

**BYLAWS OF
TYLER ONE-HALF CENT (1/2¢) SALES TAX CORPORATION, INC.**

**ARTICLE I
PURPOSE AND POWERS**

SECTION 1. PURPOSE. The Corporation is incorporated for the purposes set forth in Article Four of its Articles of Incorporation. The Corporation is a duly constituted authority and instrumentality on behalf of the City of Tyler, Texas (the “City”) in accordance with the Development Corporation Act of 1979, as amended, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended, (the “Act”) and other applicable laws.

This corporation has been formed as a result of the Tyler Voters approving the passage of the half-cent sales tax on November 7, 1995. The Tyler City Council presented a business plan for the City’s future to the Voters in that election that would allow the City to “pay-as-you-go” for capital improvements, shift the burden from property taxes to the sales tax, reduce property taxes and eliminate general obligation bond debt. It is intended that this new source of funds will allow the City Council to pay cash for its infrastructure needs, thereby removing the need for debt financing of such improvements which will result in the elimination of the current general obligation bond indebtedness, which would then enable the City Council to reduce the City’s property tax rate. It is intended that this corporation will adhere to this business plan and assist the City Council in implementing this long-range business plan for the City of Tyler.

SECTION 2. POWERS. In the fulfillment of its corporate purpose, the Corporation shall be governed by Section 4B of the Act, and shall have all of the powers set forth and conferred in its Articles of Incorporation, in the Act, and in other applicable law, subject to the limitations prescribed therein and herein and to the provisions thereof and hereof.

**ARTICLE II
BOARD OF DIRECTORS**

SECTION 1. POWERS, NUMBER AND TERM OF OFFICE.

- a. The property and affairs of the Corporation shall be managed and controlled by a Board of Directors (the “Board”) and, subject to the restrictions imposed by law, by the Articles of Incorporation, and by these Bylaws, the Board shall exercise all of the powers of the Corporation.
- b. The Board shall consist of seven (7) directors, each of whom shall be appointed by the City Council.
- c. The directors constituting the first Board shall be those directors appointed by the City Council

on July 10, 1996. Successor directors shall have the qualifications and shall be appointed to the terms set forth in the Articles of Incorporation.

d. Directors shall be appointed to represent each City Council member district and one shall be selected to represent the entire city. The members representing a district shall be nominated by the City Council member representing that district. The Mayor shall nominate the member representing the entire city. The terms of the Directors shall be the same as the City Council members or Mayor who nominates them. A Director may serve no more than six (6) years of consecutive service.

e. Any director may be removed from office by majority vote of the City Council at any time without cause.

SECTION 2. MEETINGS OF DIRECTORS. The directors may hold meetings at such place or places in the City as the Board may from time to time determine; provided, however, in the absence of any such determination by the Board, the meeting shall be held at City Hall.

SECTION 3. NOTICE OF MEETINGS.

a. Regular meetings of the Board shall necessitate a due notice to all Directors prior to such times and places as shall be designated from time to time by the Board by mail, telegraph, or telephone. Special meetings of the Board shall be held whenever called by the President, by the Secretary, by a majority of the Directors or by a majority of the City Council.

b. The Secretary shall give notice to each Director of each special meeting in person or by mail, telephone, or telegraph, at least seventy-two (72) hours before the meeting. If an emergency should occur, the Secretary shall give notice to each Director of the special meeting in person or by mail, telephone or telegraph, at least two (2) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Corporation may be considered and acted upon at a special meeting. At any meeting at which every Director shall be present, with notice, any matter pertaining to the purpose of the Corporation may be considered and acted upon consistent with applicable law.

c. Whenever any notice is required to be given to the Board, said notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed, postpaid wrapper addressed to the person entitled thereto at their post office address as it appears on the books of the Corporation, and such notice shall be mailed three (3) days in advance of the meeting. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting. Neither the business to be transacted nor the purpose of any regular or special meeting of the Board need be specified in the notice to Directors or waiver of notice of such meeting, unless required by the Board. A waiver of notice in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such

notice.

SECTION 4. OPEN MEETINGS ACT. All meetings and deliberations of the Board shall be called, convened, held and conducted, and notice shall be given to the public, in accordance with the Texas Open Meetings Act, Government Code Chapter 552 et seq. as amended.

SECTION 5. QUORUM. A majority of the directors constitutes a quorum for the conduct of the official business of the Corporation. The act of a majority of the directors present at a meeting at which a quorum is in attendance shall constitute the act of the Board and of the Corporation.

SECTION 6. CONDUCT OF BUSINESS.

a. At the meetings of the Board, matters pertaining to the business of the Corporation shall be considered in accordance with rules of procedure prescribed by the Board.

b. At all meetings of the Board, the president shall preside.

c. The secretary of the Corporation shall act as secretary of all meetings of the Board, but in the absence of the secretary, the presiding officer may appoint any person to act as secretary of the meeting.

SECTION 7. COMMITTEES OF THE BOARD. The Board, by Resolution, may designate two or more directors to constitute an official committee of the Board to exercise such authority of the Board as may be specified in the resolution. It is provided, however, that all final, official actions of the Corporation may be exercised only by the Board. Each committee so designated shall keep regular minutes of the transactions of its meetings and shall cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation.

SECTION 8. COMPENSATION OF DIRECTORS. Directors shall not receive any salary or compensation for their services as directors. However, they shall be reimbursed for their actual expenses incurred in the performance of their official duties as directors.

ARTICLE III

OFFICERS

SECTION 1. TITLES AND TERM OF OFFICE

a. The officers of the Corporation shall be a president, vice president, a secretary and a treasurer, and such other officers as the City Council may from time to time appoint. One person may hold more than one office, except that the president may not hold the office of secretary or treasurer. Terms of office shall be one (1) year with the right of an officer to be reelected.

b. All officers shall be subject to removal from office at any time by a vote of a majority of the City Council.

c. A vacancy in the office of any officer shall be filled by a vote of a majority of the City Council.

SECTION 2. POWERS AND DUTIES OF THE PRESIDENT. The president shall be the chief executive officer of the Corporation, and, subject to the paramount authority of Board, the president shall be in general charge of the properties and affairs of the Corporation, shall preside at all meetings of the Board, and may sign and execute all contracts, conveyances, franchises, deeds, assignments, mortgages, and other instruments in the name of the Corporation.

SECTION 3. VICE PRESIDENT. The vice president shall have such powers and duties as may be prescribed by the Board and shall exercise the powers of the president during the absence or inability of the president to act. Any action taken by the vice president in the performance of the duties of the president shall be conclusive evidence of the absence or inability to act of the president at the time such action was taken.

SECTION 4. TREASURER. The treasurer shall have the responsibility for the handling, custody, and security of all funds and securities of the Corporation in accordance with these bylaws. When necessary or proper, the treasurer may endorse and sign, on behalf of the Corporation, for collection or issuance of checks, notes and other obligations in or drawn upon such bank, banks or depositories as are designated by the Board consistent with these Bylaws. The treasurer shall see to the entry in the books of the Corporation full and accurate accounts of all monies received and paid out on account of the Corporation. The treasurer shall, at the expense of the Corporation, give such bond for the faithful discharge of his duties in such form and amount as the Board or the City Council may require. The City Finance Director shall serve as the Assistant Treasurer.

SECTION 5. SECRETARY. The secretary shall keep the minutes of all Board meetings in books provided for that purpose, shall give and serve all notices, may sign with the president in the name of the Corporation, and/or attest to signature of the president on all contracts, conveyances, franchises bonds deeds assignments' mortgages, notes and other instruments of the Corporation. The secretary shall have charge of the corporate books, records, documents and instruments, except the books of account and financial records and securities, and such other books and papers as the Board may direct. All records of the Corporation shall at all reasonable times be open to public inspection upon application at the office of the Corporation during business hours. The secretary shall in general perform all duties incident to the office of the secretary subject to the control of the Board. The City Manager or designee shall serve as the Assistant Secretary and be the official liaison between the Board and the City.

SECTION 6. The president, each vice president, secretary and treasurer shall be named from among the members of the Board. An assistant treasurer and assistant secretary may also be appointed by the Board. The assistant treasurers and any assistant secretaries may be persons other than Board members and they may be employees of the City.

ARTICLE IV

FUNCTIONAL CORPORATE DUTIES AND REQUIREMENTS

SECTION 1. CAPITAL IMPROVEMENTS PLAN.

a. It shall be the duty and obligation of the Board, in coordination with any necessary contracting parties, to research, develop, prepare, finance and implement the capital improvements plan approved by the City Council. The Board will recommend projects and the priority of projects for capital improvement plans to the City Council which shall return the plan to the Board no sooner than 60 days after Board announces projects. The City Council may amend the list at any time if it decides that amendments are in the public interest. The Board shall periodically submit reports to the City Council as to the status of its activities in carrying out its obligations under this Section.

b. Initial Plan. The Board will initially begin considering projects as identified in the City's 15-Year Infrastructure Report (1995-2010). In order to obtain recommendations from the public, the Board will give notice and seek public input and will, with the aid of City employees, arrange for neighborhood meetings to solicit input from residents of each area of the City. The Board will develop a proposed annual work program which it will recommend to the City Council for approval.

c. Later Plans. Thereafter, each annual work program will include both the projects planned for the next fiscal year and those prior projects which are not finished.

~~d. Procedure. When the specifications are ready for a project already prioritized in the Plan, the Board shall review and send them to the City Council. City Council shall accept, deny, or change and return to Board after Board's review meeting. After Board receives bids, it shall review and send the bids and recommendation to the City Council. City Council shall approve or deny and return to board. If denied, Board shall rebid or proceed to another project. If approved, the Board shall award the contract.~~

d. Project Procedure. If a project is prioritized and approved for completion during the current fiscal year, staff is responsible for recommending a consultant or engineer to the City Council. The City Council will then forward its recommendation to the Board for action.

Staff shall present the project specifications to the Board for review. The Board will forward those specifications to the City Council. If the City Council rejects or changes the specifications, the Board shall review and present amended specifications and recommendations to the City Council. After the City Council accepts the specifications, then staff shall go out to bid on the project.

Staff shall receive and make initial review of all bids. The bids and staff recommendation for bid award shall be forwarded to City Council. If City Council reviews and approves the bid

recommendation, then it shall be forwarded to the Board and the Board will award the contract. If the City Council reviews and denies the recommended bid, then the Board may either direct staff to rebid the project or move to another project.

Regarding the final acceptance of a project, and for other project items such as the purchase of property, change orders, and other miscellaneous work items, the City Council will conduct all initial reviews and make recommendations to the Board. When applicable, the City Council shall grant the Board authority to make any appropriate payment(s) upon the completion of Council recommendation(s), if any. Pursuant to City Council recommendations, the Board will then finalize the item and/or finally accept the project. A chart showing this new procedure is attached to the end of these by-laws. (Amended 8/5/98, R-98-21; Board Action 7/14/98 and 8/11/98); Amended / /01, R-2001- ; Board Action / / 01 and / /01)

SECTION 2. ANNUAL CORPORATE BUDGET. At least 60 days prior to the commencement of each fiscal year of the Corporation, the Board shall adopt a proposed budget of expected revenues and proposed expenditures for the next ensuing fiscal year. The budget shall contain such classifications and shall be in such form as may be prescribed from time to time by the City Council. The budget shall not be effective until it has been approved by the City Council.

SECTION 3. BOOKS, RECORDS, AUDITS.

a. The Corporation shall keep and properly maintain, in accordance with generally accepted accounting principles, complete books, records, accounts, and financial statements pertaining to its corporate funds, activities, and affairs.

b. At the direction of the City Council, the books, records, accounts, and financial statements of the Corporation may be maintained for the Corporation by the accountants, staff and personnel of the City.

c. The Corporation, or the City if the option described in subsection b. is selected, shall cause its books, records, accounts, and financial statements to be audited at least once each fiscal year by an outside, independent, auditing and accounting firm selected by the Corporation and approved by the City Council. Such audit shall be at the expense of the Corporation.

SECTION 4. DEPOSIT AND INVESTMENT OF CORPORATE FUNDS.

Subject to the requirements of contracts, loan agreements, indentures or other agreements securing Obligations, all other monies of the Corporation, if any, shall be deposited, secured, and/or invested in the City's depository and in the manner provided for the deposit, security, and/or investment of the public funds of the City. The Board shall designate the accounts and depositories to be created and designated for such purposes, and the methods of withdrawal of funds therefrom for use by and for the purposes of the

Corporation upon the signature of its treasurer and such other persons as the Board shall designate. The accounts, reconciliation, and investment of such funds and accounts shall be performed by the City Finance Department.

SECTION 5. EXPENDITURES OF CORPORATE MONEY. The monies of the Corporation, including sales and use taxes collected pursuant to Section 4B of the Act, monies derived from rents received from the lease or use of property, the proceeds from the investment of funds of the Corporation, and the proceeds from the sale of property may be expended by the Corporation for any of the purposes authorized by the Act, subject to the following limitation.

1 expenditures must be approved by the City Council and made in accordance with and shall be set forth in the annual budget required by Section 2 of this Article or in contracts meeting the requirements of Section 1b. of this Article.

ARTICLE V

MISCELLANEOUS PROVISIONS

SECTION 1. PRINCIPAL OFFICE.

a. The principal office and the registered office of the Corporation shall be the registered office of the Corporation specified in the Articles of Incorporation.

b. The Corporation shall have and shall continually designate a registered agent at its registered office, as required by the Act.

SECTION 2. FISCAL YEAR. The fiscal year of the Corporation shall be the same as the fiscal year of the City.

SECTION 3. SEAL. The seal of the corporation shall be as determined by the Board.

SECTION 4. RESIGNATIONS. Any director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the president or secretary. The acceptance of a resignation shall not be necessary to make it effective unless expressly so provided in the resignation.

SECTION 5. APPROVAL OR ADVICE AND CONSENT TO THE CITY COUNCIL. To the extent that these bylaws refer to any approval by the City or refer to advice and consent by the City Council, such advice and consent shall be evidenced by a certified copy of a resolution, order or motion duly adopted by the City Council.

SECTION 6. SERVICES OF CITY STAFF AND OFFICERS. Subject to the paramount authority of the City Manager under the Charter of the City, the Corporation shall have the right to utilize the services of the City Attorney, the City Secretary, and the staff and employees of the Finance Department of the City, and

other City employees provided (a) that the Corporation shall pay reasonable compensation to the City for such direct or indirect services, and (b) the performance of such services does not materially interfere with the duties of such personnel of the City.

SECTION 7. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES.

a. As provided in the Act and in the Articles of Incorporation, the Corporation is, for the purposes of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), a governmental unit and its actions are governmental functions.

b. The Corporation shall indemnify each and every member of the Board, and each member of the City Council and each employee of the City, to the fullest extent permitted by law, against any and all liability or expense, including attorneys fees, incurred by any of such persons by reason of any actions or omissions that may arise out of the functions and activities of the Corporation.

ARTICLE VI

EFFECTIVE DATE, AMENDMENTS

SECTION 1. AMENDMENTS TO ARTICLES OF INCORPORATION AND BYLAWS. These Bylaws shall become effective upon the occurrence of the following events:

- (a) the approval of these Bylaws by the City Council; and
- (b) the adoption of these Bylaws by the Board.

SECTION 2. AMENDMENTS TO BYLAWS. These Bylaws may be amended by majority vote of the City Council or upon request of the Board as set out in Article Ten of the Articles of Incorporation, followed by majority vote of the City Council.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected Secretary of the Board and the preceding By-Laws constitute the By-Laws of the Corporation. These By-Laws were approved by the Board of Directors November 11, 1996 and then approved by the City Council on September 4, 1996, which is their effective date.

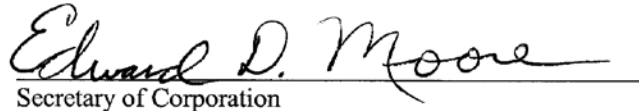
CERTIFIED this 11th day of November, 1998.

//s/ Edward D Moore
EDWARD D. MOORE
Secretary of the Corporation

AMENDMENT CERTIFICATE

These By-Laws Article IV section 1d were amended by City Council action on August 5, 1998 in R-98-21 and Board action on July 14, 1998 and August 11, 1998.

CERTIFIED this 12th day of June, 2001.


Secretary of Corporation

AMENDMENT CERTIFICATE

These By-Laws Article IV section 1d were amended by City Council action on May 16, 2001, and Board action on May 8, 2001 and June 12, 2001.

CERTIFIED this 12th day of June, 2001.


Secretary of Corporation

TIMELINE/STEPS FOR 1/2¢ FUNDED PROJECT

EVERY YEAR PRIOR TO START OF FISCAL YEAR:

1. **Board:** Receive staff and public input (public hearing); Prepare proposed Annual Work Plan with priorities.

2. **City Council:** Receive Plan, add, subtract, reprioritize; vote, return to Board (public hearing no sooner than 60 days after Step 1)

3. **Board:** Accept and approve Plan from Council (or proposed alternative until Council & Board agree); prepare specifications for projects in priority order.

FOR EACH PROJECT:

4. **BOARD:** Review specifications for particular project

5. **COUNCIL:** (No sooner than 30 days after Step #4) Approve, change, or deny specifications and request to bid each project.

6. **BOARD:** Go out for bids, review and recommend bid to Council

7. **COUNCIL:** Accept or reject recommended project and contractor/bid.

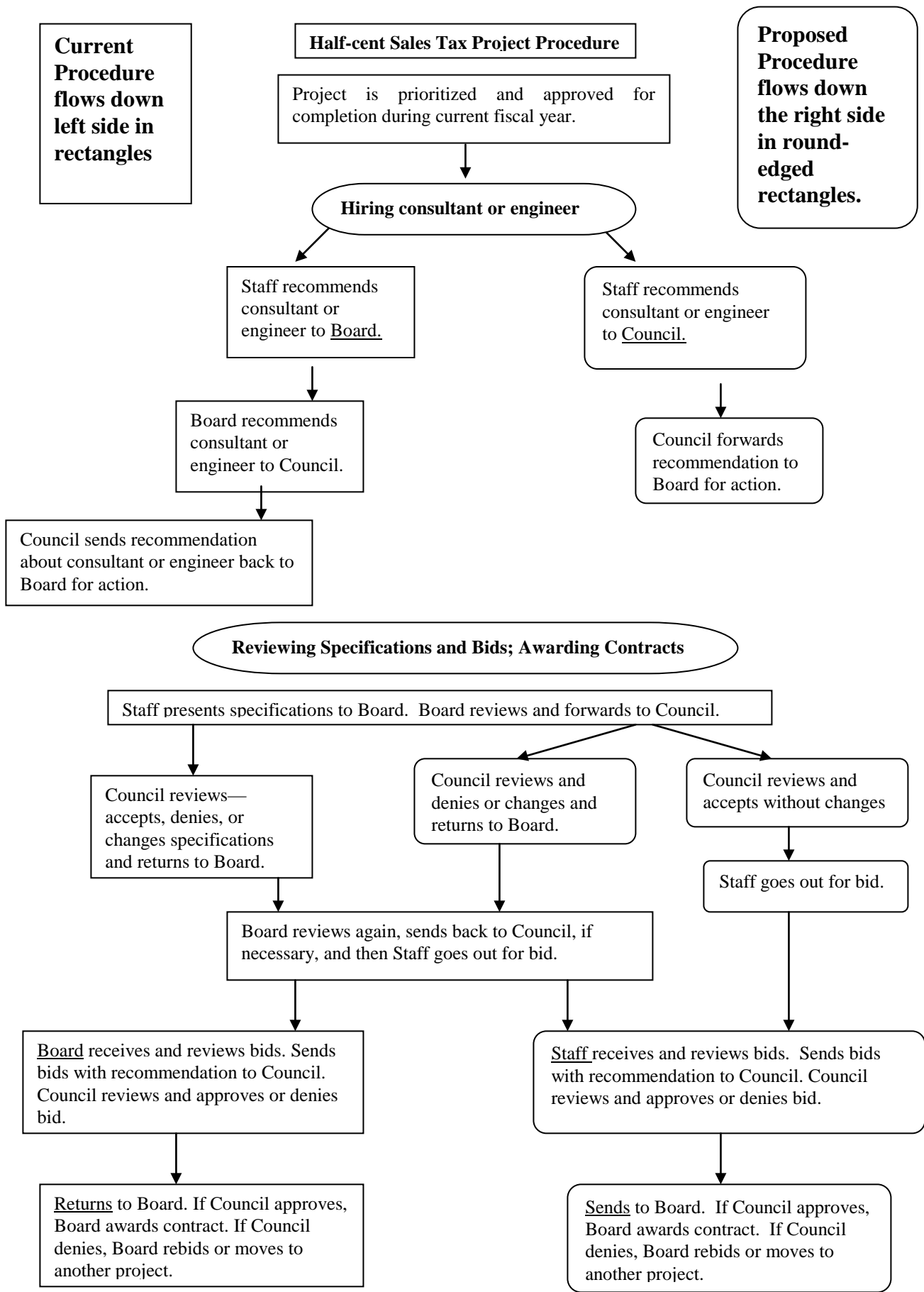
8. **BOARD:** Award Contract.

9. **BOARD:** Review final completion of project.

10. **COUNCIL:** Accept or reject completed project.

11. **BOARD:** Accept completed project

(See Next Page)



Half-cent Sales Tax Project Procedure

Current Procedure flows down left side in rectangles

Acceptance of Project, Purchase of Property, Change Order or other Miscellaneous Items

Proposed Procedure flows down the right side in round-edged rectangles

Board reviews item
and sends to Council

Council reviews item and makes additional recommendations to the Board and when applicable grants to the Board authority to make the appropriate payment upon the completion of the Council's recommendations.

Council agrees with acceptance or sets out additional needs and returns to Board.

Board finalizes item or handles as Council recommends.