	<u>\$ - 0 -</u>	<u>\$ 946,054</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Personnel	\$ 256,923	\$	\$ 256,923
Professional Fees	366,646		366,646
Contracted Services	183,075		183,075
Depreciation		1,344	1,344
Other	64,063		64,063
Capital Outlay	<u>20,275</u>	<u>(20,275)</u>	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 890,982</u>	<u>\$ (18,931)</u>	<u>\$ 872,051</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 55,072	\$ (55,072)	\$
<b>CHANGE IN NET POSITION</b>		74,003	74,003
<b>FUND BALANCE (DEFICIT)/NET POSITION - OCTOBER 1, 2021</b>	<u>(8,200)</u>		<u>(8,200)</u>
<b>FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022</b>	<u>\$ 46,872</u>	<u>\$ 18,931</u>	<u>\$ 65,803</u>

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, 2022**

Net Change in Fund Balance - Governmental Fund	\$	55,072
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Amounts reported for governmental activities in the Statement of Activities are different because:

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.		(1,344)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		<u>20,275</u>
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Change in Net Position - Governmental Activities	\$	<u><u>74,003</u></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, 2022**

**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 (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 Restoration Final Integrated Feasibility Report-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 Study Final Integrated Feasibility Report and 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, 2022**

**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, 2022**

**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, 2022**

**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 twice on December 8, 2021 and on July 13, 2022, respectively. 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, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions

The District has two 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 Note 9 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 not have any restricted fund balances.

*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, 2022**

**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 \$464,875 and the bank balance was \$466,302. The District was exposed to custodial credit risk at year end in the amount of \$216,302. The District's exposure to custodial credit risk was alleviated subsequent to year end on October 20, 2022.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at September 30, 2022, as listed below:

	Cash
GENERAL FUND	\$ 464,875

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, 2022**

**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., 2022, 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	<u>\$ 1,011</u>	<u>\$ 1,011</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, 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, 2022**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022:

	October 1, 2021	Increases	Decreases	September 30, 2022
<b>Capital Assets Subject to Depreciation</b>				
Equipment	\$ - 0 -	\$ 20,275	\$ - 0 -	\$ 20,275
<b>Accumulated Depreciation</b>				
Equipment	\$ - 0 -	\$ 1,344	\$ - 0 -	\$ 1,344
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ - 0 -</u>	<u>\$ 18,931</u>	<u>\$ - 0 -</u>	<u>\$ 18,931</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”).

The District currently receives state funding from the GLO on a pass-through basis, pursuant to the terms and conditions of a local cooperation agreement (as further described below). This allows the District to receive state funds appropriated by the Texas Legislature to the GLO for use by the District during each biennium following the state legislative session. The District may expend these funds pursuant to the terms and conditions of the various project partnership, interlocal and local cooperation agreements described below.

The District has not yet received federal funding, but the United States Congress recently passed the Water Resources Development Act of 2022 (Public Law No. 117-263, effective December 23, 2022), which authorizes implementation of the Coastal Texas Program and allocates funds for use by the District. Additional partnership arrangements and agreements with federal and state entities may be necessary in connection with the District’s receipt and expenditure of such federal funds.



**GULF COAST PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

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, which obligated Orange County to serve as the Non-Federal Sponsor for the Orange County Project and to fund and/or finance 35% of certain costs associated with the design phase of the Orange County Project (such cost share, the “Orange County Non-Federal Share” and, such agreement, the “Design Agreement”). On December 14, 2021, the District entered into an interlocal agreement with Orange County, as amended subsequent to the fiscal year end, effective November 9, 2022 (such agreement, the “Orange County IA”). Upon execution of the Project Partnership Agreement, (as further described in the next paragraph) 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 engage and participate in the design of the Orange County Project and the District will fund or reimburse Orange County for the remaining portion of the Orange County Non-Federal Share.

On April 29, 2022, the District entered into the Project Partnership Agreement with the USACE (the “PPA”). Pursuant to the 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 will contribute 35 percent of certain construction costs for the Project (inclusive of the Orange County Non-Federal Share) or, in lieu of all or part of such contribution, the District will directly fund, acquire necessary real property, and install and construct certain facilities and improvements as part of the Orange County Project and shall receive credit for any such in-kind contributions (such cost share, the “District Non-Federal Share – Orange County”). 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.

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

On November 29, 2019, DD7 and the USACE entered into a Project Partnership Agreement, which obligated which obligated DD7 to serve as the Non-Federal Sponsor for the Jefferson County Project and to 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”). 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 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 – Orange County, the “District Non-Federal Share”).

**GULF COAST PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

General Land Office

Effective September 1, 2021, District entered into a local cooperation agreement with the General Land Office (the “GLO”), as amended on November 17, 2022, (the “LCA”). Pursuant to the LCA, the GLO will reimburse or provide advance funding to the District for certain District administrative expenditures and for certain project costs associated with S2G and Coastal Texas, including, without limitation, the District Non-Federal Share for the Orange County Project, and the Jefferson County Project, subject to the appropriation of or the availability of state funds to the GLO. The term of this agreement expires August 31, 2025. During the current fiscal year, the District received \$944,886 to fund operating expenditures.

**NOTE 6. RETIREMENT PLAN**

The District began participation in the Texas County & District Retirement System (TCDRS) as of February 1, 2022, and therefore did not have any participating employees as of the TCERS measurement date, December 31, 2021. A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. The District participates in TCERS, which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
  - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
  - 2) The plan provides retirement, disability and survivor benefits.
  - 3) TCERS is a savings-based plan. For the District plan, 7% of each employee’s pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest per year on beginning of year balances. At retirement, the account is matched at an employer set percentage(s) (current match is 200%) and is then converted to a lifetime annuity.
  - 4) There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
  - 5) Benefit terms are established under the TCERS Act. They may be amended as of Jan. 1 each year but must remain in conformity with the Act.
- c. As of the measurement date (December 31, 2021), the District had no employees covered in TCERS.

**GULF COAST PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6. RETIREMENT PLAN (Continued)**

- d. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by District and are currently 7%. The actuarially determined employer contribution rate for 2022 was 11.94%. Contributions to the pension plan from the District were \$14,894 for the fiscal year ended September 30, 2022.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

**NOTE 7. 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.

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**GULF COAST PROTECTION DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2022**





**GULF COAST PROTECTION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
GLO Funding	\$ 500,000	\$ 32,050,000	\$ 944,886	\$(31,105,114)
Investment Revenues	1,005		1,041	1,041
Miscellaneous Revenues			127	127
<b>TOTAL REVENUES</b>	<u>\$ 501,005</u>	<u>\$ 32,050,000</u>	<u>\$ 946,054</u>	<u>\$(31,103,946)</u>
<b>EXPENDITURES</b>				
Service Operations:				
Personnel	\$ 291,800	\$ 1,155,300	\$ 256,923	\$ 898,377
Professional Fees	72,000	1,670,000	366,646	1,303,354
Contracted Services	24,000	1,600,000	183,075	1,416,925
Other	76,600	244,850	64,063	180,787
Capital Outlay			20,275	(20,275)
<b>TOTAL EXPENDITURES</b>	<u>\$ 464,400</u>	<u>\$ 4,670,150</u>	<u>\$ 890,982</u>	<u>\$ 3,779,168</u>
<b>NET CHANGE IN</b>				
<b>FUND BALANCE</b>	\$ 36,605	\$ 27,379,850	\$ 55,072	\$(27,324,778)
<b>FUND BALANCE - OCTOBER 1, 2021</b>	<u>(8,200)</u>	<u>(8,200)</u>	<u>(8,200)</u>	
<b>FUND BALANCE - SEPTEMBER 30, 2022</b>	<u>\$ 28,405</u>	<u>\$ 27,371,650</u>	<u>\$ 46,872</u>	<u>\$(27,324,778)</u>

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**GULF COAST PROTECTION DISTRICT**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**SEPTEMBER 30, 2022**



**GULF COAST PROTECTION DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>256,923</u>
PROFESSIONAL FEES:	
Engineering	\$ 180,951
Legal	<u>185,695</u>
TOTAL PROFESSIONAL FEES	\$ <u>366,646</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 25,107
Communications	<u>157,968</u>
TOTAL CONTRACTED SERVICES	\$ <u>183,075</u>
ADMINISTRATIVE EXPENDITURES:	
Dues	\$ 401
Insurance	12,108
Office Supplies	8,046
Seminar	1,125
Travel and Meetings	29,253
Website	9,616
Other	<u>3,514</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>64,063</u>
CAPITAL OUTLAY	\$ <u>20,275</u>
TOTAL EXPENDITURES	\$ <u><u>890,982</u></u>

Number of persons employed by the District    2 Full-Time    -0- Part-Time

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**GULF COAST PROTECTION DISTRICT**  
**SCHEDULE OF INVESMENTS**  
**SEPTEMBER 30, 2022**

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	\$ 1,011	\$ - 0 -

**GULF COAST PROTECTION DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2022**

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

<b>Board Members</b>	(Appointed) Term of Office	Fees of office for the year ended September 30, 2022	Expense reimbursements for the year ended September 30, 2022	<u>Position</u>
Michel Bechtel	08/21 06/25	\$ -0-	\$ 6,771	President
Robert Mitchell	08/21 06/25	\$ -0-	\$ 107	Vice President
Roger Quiroga	08/21 06/23	\$ -0-	\$ 392	Secretary
Sally Bakko	08/21 06/25	\$ -0-	\$ 486	Assistant Secretary
Roger Guenther	08/21 06/25	\$ -0-	\$ -0-	Director
Michael VanDerSnick	08/21 06/25	\$ -0-	\$ -0-	Director
Lori Traweek	08/21 06/25	\$ -0-	\$ -0-	Director
Billy Combs	08/21 06/23	\$ -0-	\$ 227	Director
Adrian Garcia	08/21 06/23	\$ -0-	\$ -0-	Director
Allan Ritter	08/21 06/23	\$ -0-	\$ -0-	Director
Kirk Roccaforte	08/21 06/23	\$ -0-	\$ 962	Director

**GULF COAST PROTECTION DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2022**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	08/18/21	\$ 154,825	Attorney
McCall Gibson Swedlund Barfoot PLLC	09/14/22	\$ -0-	Auditor
Municipal Accounts & Consulting, LP	08/18/21	\$ 28,868	Bookkeeper
DE Corp	08/10/22	\$ 180,951	Engineer
Mark Burton	09/08/21	\$ -0-	Investment Officer
Ghia Lewis	09/08/21	\$ -0-	Investment Officer
Hollaway Environmental + Communications		\$ 142,496	Communications
Touchstone District Services		\$ 46,069	Public Relations
<b>Personnel:</b>			
Nicole Sunstrum	08/18/21	\$ Salary	Exec. Director
Grace Bader	06/16/22	\$ Salary	Exec. Assistant



# APPENDIX C



# INTERIM REPORT

## TO THE 88<sup>TH</sup> TEXAS LEGISLATURE

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HOUSE COMMITTEE ON  
NATURAL RESOURCES  
JANUARY 2023

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**HOUSE COMMITTEE ON NATURAL RESOURCES  
TEXAS HOUSE OF REPRESENTATIVES  
INTERIM REPORT 2022**

**A REPORT TO THE  
HOUSE OF REPRESENTATIVES  
88TH TEXAS LEGISLATURE**

**Tracy O. King  
CHAIRMAN**

**Sam Bacarisse  
COMMITTEE CLERK**

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Committee On  
Natural Resources

January 3, 2023

Tracy O. King  
Chairman


P.O. Box 2910  
Austin, Texas 78768-2910

The Honorable Dade Phelan  
Speaker, Texas House of Representatives  
Members of the Texas House of Representatives  
Texas State Capitol, Rm. 2W.13  
Austin, Texas 78701

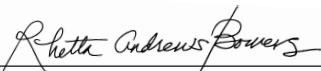
Dear Mr. Speaker and Fellow Members:

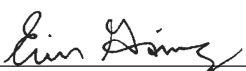
The Committee on Natural Resources of the Eighty-eighth Legislature hereby submits its interim report including recommendations for consideration by the Eighty-ninth Legislature.

Respectfully submitted,

  
Tracy O. King

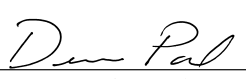
  
Cody Harris

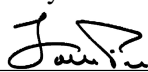
  
Rhetta Andrews Bowers

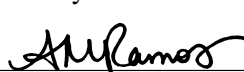
  
Erin Elizabeth Gamez


  
Kyle Kacal

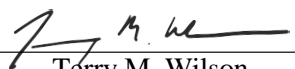
  
Lyle Larson

  
Dennis Paul

  
Four Price

  
Ana-Maria Ramos

  
Armando Walle

  
Terry M. Wilson

Cody Harris  
Vice-Chairman

Members: Cody Harris, Rhetta Andrews Bowers, Erin Elizabeth Gamez, Kyle Kacal, Lyle Larson, Dennis Paul, Four Price, Ana-Maria Ramos, Armando Walle, Terry M. Wilson

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WATERS OF THE UNITED STATES .....	13
GROUNDWATER.....	15

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# **GULF COAST PROTECTION DISTRICT**

## **Overview**

The 87th Texas Legislature passed SB 1160, which created the Gulf Coast Protection District (GCPD) to serve as the non-federal sponsor for the U.S. Army Corps of Engineers (USACE) led Sabine to Galveston (S2G) and Coastal Texas programs, known together as the coastal barrier system. The House Committee on Natural Resources was charged by the Speaker to conduct oversight of the implementation of SB 1160 to ensure its intended legislative purpose is being met.

Because the GCPD is just over one year old, the Committee took this opportunity to familiarize itself with the District, some of its important partners, and the USACE. Through this exercise, the invited witnesses were able to provide the Committee with a valuable progress report on the Texas Coastal Program and other projects under their purview.

The Texas Coastal Program includes a combination of coastal storm risk management and ecosystem restoration projects that function as a system to reduce the risk of coastal storm surge damage to our coastal communities and critical industries and to restore degraded coastal ecosystems. The program includes:

- The Galveston Bay Storm Surge Barrier System, 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.
- A Coastwide Ecosystem Restoration Plan, to restore degraded ecosystems that buffer communities and industry at eight locations on the Texas coast from erosion, subsidence, and storm losses.
- The South Padre Island Beach Nourishment Project, including 2.9 miles of beach nourishment and sediment management activities.

The General Land office is the lead non-federal sponsor for both the Coastwide Ecosystem Restoration Plan and the South Padre Island Beach Nourishment Project, while the GCPD is the lead non-federal sponsor for the Galveston Bay Storm Surge Barrier System. The Galveston Bay Storm Surge Barrier System is the most significant and major component of the Texas Coastal Program.

## **Summary of SB 1160**

SB 1160 passed the Legislature with overwhelming bi-partisan support and was signed into law by the Governor on June 16th, 2022, going into immediate effect. The bill provides that the Gulf Coast Protection District, which includes Chambers, Galveston, Harris, Jefferson, and Orange counties, is a special District created under Section 59, Article XVI, of the Texas Constitution and is necessary to establish an instrumentality for protecting the coast in that region. The purpose of the District is to serve as the non-federal sponsor of the Coastal Texas Program and the S2G Program projects located in this territory. The District is subject to review by the Sunset Commission every 12 years, but cannot be abolished through that process.

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The GCPD is governed by a board of 11 directors that serve staggered four-year terms. Each member county commissioners court appoint one director. The governor, with the advice and consent of the Texas Senate, appoints the remaining six directors as follows:

- two directors to represent Harris County;
- one director to represent a municipality in the District;
- one director to represent ports;
- one director to represent industry;
- one director to represent environmental concerns.

The board elects from its membership a president to serve in that position for two years. The majority of directors cannot be from a single county.

The bill authorizes the GCPD to establish, construct, extend, maintain, operate, or improve a coastal barrier or storm surge gate, among other related powers.

The bill grants the GCPD both taxing authority and eminent domain authority, which are necessary to carrying out its mandate and required by the USACE. Subject to voter approval, the District may impose an ad valorem tax not to exceed \$.05 per \$100 of valuation. The District must also seek voter approval to issue bonds payable by an ad valorem tax but not those secured by other sources of revenue. The District is granted power of eminent domain and may exercise that authority in the manner provided by CH. 21, Property Code, but is prohibited 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.

SB 1160 permits the GCPD to enter into project partnership agreements with the USACE and cooperative and interlocal agreements with other political subdivisions to carry out the District's mission. It expands provisions regarding contracts necessary to the exercise of the District's powers, rights, duties, and functions.

## **Discussion**

Since the District's creation roughly a year ago they have hit significant milestones. GCPD reports 15 regular board meetings, a signed letter of intent with the USACE on the Coastal Texas Program, an executed project partnership agreement with USACE on the Orange County projects, and a series of interlocal and local cooperation agreements. In order for the District to move forward with the Texas Coastal Program, Congress must give final authorization by passing the Water Resources Development Act of 2022, which has been delayed, but is expected to pass before the end of 2022. Once authorized, the Coastal Texas Program is eligible for federal funding and the project partnership agreements can be finalized.

Prior to the passage of SB 1160, the Texas Legislature indicated it was committed financially to the suite of projects at large. SB 2212 (86R) allowed local drainage Districts involved in the S2G program to sign project partnership agreements with USACE, and SB 500 (86R) allocated \$200 million for project costs and non-federal cost-share for the S2G program. With the passage of SB 1160 alongside \$200 million in funding appropriated by SB 1 (87R) for GCPD administrative costs, project costs, and non-federal cost

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share for both the S2G and Coastal Texas Projects within GCPD territory, the Legislature demonstrated it seriously endorsed the project.

The completion timeline spans 20 years and the total projected cost is \$30.91 billion in today's dollars. Similar to most USACE projects, the Coastal Texas Program will require a 65/35 federal/non-federal cost share. The Galveston Bay Storm Surge Barrier, GCPD's lead project, has a total authorized cost of \$28.05 billion. That breaks down to a federal share of \$17.5 billion and a non-federal share of \$10.72 billion. This price tag will be minimized by flood insurance reductions and the significant reduction in structural damages and business disruption. For example, it was reported to the Committee that Hurricane Ike caused an estimated \$25 billion in direct damages and an additional \$142 billion in economic impacts to the region. Texas, the nation, and the world have significant interest in the region, but the lives and livelihoods of everyday Texans are chief among them and are alone worth protecting. Our assessment is that the non-federal cost share portion of the project would be financially advantageous for Texas.

There is criticism that these projects will not protect the Houston area from a Hurricane Harvey-like event. While it is possible that some components of the system can positively impact rainfall flooding, the Coastal Texas and S2G are explicitly storm surge reduction projects, and the Committee has heard no claims to the contrary from GCPD or USACE. Note that since Hurricane Harvey, flood mitigation strategies and funding are being addressed elsewhere by the legislature. In fact, the first regional flood plans are due in January 2023, while the first state-wide flood plan is set to be completed in 2024.

### **Conclusion/Recommendations**

The Committee is encouraged by the steps the GCPD has taken to get up and running. Because the continued support of a diverse range of stakeholders is vital to the project's success, we are further impressed by the pace in which the District was able to organize itself in a transparent and accessible manner.

Some issues out of GCPD's control could impact the progression of these programs. First, while the project is set to receive congressional authorization, that does not include funding. It is worrying that the work of the USACE, GCPD, and other partners could hang in the balance while waiting for federal funding, which is necessary for the projects to move forward. GCPD should continue to work with the Texas legislature and Texas Congressional delegation to coordinate funding needs and expenditures.

Second is the timeline. While the Committee has demonstrated in the past its commitment to responsible environmental stewardship and recognizes the importance of impact studies, the number of those studies and the time it takes to complete them can be frustrating. Those delays can have consequences in their own right, and time and paperwork can suffocate progress. We hope this will not be the case with the Coastal Texas Program. In order to reduce the impact of the timeline, GCPD should continue to work with USACE to plan the sequence of the project components in a manner that provides protection in segments until completion.

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We conclude that the Legislature has given the District the tools they need to move forward and no statutory changes are necessary at this time. That being said, it is important that the Legislature remain financially committed to the project's success.

Accordingly, the Gulf Coast Protection District (GCPD) will be seeking an appropriation in the 88<sup>th</sup> regular session from the Texas legislature to continue funding GCPD operations and the non-federal share of the US Army Corps of Engineers' storm surge suppression projects in the S2G and Coastal Texas programs that are located in the GCPD's five county territory. In order to protect our citizens and such an important industry in Texas, the Committee recommends their request be approved and passed.

Because of the continued need for state investment, and the long-term impacts on coastal resiliency and the state economy, the Committee also recommends that it continue to monitor the progress of GCPD.

# APPENDIX D

**Revised Projected Funding Request**

This Amendment No. 2 to Attachment A is intended to replace Attachment A-1 to the Local Cooperation Agreement, GLO Contract No. 22-074-000-D188, between the General Land Office (the “GLO”) and the Gulf Coast Protection District (“GCPD” or the “District”).

The GLO will provide advance funding to the GCPD for operating expenses necessary to establish and operate the GCPD as the anticipated non-federal sponsor for portions of the Sabine Pass to Galveston Bay, Texas Coastal Risk Management Project and the Coastal Storm Risk Management features within the District identified in the Coastal Texas Protection and Restoration Feasibility Study pursuant to the Local Cooperation Agreement (“LCA”) and in accordance with the following schedule for each Cost Category.

Advance funding for expenses necessary to establish and operate the District cannot exceed \$200,000,000.00 during the period of September 1, 2021, to August 31, 2023.

**Cost Categories****01 – GCPD Administrative Costs, Program Management, and Engineering Costs****01A – GCPD Administrative Costs**

- Funding is for administrative costs for operation of the GCPD, including salaries, board meetings, legal fees, travel, office supplies, conferences, public outreach, and communication services.

<b>State of Texas Fiscal Year</b>	<b>Old Budget</b>	<b>Amended amount</b>	<b>New Budget</b>
<b>2022</b>	\$500,000.00	\$0.00	\$500,000.00
<b>2023</b>	\$1,005,987.00	\$1,064,163.00	\$2,070,150.00

**01B – GCPD Program Management, and Engineering Costs**

- Funding is to the GCPD to fulfill overall program management roles and responsibilities for the Coastal Texas and the Orange County Element, S2G project, and to engage and participate in USACE design and construction of the Orange County Element, S2G project, which include the cost of outside engineers and other Design Participation Costs as defined in Cost Category 04.

<b>State of Texas Fiscal Year</b>	<b>Old Budget</b>	<b>Amended amount</b>	<b>New Budget</b>
<b>2022</b>	\$0.00	\$0.00	\$0.00
<b>2023</b>	\$0.00	\$3,500,000.00	\$3,500,000.00



**02 – Orange County Element, S2G 35% Cash Contributions**

- The GCPD has entered into a Project Partnership Agreement to provide cash contributions to the U.S. Army Corps of Engineers (USACE) to cover 35% of Total Project Costs covered under the GCPD’s Project Partnership Agreement with USACE for the Orange County Element, S2G project.
- The GLO will distribute advance funds directly to the GCPD to cover the costs for anticipated and past USACE design contract awards and for labor. The table below is the anticipated schedule of not-to-exceed advance funds distributions based on the USACE design and construction schedule dated July 2022. Amounts shown for each year are estimates, with distributions not to exceed the amounts shown.
- The GLO will make distributions based on USACE’s written estimates of funds required, in amounts not to exceed a total of \$33,800,000 for Federal fiscal years 2022 and 2023. The Federal fiscal year is from October 1<sup>st</sup> through September 30<sup>th</sup>.
- The GCPD must submit to the GLO quarterly expenditure reports documenting disbursements of funds to USACE to meet non-Federal sponsor obligations, and all other expenditures of State funding that comply with this Contract. These quarterly expenditure reports may be included with the quarterly progress reports submitted to the GLO.

<b>State of Texas Fiscal Year</b>	<b>Old Budget</b>	<b>Amended amount</b>	<b>New Budget</b>
<b>2022</b>	\$0.00	\$0.00	\$0.00
<b>2023</b>	\$0.00	\$33,800,000.00	\$33,800,000.00

**03 – Orange County Element, S2G Engineering and Design Work In-Kind**

- The GLO will distribute funds directly to the GCPD for funding of in-kind design services approved by the Galveston District, USACE for Phase II Environmental Assessments.

<b>State of Texas Fiscal Year</b>	<b>Old Budget</b>	<b>Amended amount</b>	<b>New Budget</b>
<b>2022</b>	\$0.00	\$0.00	\$0.00
<b>2023</b>	\$0.00	\$1,500,000.00	\$1,500,000.00

**04 – OCDD and Orange County’s Design Participation Work/Design Participation Costs**

- “Design Participation Costs” means the reasonable and direct costs incurred by the Orange County Drainage District and Orange County (“Orange County”) to engage and participate in USACE design and construction of the Orange County Element, S2G project, which include the cost of outside engineers and other costs for “Design Participation Work,” including:

- Reviews of engineering analyses, studies, scopes of work, designs, plans and specifications, and other documents pertaining to the Orange County element, S2G project;
  - Development of data and information specifically requested by the USACE or its consultants;
  - Coordination and communications with local governments, industry, stakeholders, utilities, and citizens on actions associated with the planning, engineering, and design of the Orange County Element, S2G project;
  - Assistance to USACE's Real Estate Division, and to the USACE's outside consultants for matters relating to determining real estate required for the project, including communications with owners, and escorting-related services.
  - Any necessary related legal review and/or work.
  - Any other actions reasonably requested by USACE or its consultants for the study, engineering, design, and development of plans and specifications for the Orange County Element, S2G project (collectively, the "Design Participation Work").
- The table below is the anticipated schedule of not-to-exceed advance funds distributions for each calendar year for Design Participation Work. Amounts shown for each year are estimates.

<b>State of Texas Fiscal Year</b>	<b>Old Budget</b>	<b>Amended amount</b>	<b>New Budget</b>
<b>2022</b>	\$0.00	\$0.00	\$0.00
<b>2023</b>	\$600,000.00	\$700,000.00	\$1,300,000.00

#### **05 – Port Arthur & Vicinity, S2G – DD7 Relocations**

- The GLO will distribute advance funds to the GCPD for the GCPD to subsequently distribute to DD7 for the payment of design and construction costs of utilities/facilities relocation performed that are directly related to construction, operation, and maintenance of the Project.
- The cost for a relocation will be based on applicable principles of just compensation as negotiated between DD7 and the Utility/Facility Owner.
- Relocation costs include actual costs of performing the relocation; planning, engineering, and design costs; supervision and administration costs; and documented incidental costs associated with performance of the relocation, as determined by the USACE.
- For all utility relocations, DD7 must provide to the GCPD (and the GLO, upon request):
  - PDF copy of any existing DD7 permit requiring the utility owner to pay the costs of relocation.
  - Notification of any utility relocation which is not subject to an existing DD7 permit.

- For all relocations that have DD7 permit language requiring the utility owner to pay the costs of relocation, DD7 must request the owner to comply with the permit and fund the relocation.
- Documentation if the utility owner cannot reasonably comply with the request.

State of Texas Fiscal Year	Old Budget	Amended amount	New Budget
2022	\$0.00	\$0.00	\$0.00
2023	\$0.00	\$65,000,000.00	\$65,000,000.00

#### 06 – Port Arthur & Vicinity, S2G – DD7 35% Cash Contributions

- The GLO will distribute advance funds to the GCPD for the GCPD to subsequently distribute to DD7 for contribution to the USACE, Galveston District.

State of Texas Fiscal Year	Old Budget	Amended amount	New Budget
FY 2023 Q1	\$0.00	\$0.00	\$0.00
FY 2023 Q2	\$0.00	\$64,485,838.77	\$64,485,838.77

#### 07 – Port Arthur & Vicinity, S2G – DD7 Engineering and Design Work In-Kind

- The GLO will distribute funds directly to the GCPD for funding of in-kind design services approved by the Galveston District, USACE for Phase 2 Environmental Assessments, and other investigations required for the preparation of plans and specifications.

State of Texas Fiscal Year	Old Budget	Amended amount	New Budget
2022	\$0.00	\$0.00	\$0.00
2023	\$0.00	\$1,000,000.00	\$1,000,000.00

#### 08 – Coastal Texas – Non-Federal Sponsor 35% Contributions

- The GCPD anticipates entering into a Memorandum of Understanding and a Design Agreement with the U.S. Army Corps of Engineers (USACE) for the Coastal Texas CSRM Project and the table below is the anticipated schedule of not-to-exceed funds as 35% cash contribution provided to USACE, and for any work in kind services accomplished by the GCPD. Amounts shown for each year are estimates, with distributions not to exceed the amounts shown.
- The GLO will make distributions to the GCPD based on USACE's written estimates of funds required, for Federal fiscal years 2022 and 2023. The Federal fiscal year is from October 1<sup>st</sup> through September 30<sup>th</sup>.

- The GLO will distribute funds directly to the GCPD for funding of in-kind services approved by the Galveston District, USACE.
- The GCPD must submit to the GLO quarterly expenditure reports documenting disbursements of funds to USACE to meet non-Federal sponsor obligations, and all other expenditures of State funding that comply with this Contract. These quarterly expenditure reports may be included with the quarterly progress reports submitted to the GLO.

<b>State of Texas Fiscal Year</b>	<b>Old Budget</b>	<b>Amended amount</b>	<b>New Budget</b>
<b>2022</b>	\$0.00	\$0.00	\$0.00
<b>2023</b>	\$0.00	\$26,844,011.23	\$26,844,011.23