

BYLAWS

PORT ARANSAS RECREATIONAL DEVELOPMENT CORPORATION

ARTICLE I.

PURPOSE AND LIMITATIONS AND FINANCING

Section 1.01. Purposes. The Corporation is a nonprofit, non-stock, nonmember Corporation, and is an industrial development Corporation under The Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6 (The "Act"), and shall be governed by Section 4B of said Act, as now existing, or as may be hereafter amended. The Corporation is organized exclusively for the purposes of benefiting and accomplishing the following public purposes, including the issuance of bonds, on behalf of the City of Port Aransas, Texas: the construction, development, expansion, maintenance, operation, and promotion of recreational and sports facilities and programs, including but not limited to, sports fields and stadiums, swimming pool, sports complexes, and related facilities and improvements. Whenever reference is made to the "City Council" or to any "City" officer, it is a reference to the Council or to an officer of the City of Port Aransas, Texas. Whenever reference is made to the "City", it is a reference to the City of Port Aransas, Texas.

Section 1.02. Financial - General. As reasonable, appropriate, and necessary to perform and fulfill the public purposes of the Corporation, but only with the prior, express approval of the City Council, the Corporation, in accordance with the Act, its Articles of Incorporation, and these Bylaws, may do any of the following:

- A. Issue, deliver, approve and sell bonds, notes or other debt instruments as may be necessary, reasonable or appropriate.
- B. Make and enter into purchase, sales, loan, lease, trust, and/or other agreements.
- C. Expend, commit, and pledge funds and incur debt.
- D. Finance projects and programs.
- E. Approve and undertake projects and programs.
- F. Make contracts for the construction, maintenance, operation, repair and replacement, and financing of projects, programs and facilities.
- G. Establish a depository and make and enter into depository agreements.

H. Invest funds.

I. Make joint venture, partnership, operating or other agreements with the City whereby the City will contract to operate and manage programs, projects and facilities.

J. Make budgets.

K. Hire auditors.

The Corporation must provide, as may be required by the City Council, audits, budgets, financial statements, reports, and other documentation. At all times, the City Council and City Manager, and such others as may be designated by the City Manager or the City Council, will have access to the books and records of the Corporation. The City Council may approve expenditures, programs, and projects by category or more specifically.

Section 1.03. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of each October and end on the last day of September of the succeeding year.

Section 1.04. Fiscal Year Funds. All funds collected by the Corporation during any fiscal year, including both current and delinquent revenues, shall belong to such fiscal year, and, except for funds derived to pay interest and create a sinking fund on the bonded indebtedness of the Corporation, may be applied to the payment of expenses incurred during such fiscal year, except as otherwise provided by law or in these Bylaws or the Corporation Articles. Any revenues uncollected at the end of any fiscal year, and any unencumbered funds actually on hand, shall become resources of the next succeeding fiscal year.

Section 1.05. Budget.

A. **Submission of Budget.** On or before the fifth (5th) day of August of each year, the Corporation manager shall submit to the board a proposed budget for the ensuing fiscal year and the budget message. The board shall review the proposed budget and make any appropriate changes prior to publishing the final budget.

B. **Budget Content.** The budget shall provide a complete financial plan of all Corporation funds and activities and, except as required by law or the Articles or Bylaws, shall be in such form as the Corporation manager deems desirable or the board may require. A budget message explaining the budget both in fiscal terms and in terms of the work programs shall be submitted with the budget. It shall outline the proposed financial policies of the Corporation for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues, with reasons for such changes. It

shall also summarize the Corporation's debt position and include such other material as the Corporation manager deems desirable. The budget shall begin with a clear general summary of its contents; shall show in detail all estimated income, indicating projected Corporation income from sales taxes, and all proposed expenditures, including debt service, for the ensuing fiscal year. The proposed budget expenditures shall not exceed the total of estimated income. The budget message shall be so arranged as to show comparative figures for actual and estimated income and expenditures of the current fiscal year and actual income and expenditures of the preceding fiscal year, compared to the estimate for the budget year. The budget shall include in separate sections:

1. A clear, general summary of contents.
2. A consolidated statement of receipts and expenditures of all funds, listed and itemized individually.
3. An analysis and itemization of all estimated income of the Corporation from surplus, miscellaneous income and sales taxes with miscellaneous income subclassified by source.
4. Income history for the preceding three (3) years.
5. An itemized statement for pending and proposed new capital projects, including but not limited to the amounts to be appropriated from the budget, the amounts to be raised by the issuance of bonds, and the amount required for the operation and maintenance of the new projects.
6. The amount required for interest on the Corporation's debts, for sinking funds and for maturing serial bonds.
7. The total amount of the Corporation's outstanding debts, with a schedule of maturity on bond issues in an attachment.
8. An itemized estimate of the expenses of operating each department, division and office or agency of the Corporation.
9. Such other information as is required by the board or deemed desirable by the Corporation manager.
10. A contingency fund must be included, not to exceed ten percent (10%) of the general fund proposed expenditures.

C. Public Notice and Hearing. The board shall post in the Corporation's registered office and publish in the official City newspaper a general summary of the proposed budget and a notice stating:

1. The times and places where copies of the message and budget are available for inspection by the public.
2. The time and place, not less than two (2) weeks after such publication, for a public hearing on the budget.

D. Board Action.

1. The board shall hold a public hearing on the budget as submitted at the time and place so advertised or at another time and place with proper notification. All interested persons shall be given an opportunity to be heard, either for or against any item of the proposed budget.

2. At a regular or special meeting not less than seven (7) days after the public hearing, the board may adopt the budget with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law or for debt service or for estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus funds available from prior years.

3. The board shall adopt the budget by resolution on one (1) reading. Adoption of the budget will require an affirmative vote of the board. Adoption of the budget shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated.

D. Failure to Adopt. If the board fails to adopt the budget by the twenty-seventh (27th) day of September, the amounts appropriated for operation during the current fiscal year shall be deemed adopted for the ensuing fiscal year on a month-to-month basis, with all items in it prorated accordingly, until such time as the board adopts a budget for the ensuing fiscal year.

E. Amendments after Adoption.

1. Supplemental Appropriations. If, during the fiscal year, the Corporation manager certifies that there are revenues available for appropriation in excess of those estimated in the budget, the board shall carry the excess into the next fiscal year; provided, however, that there

shall be three (3) limited exceptions to this mandate, which exceptions shall be optional with the board as follows:

- (a) The board may make supplemental appropriations to retire indebtedness;
- (b) The board may make supplemental appropriations to fund emergency appropriations;
- (c) The board may make supplemental appropriations to allow for the expenditure of any federal or state grant in aid funds which may be obtained during the budget year, but only to the extent of such federal or state funds and not to the extent of any local or local matching funds.

2. Reduction of Appropriations. If, at any time during the fiscal year, it appears probable to the Corporation manager that the revenues available will be insufficient to meet the amount appropriated, he shall report to the board without delay, indicating the estimated amount of deficit, any remedial action taken by him and his recommendations as to any other steps to be taken. The board shall then take such further action that it deems necessary to prevent or minimize any deficit.

3. Transfer of Appropriations. At any time during the fiscal year, the Corporation manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency. The board may require approval of these transfers within departments above a limit established by the board. Upon written request by the Corporation manager, the board may, by budget amendments, transfer part or all of any unencumbered appropriation balance from one (1) department, office or agency to another.

4. Limitations. No appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the unencumbered balance.

5. Effective Date. The supplemental and emergency appropriations and reduction or transfer of appropriations authorized by this section shall be made effective immediately upon adoption of the appropriate resolution or budget amendment.

F. Capital Program. The Corporation manager shall submit a five (5) year capital program as an attachment to the annual budget. The program shall include:

1. A clear, general summary of its contents;
2. A list of all capital improvements which are proposed for the five (5) fiscal years succeeding the budget year, with appropriate supporting information as to the necessity for such improvements;
3. Cost estimates, method of financing and recommended time schedules for each such improvement; and
4. The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.

G. Lapse of Appropriations. Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned. The purpose of any such appropriation shall be deemed abandoned if three (3) years pass without any disbursement from or encumbrance of the appropriation. Any funds not expended, disbursed, or encumbered shall be deemed excess funds.

H. Purchasing. The board may, by resolution, confer upon the Corporation manager general authority to contract for expenditures without further approval of the board for all budgeted items not exceeding limits set by the board. All contracts for expenditures involving more than the set limits must be expressly approved in advance by the board. All contracts or purchases involving more than the limits set by the board shall be let to the lowest bidder whose submittal is among those most responsive to the needs of the Corporation after there has been opportunity for competitive bidding as provided by law applicable to the City; provided that the board, or Corporation manager in such cases as he is authorized to contract for the Corporation, shall have the right to reject any and all bids.

I. Administration of Budget. No payment shall be made or obligation incurred against any allotment or appropriation except in accordance with appropriations duly made and unless the Corporation manager or his designee first certifies that there is a sufficient unencumbered balance in such allotment or appropriations and that sufficient funds therefrom are or will be available to cover the claim or meet the obligation when it becomes due and payable. Any authorization of payment or incurring of obligation in violation of the provisions of the Corporation Articles or Bylaws will be void. Such action shall be the cause for removal of any officer who knowingly authorized or made such payment or incurred such obligations, and he shall also be liable to the Corporation for any amount so paid. However, this prohibition shall not be construed to

prevent the making or authorizing of payments or making of contracts for capital improvements to be financed wholly or partly by the issuance of bonds, time warrants, certificates of indebtedness, or certificates of obligation, or to prevent the making of any contract or lease providing for payments beyond the end of the fiscal year, provided that such action is made or approved by resolution of the board.

Section 1.06. Depositor. All monies received by any person, department or agency of the Corporation for, or in connection with, the affairs of the Corporation shall be deposited promptly in the Corporation depository or depositories, which shall be designated by the board in accordance with such regulations and subject to such requirements as to security for deposits and interest thereon as may be established by law. Procedures for the withdrawal of money or the disbursement of funds from the Corporation depositories shall be prescribed by resolution of the board.

Section 1.07. Financial Report. The Corporation manager shall periodically submit to the board the financial condition of the Corporation by budget item, budget estimate versus accruals for the preceding month and for the fiscal year to date. The financial records of the Corporation will be maintained on an accrual basis to support this type of financial management.

Section 1.08. Independent Audit. At the close of each fiscal year, and at such other times as it may be deemed necessary, the board shall cause an independent audit to be made of all accounts of the Corporation by a certified public accountant. The certified public accountant so selected shall have no personal interest, directly or indirectly, in the financial affairs of the Corporation or any of its officers. Upon completion of the audit, the summary thereof shall be published immediately in the official newspaper of the City and copies of the audit placed on file in the Corporation secretary's office as public record.

Section 1.09. Public Instrumentality. The Corporation is a constituted authority and a public instrumentality within the meaning of the regulations of the United States Treasury Department and the rulings of the Internal Revenue Service prescribed and promulgated pursuant to Sections 103 and 141 of the Internal Revenue Code of 1986, as amended, and the Corporation is authorized to act on behalf of the City as provided in the Act, its Articles of Incorporation and these Bylaws. However, except to the extent provided in the Act, the Corporation is not a political subdivision or political corporation of the State of Texas within the meaning of its constitution and laws, including without limitation, Article III, Section 52, of said constitution, and no agreements, bonds, debts or obligations of the Corporation are or shall ever be deemed to be the agreements, bonds, debts or obligations, or the lending of credit, or a grant of public money or thing of value, of or by the City, or any other political corporation, subdivision or agency

of the State of Texas, or a pledge of the faith and credit of any of them.

Section 1.10. No Encumbrance of City Property. In the exercise of the powers of the Corporation, the Corporation may not enter into any loan, lease, trust, or other agreement the effect of which would grant, convey, transfer, mortgage, encumber, pledge or assign a security interest or any interest in any property owned by the City. Any agreement entered into by the Corporation shall contain language substantially to the effect that any grant, conveyance, transfer, mortgage, encumbrance, pledge or assignment of property owned by the City is prohibited and void.

Section 1.11. Check Signing. All checks, drafts or other orders of withdrawal against the bank accounts of the Corporation shall be signed by both the Corporation manager and secretary.

ARTICLE II.

REGISTERED OFFICE AND AGENT

Section 2.01. Registered Office. The registered office of the Corporation shall be at Port Aransas City Hall, 710 W. Avenue A, Port Aransas, Nueces County, Texas 78373.

Section 2.02. Registered Agent. The registered agent shall be the Corporation Manager.

ARTICLE III.

DIRECTORS

Section 3.01. Number. The business and affairs of the Corporation shall be managed by a Board of Directors consisting of seven (7) persons.

Section 3.02. Qualifications. All directors shall be residents of the City, over the age of eighteen (18) years and qualified voters of the City. Three (3) directors shall be persons who are not City employees, officers or council members. The other four (4) directors shall be members of the City Council.

Section 3.03. Appointments. The Port Aransas City Council appoints the board and shall designate one of the board members as chairman.

Section 3.04. Term. The term of each position on the board shall be two (2) years, or less in the event of removal, resignation, or failure to meet any of the qualifications for holding the office.

Section 3.05. Removal. Directors serve at the will of the City Council. Any director may be removed from his position as a director, either with or without cause, at any time by the City

Council, and it shall not be necessary to give any prior notice to any director so removed.

Section 3.06. Vacancies. Vacancies on the Board of Directors resulting from any cause shall be filled by the City Council. A director appointed to fill a vacancy shall be appointed for the unexpired term of his predecessor in office.

Section 3.07. Compensation of Directors. The directors may be paid their expenses, if any, but shall be entitled to no other compensation.

Section 3.08. Meetings of the Board of Directors.

A. **Open Meetings.** All meetings of the board are subject to and shall be conducted in accordance with the Texas Open Meetings Act.

B. **Place.** The board shall hold all meetings, both regular and special, within the City limits of the City of Port Aransas, Texas, in the City Council Chambers at the Port Aransas City Hall, 710 W. Avenue A, Port Aransas, Nueces County, Texas, or such other place in City Hall as may be specified by the City Council.

C. **Meetings.** Meetings of the board may be called by the chairman of the board or by the president, and shall be called by the president or secretary upon the written request of any three (3) directors.

D. **Notice of Meeting.** Written notice of the date, time and place of meetings shall be given to each director and to the City Manager at their addresses appearing on the books of the Corporation, at least three (3) days before the date of the meeting. Neither the business to be transacted at nor the purpose of any meeting of the board need be specified in the notice or waiver of notice of such meeting. Notice may be given by telegram, mail, fax, or by personal delivery. Notice by mail shall be deemed to be given on the second day after deposit into an official depository of the U.S. Postal Service properly addressed and postage prepaid. Notices given by any method other than mailing via U. S. Postal Service shall be deemed given when actually received. Whenever any notice of a meeting is required to be given, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time of the meeting stated therein, shall be deemed equivalent thereto. Attendance at a meeting shall constitute a waiver of notice of such meeting except where attendance is for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

E. Quorum. Four (4) of the directors shall constitute a quorum for the transaction of any business.

F. Minutes. The board shall keep regular minutes of its proceedings. The minutes shall be placed in the minute book of the Corporation.

G. Vote. No action of the board shall be valid or binding, unless adopted by the affirmative vote of four (4) or more board members. Voting, except on procedural motions, shall be role call called by the secretary and shall be recorded in the minutes.

H. Project Public Hearing. The Corporation has been formed and chartered under and is governed by the provisions of Article 5190.6, Section 4B, VATS. The uses of the revenue derived from the additional sales and use tax to be levied by the City for the benefit of the Corporation shall be confined to the following public purposes: the construction, development, maintenance, operation and promotion of recreational and sports facilities and programs, including, but not limited to, sports fields and stadiums, swimming pool, sports complexes and related facilities and improvements. Before expending any funds to undertake a project which it is legally authorized to undertake, the board shall hold a public hearing on the proposed project. Article 5190.6, Section 4B(n), VATS. Notice of the hearing shall be published one (1) time in a newspaper of general circulation in the City no more than thirty (30) and no less than fifteen (15) days before the hearing. Written notice of the hearing shall be given to each director and to the City Manager during the same time period. The same rules as apply to notices of special board meetings also apply here with respect to the methods of giving notice and the date the notice is deemed given.

Section 3.09. Attendance at Meetings. If any member is absent from more than forty percent (40%) of the meetings (including regular and special meetings) in any consecutive twelve (12) month period, his position shall be declared vacant by the City Council and the vacancy shall be filled for the remainder of the unexpired term by the City Council within thirty (30) days after the vacancy occurs.

Section 3.10. Interference with Administration. Except for the purpose of inquiries, the board and its members shall deal with Corporation officers and employees who are subject to the direction and supervision of the Corporation manager solely through the manager, and neither the board nor its members shall give orders to any such officer or employee, either publicly or privately. Neither the board nor any of its members shall in any manner dictate the appointment or removal of any Corporation officers or employees whom the manager or any of his subordinates are empowered to appoint, but the board, at a meeting called for that purpose,

may express its view and fully and freely discuss with the manager anything pertaining to appointment and removal of such officers and employees.

ARTICLE IV.

OFFICERS

Section 4.01. Enumeration. Except as otherwise provided in these Bylaws, the officers of the Corporation shall be appointed by the board, and there shall be a chairman of the board, a president, a vice president, a Corporation manager, a secretary and a treasurer. Each office must be held by a different person.

Section 4.02. General Duties. All officers and agents of the Corporation, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in the Bylaws, or as may be determined by resolutions of the board not inconsistent with the Bylaws.

Section 4.03. Term of Office. The officers of the Corporation shall serve at the will of the board and may be removed with or without cause at any time.

Section 4.04. Chairman of the Board. The chairman of the board shall be appointed by the City Council, shall be chosen from among the directors and shall be the ranking legislative officer of the Corporation. He shall have the power to call meetings of the board, and he shall preside at all meetings of the board. The chairman shall have the power to make and sign contracts and agreements in the name and on behalf of the Corporation.

Section 4.05. President. The powers and duties of the president shall be subject to the powers and duties of the chairman. The president shall be chosen by the board from among the directors. He shall, in the absence of the chairman, have and exercise the authority and powers of the chairman.

Section 4.06. Vice President. The vice president shall be chosen from among the directors by the board. The vice president, shall, in the absence or disability of the chairman and the president, have and exercise the powers and authority of the chairman.

Section 4.07. Corporation Manager. The same person who serves as City Manager shall serve as Corporation manager.

A. **Qualifications and Appointment Procedure.** The Corporation manager shall serve as chief administrative officer of the Corporation and shall be responsible to the board for the administration of all affairs of the Corporation.

B. Compensation. The Corporation manager shall receive no compensation for acting as such but shall be paid his expenses.

C. Acting Manager. The Corporation manager shall, within thirty (30) days of taking office, and at appropriate subsequent times, designate by letter, filed with the secretary, an alternate to perform the duties of the manager in the case of his absence or disability. The City Council shall ratify the manager's designated alternate. During the absence or disability of the manager the City Council may revoke such designation and appoint another person to serve as acting manager until the manager shall return or his disability shall cease. The acting manager shall be a qualified administrative officer of the City at the time of his designation. No member of the City Council or the board shall serve as acting manager.

D. Duties. The manager shall be required to:

1. Appoint, and when he deems necessary, suspend or remove all employees.

2. Direct and supervise the administration of all departments, offices and agencies of the Corporation.

3. Attend all board meetings and have the right to take part in discussions, but he shall not vote.

4. Prepare and accept items for inclusion in the official agenda of all board meetings.

5. Prepare and submit to the board the annual budget and capital program, and administer the budget as adopted by the board and approved by the City Council.

6. Prepare and submit to the board, within sixty (60) days of the end of the Corporation's fiscal year, an annual report on the finances and administrative activities of the Corporation, as of the end of the fiscal year. The report of individual audit shall be incorporated into the annual report submitted by the manager.

7. Keep the board fully advised as to the financial condition and future needs of the Corporation, and make such recommendations concerning the affairs of the Corporation as he or the board deems desirable or necessary.

8. Make reports as he or the board may require concerning the operation of the Corporation's business.

Section 4.08. Secretary. The same person who serves as City Secretary shall serve as secretary for the Corporation and shall keep or cause to be kept in books provided for that purpose the minutes of all meetings of the board. He shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law. He shall be custodian of the records. In general, he shall perform all duties incident to the office of secretary and such other duties as may, from time to time be assigned to him by the board or the Corporation manager.

Section 4.09. Treasurer. The same person who serves as finance director for the City shall serve as treasurer for the Corporation. The treasurer shall be the financial officer of the Corporation, shall have charge and custody of, and be responsible for, all funds and securities of the Corporation; shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation; and shall deposit all such funds and other valuable effects in the name and to the credit of the Corporation in such banks or other depositories as shall be designated by the board. In general, he shall perform all the duties incident to the office of treasurer and such other duties as, from time to time, may be designated to him by the board or the Corporation manager. He shall render to the Corporation manager and the Board of Directors, whenever the same shall be required, an account of all his transactions as treasurer and of the financial condition of the Corporation.

Section 4.10. Bonding. If required by the board, all or any one or more of the officers (and particularly the treasurer), shall give the Corporation a bond in such amount, with such surety or sureties, and subject to such renewal requirements, as may be ordered by the board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

ARTICLE V.

GENERAL PROVISIONS -- SPECIAL CORPORATE ACTS

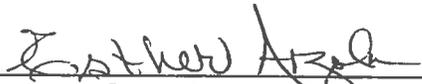
Section 5.01. Execution of Deeds, Contracts, Etc. Subject always to the specific directions of the Board of Directors, all deeds and mortgages made by the Corporation and all other written contracts and agreements to which the Corporation shall be a party, shall be executed in its name by the chairman or the Corporation manager, and the secretary, when necessary or required, shall attest.

Section 5.02. Corporate Records. All corporate records, including the minutes of the meetings of the shareholders and Board of Directors, shall be kept at the registered office of the

Corporation. The Corporation is subject to the Texas Open Records Act.

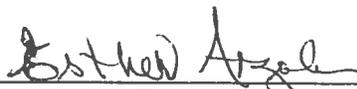
Section 5.03. Amendment. These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by the Board of Directors, subject to the approval of the City Council.

I CERTIFY that these Bylaws were ADOPTED on December 14, 1995, by the Board of Directors of the Corporation.



Esther Arzola, Corporate Secretary

I CERTIFY that these Bylaws were APPROVED on December 14, 1995, by resolution passed on said date by the Port Aransas City Council.



Esther Arzola, City Secretary