



GLEN SMITH – Mayor
 JOHNNY TRAN – Councilmember Place 1
 JUDY CHAVEZ – Councilmember Place 2
 MARY CROCKER – Councilmember Place 3
 WAYNE DODD – Councilmember Place 4
 ANDY ERDELT – Councilmember Place 5
 STEPHEN MCGOVERN – Councilmember Place 6

CITY OF PALACIOS PUBLIC HEARING & CITY COUNCIL REGULAR MEETING AGENDA

Notice is hereby given of a Public Hearing at 6:30 p.m. and a Regular Council Meeting of the Palacios City Council to be held April 11, 2017, beginning at 7:00 p.m. in the Council Chambers of City Hall, 311 Henderson Avenue, Palacios, TX, for the purpose of considering the following items:

PUBLIC HEARING

1. To receive comments from citizens and taxing jurisdictions on a request to designate an area as a reinvestment zone for tax abatement to Serendipity HC 1031 LLC located at:

1001 Main Street
 Palacios, TX 77465

REGULAR COUNCIL MEETING

CALL TO ORDER

INVOCATION – Councilmember Chavez

PLEDGE OF ALLEGIANCE – Councilmember Crocker

PLEDGE TO TEXAS FLAG – Councilmember Crocker

PLEDGE TO PALACIOS FLAG – Councilmember Crocker

VISITOR / CITIZEN FORUM

ADMINISTRATIVE REPORTS

- A. Pavilion Update

ITEMS TO BE CONSIDERED

1. Discuss and consider approving Ordinance 2017-O-2 designating a Reinvestment Zone for Serendipity HC 1031 LLC for Tax Abatement Purposes.
2. Discuss and consider approving a Tax Abatement Agreement with Serendipity HC 1031 LLC and giving Mayor Smith authorization to sign aforesaid agreement.
3. Discuss and consider approving the first reading of Ordinance 2017-O-3 RV Regulations amending Article 10.02 Recreational Vehicles Outside Parks
4. Discuss and consider approving Pay Estimate #17 to Charnok and Co. Inc., in the amount

of \$74,422.87

5. Discuss and consider accepting the Mowing Services Contract with Palacios Lawn Care in the amount of \$34,200 annually and giving Mayor Smith authorization to sign aforesaid agreement.
6. Discuss and consider action to approve the following consent agenda items:
 - a) Minutes of the March 28, 2017 Regular Council Meeting
 - b) Excuse absence of Councilmember McGovern from the March 28, 2017 Regular Meeting

EXECUTIVE SESSION

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council May go into Executive (closed) session in order to:

Consult with its attorney (551.071)

Discuss Real Estate transaction (551.072)

Deliberation regarding prospective gifts or donation (551.073)

Discuss personnel matters (551.074)

Deliberation regarding security devices (551.076)

Discuss economic development negotiations (551.087)

ACTION ON EXECUTIVE SESSION:

ADJOURN

In compliance with the Americans with Disabilities Act, the City of Palacios will provide for reasonable accommodations for persons attending public meetings. To better serve attendees, requests should be received 24 hours prior to the meeting. Please contact City Hall, at 361.972.3605.

CERTIFICATION

I certify that a copy of the April 11, 2017 agenda of items to be considered by the City Council was posted on the City Hall bulletin board by 5:00p.m. on April 7, 2017.

PUBLIC HEARING

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B. Pavilion Update

ORDINANCE NO. 2017-0-2

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS, DESIGNATING A REINVESTMENT ZONE FOR TAX ABATEMENT PURPOSES PURSUANT TO CHAPTER 312 OF THE TEXAS TAX CODE; CONTAINING FINDINGS AND PROVISIONS RELATED TO THE REINVESTMENT ZONE; CONTAINING A SAVINGS CLAUSE; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, pursuant to Chapter 312 of the Texas Tax Code, the City of Palacios (the "City") may designate an area within the City as a reinvestment zone (the "zone") if the area satisfies the requirements of certain sections of Chapter 312 of the Texas Tax Code; and

WHEREAS, the City of Palacios desires to designate the area described in attached Exhibit "A", (the "zone") as a reinvestment zone under the provisions of Chapter 312 of the Texas Tax Code; and

WHEREAS, a public hearing before the Palacios City Council was set for the City Council Chambers located at 311 Henderson, Palacios, Texas, April 11, 2017 at 6:30 p.m. to receive comments concerning the designation of proposed Reinvestment Zone for Serendipity HC 1031 LLC. The notice of such hearing was published on March 29, 2017, such date being no later than the seventh date before the date of the public hearing; and

WHEREAS, the Palacios City Council called a public hearing and published notice of such public hearing as required by all taxing units within the jurisdiction of the proposed Reinvestment Zone for Serendipity HC 1031 LLC for Property Redevelopment and Tax Abatement; and

WHEREAS, evidence was received and presented at the public hearing in favor of the creation of the proposed zone under the provisions of Chapter 312, Texas Tax Code, and no one appeared or presented evidence in opposition to the creation of the proposed zone; NOW THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS:

SECTION 1. Findings

- (a) That the facts and recitations contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are adopted as part of this Ordinance for all purposes.
- (b) That the City Council further finds and declares that the proposed improvements in the zone are feasible and practical and would be a benefit to the land included in the reinvestment zone and to the City after the expiration of a tax abatement agreement and will be of general benefit to the City.
- (c) That the City Council further finds and declares that the proposed zone meets the criteria and requirements of Section 312.202, and that it is reasonably likely, as a result of the designation, to contribute to the retention and expansion of primary employment and to attract major investment in the zone that will benefit the property and contribute to the economic development of Palacios, Texas.
- (d) That the City Council has previously established guidelines and criteria governing tax abatement agreements entered into by the City of Palacios regarding property within the zone.

SECTION 2. Designation of the Zone

That the City Council, acting under the provisions of Chapter 312, Texas Tax Code, does hereby designate as a reinvestment zone the area described in the attached Exhibit "A".

SECTION 3. Duration of the Zone

That the zone shall take effect immediately on the passage of this Ordinance and its designation as a reinvestment zone shall expire five years after its designation.

SECTION 4. Severability

If any provision, section, subsection, sentence, clause or phrase of this Ordinance, or the application of same to any person to set circumstances, is for any reason held to be unconstitutional, void or invalid, the validity of the remaining provisions of this Ordinance or their application to other persons or set of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or regulations connected herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any portion hereof, and all provisions of this Ordinance are declared severable for that purpose.

SECTION 5. Effective Date

This ordinance shall become effective after its approval and adoption upon second and final reading and its publication pursuant to law.

PASSED, APPROVED AND ADOPTED on 11th day of
April, 2017.

CITY OF PALACIOS, TEXAS

GLEN SMITH, Mayor

ATTEST:

ANGELA FLORES, City Secretary

APPROVED AS TO FORM:

RANDALL B. STRONG, City Attorney

**GUIDELINES AND CRITERIA FOR GRANTING TAX ABATEMENT IN
THE CITY OF PALACIOS IN AN ENTERPRISE OR REINVESTMENT ZONE**

**Section 1
DEFINITIONS**

- (a) “Abatement” means the full or partial exemption from ad valorem taxes of certain new improvements of real and / or personal property in a reinvestment or enterprise zone designated for economic development purposes.
- (b) “Aquaculture/Agriculture Facility” means buildings, structures and major earth structure improvements, including fixed machinery and equipment, the primary purpose of which is the hatching, incubator, nursing, maturing and/or processing to marketable size aquatic culture in commercially marketable quantities or the processing, refining, packaging, and distribution of food and/or fiber products in commercially marketable quantities.
- (c) “Agreement” means a contractual agreement between a property owner and/or lessee and an eligible jurisdiction for the purposes of tax abatement.
- (d) “Base Year Value” means the assessed value of eligible property of January 1 preceding the execution of the agreement plus the agreed upon value of eligible property improvements made after January 1 but before the execution of the agreement.
- (e) “Deferred Maintenance,” means improvements necessary for continued operations that do not improve productivity or alter the process technology.
- (f) “Economic Life” means the number of years a property improvement is expected to be in service in a facility. Provided, however, that in no circumstance shall the number of years exceed the depreciation allowance specified in the United States Internal Revenue Code.
- (g) “Eligible Jurisdiction” means City of Palacios, or any Independent School District, which is located in the City of Palacios, that levies ad valorem taxes upon and provides services to property located within a proposed or existing reinvestment zone.
- (h) “Enterprise Zone” means a specific geographic area, a census block group that has a poverty level of 20 percent or greater as identified by the 2010 U.S. Census and is recognized as such by the Texas Office of the Comptroller. Designation of an area as an Enterprise Zone under the Texas Enterprise Zone Act (Chapter 2303, Government Code) constitutes designation of the area as a Reinvestment Zone under Chapter 312, Subchapter C, Section 312.401 of the Government Code.
- (i) “Expansion” means the addition of building, structures, fixed machinery, equipment and personal property for purpose of increasing production capacity.
- (j) “Facility” means property improvements completed or in the process of construction which together comprise an integral whole.

- (j) “Manufacturing Facility” means buildings, structures, fixed machinery, equipment and personal property, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.
- (k) “Modernization” means the upgrading of existing facilities which increased the productive input or output, updates the technology or substantially lowers the unit cost of the operation, Modernization may result from the construction, alternation, or installation of buildings, structures, fixed machinery, equipment and personal property. It shall not be for the purposes of reconditioning, refurbishing or repairing.
- (l) “New Facility” means a property previously undeveloped, which is placed in service, by means other than or in conjunction with expansions or modernization.
- (m) “Other Basic Industry” means building and structures including fixed machinery, equipment and personal property not elsewhere described, used or to be used for the production of products or services, from which a majority of revenues generated by activity at the facility are derived from outside the City of Palacios.
- (n) “Regional Distribution Facility” means buildings and structures including fixed machinery, equipment, and personal property used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility, from which a majority of revenues generated activity at the facility are derived from outside the City of Palacios.
- (o) “Regional Entertainment/Tourism Facility” means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide entertainment and/or tourism related services, from which a majority of revenues generated by activity at the facility are derived from the outside the City of Palacios.
- (p) “Regional Service Facility” means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide a service, from which a majority of revenues generated by activity at the facility are derived from outside the City of Palacios.
- (q) “Reinvestment Zone-City Designated” means any area of the City of Palacios that has been designated a Reinvestment Zone or Enterprise Zone for tax abatement purposes and that is not within the tax jurisdiction of any incorporated municipality. It is the intent of the City of Palacios to designate such zones in a case-by-case basis.
- (r) “Reinvestment Zone-Taxing Entity Designated” means any area of the City of Palacios which lies within the tax jurisdiction of another taxing entity and has been designated a Reinvestment Zone by that taxing entity for tax abatement purposes. It is the intent of the City of Palacios to provide tax abatement within designated Reinvestment Zones as long as the taxing entity-granted tax abatement is in concert with the tax abatement guidelines contained herein.

- (s) “Research Facility” means buildings and structures, including fixed machinery, equipment, and personal property used or to be used primarily for research and experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.
- (t) “New Machinery and Equipment and/ or Personal Property” means tangible machinery, equipment, or personal property that is securely placed or fastened and stationary within a building or structure or permanently resides in the reinvestment or enterprise zone.
- (u) “Commercial Office Facility” means office buildings rented to non-retail users. These buildings may be designed as garden, mid-rise or high-rise structures.
- (v) “Retail Facility” means space provided for the conducting and management of business, storing and selling of goods directly to the consumer.
- (w) “Residential” means residential buildings, including single family and multifamily housing.
- (x) “Vehicles, vessels, or aircraft” means any new commercial use vehicles (commercial trucking and similar vehicles based in Palacios, Texas and rendered on Matagorda County Appraisal District Rolls), new commercial use vessels (commercial seafood ships, boats, or similar craft that lists Palacios, Texas as its home port and base of operations and is rendered on Matagorda County Appraisal District Rolls), or new commercial aircraft (any commercial aircraft, aircraft production, parts production facilities or any other aviation-related facility that lists Palacios, Texas as its base of operations and is rendered on Matagorda County Appraisal District Rolls).

Section 2
ABATEMENT AUTHORIZED

- (a) Authorized Tax Abatement Categories. The following categories may be eligible for abatement:

- Manufacturing facility,
- Residential housing,
- Research facility,
- Aquaculture/agriculture facility,
- Regional distribution facility,
- Regional service facility,
- Regional entertainment/tourism facility,
- Commercial office facility,
- Retail facility,
- Commercial use vehicles, vessels, or aircraft
- Other basic industry.

- (b) Authorized Date. A facility shall be eligible for tax abatement if it has applied for such abatement prior to the commencement of construction, provided, that such facility meets the Tax Abatement 2017-March 28

criteria granting tax abatement in reinvestment zones created in the City of Palacios pursuant to the guidelines and criteria adopt by the City Council and will be considered on a case-by-case basis.

- (c) Creation of New Value. Abatement may only be granted for the additional value of eligible property improvements made subsequent to and listed in an abatement agreement by the City of Palacios and the property owner and/or lessee, subject to such limitations as the City Council may require.
- (d) New and Existing Facilities. Abatement may be granted to new facilities and improvements to existing facilities for purposes of modernization and expansion if they create new jobs and increase tax base as required by this policy, or if they are needed to retain existing jobs, except in the case of residential or retail tax abatement where jobs and other listed criteria are not a condition for abatement.
- (e) Eligible Property. Abatement may be extended to the value of buildings, structures, fixed machinery, equipment, personal property, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility. The economic life of the property, improvements and personal property must exceed the life of the abatement agreement.
- (f) Ineligible Property. The following classes of property shall be fully taxable and ineligible for abatement:
 - Land,
 - Inventories,
 - Supplies,
 - Deferred maintenance investments,
 - Property that is associated with any activity that is illegal under federal, state or local law.
- (g) Leased Facilities. If an authorized facility eligible for tax abatement is leased, the agreement shall be executed with both the lessor and the lessee.
- (h) Value and Term of Abatement. Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement. The value and term of abatement on new eligible property shall be determined in accordance with the following: the objective and premium criteria listed in Section 2(k) will be used to determine whether it is in the best interest of the City of Palacios to provide tax abatement to a particular applicant. The total value of the tax abatement provided would depend upon the degree to which the specific project furthers the goals and objectives of the City of Palacios, and the relative impact of the project. Tax abatement will be subject to the following guidelines, with the exception of residential uses which follow separate criteria as outlined in Section 12:

- (1) As a general rule, no tax abatement will be granted in amount that exceeds the estimated costs to the City of Palacios for support of the project. To determine these costs, a fiscal model analysis will be used.
- (2) When an applicant project meets the eligibility criteria specified in the economic qualification Section 2(k) and achieve a score of *at least 50 points* that project may be granted tax abatement on *real property*. The length of time and the percentage of tax abatement will be determined according to the scoring scale found in SECTION 3: POINT CRITERIA.
- (3) When an applicant project meets the eligibility criteria specified in the economic qualification Section 2(k) and achieve a score of *at least 350 points* that project may be granted tax abatement on both *real and personal property*. The length of time and the percentage of tax abatement will be determined according to the scoring scale found in SECTION 3: POINT CRITERIA.
- (4) In some special instances, projects that meet the economic qualification for tax abatement may be considered for premium points for tax abatement even if they cannot meet the *100 point* score. These special instances include:
 - (a) Projects which contribute significantly to specific economic development goals but that may be small in scale.
 - (b) Small scale development, redevelopment or expansion projects in the City that make a significant impact on the area.
 - (c) Retention of existing industry where companies are making a significant investment in new machinery and equipment in effort to update their current technology which does not result in significant new construction to exiting facility, but where the new machinery and equipment will assist in maintaining or improving their competitive advantage in the market place, thus retaining current employment levels and/or adding employees while maintaining existing tax to the City.
- (i) Tax abatement formulas appropriate to the nature and scale of these projects may be negotiated if the *percentage and term* guidelines do not adequately meet the objectives of the project.
- (j) The duration of an abatement agreement shall not exceed 10 years or one-half (1/2) the economic life of the eligible property, whichever is less. Further, under no circumstances shall the value of the abatement exceed 100 percent (100%) of the eligible property in a single year.
- (k) Economic Qualification. In order to be eligible to receive tax abatement, the planned expansion or modernization of an existing enterprise or the planned new facility must meet the following qualifications:
 - (1) Be reasonably expected to increase the appraised value of the property in the amount of not less than seventy-five-thousand dollars (**\$75,000**) after construction is

completed or three (3) years from the commencement of construction, whichever is less.

- (2) Be expected to prevent the loss of employment or create employment for not less than one (1) person associated with the production of goods, and services at the authorized facility on a full-time, permanent basis in the City of Palacios. Two (2) or more part-time, permanent employees totaling an average of not less than 40 hours per week may be considered as one full-time, permanent employee.
 - (3) Companies seeking to qualify for tax abatement on the basis of job retention shall document that without the creation of an reinvestment zone and/or receiving tax abatement, the company will either reduce employment or cease operations.
 - (4) Not be expected to solely and primarily have the effect of transferring employment from one part of the City of Palacios to another.
 - (5) Companies must take every effort to use local resources (employees, materials, services, etc.).
- (l) Taxability. From the execution of the abatement agreement to the end of the agreement period, taxes shall be payable as follows:
- (1) The value of ineligible property as provided in Section 2 (f), above, shall be fully taxable.
 - (2) The base year value of existing eligible property as determined each year shall be fully taxable.
 - (3) The additional value of new eligible property shall be taxable in accordance with terms of the tax abatement agreement.
 - (4) The additional value of new eligible property shall be taxable at the end of the abatement period.
- (m) Conflict of Interest. Property that is in reinvestment zone and that is owned or leased by a member of the governing body of the City of Palacios shall be excluded from property tax abatement.

Section 3 POINT CRITERIA

The following is an objective scoring scale designed to evaluate a number of specific components common to all applicants. Applicants are assigned points based upon comparable economic impact.

- (a) How many *new* jobs will be created? (Assign 50 points for the first job minimum requirement and 10 points per job for all additional ones.)

- (b) How many *existing* jobs will be retained? (Assign 50 points for the first job minimum requirement and 10 points per job for all additional ones.)
- (c) How much *new* local annual payroll will be created? (Assign 10 points per **\$25,000** of payroll.)
- (d) How much of existing payroll will be retained? (Assign 10 points per **\$25,000** of payroll.)
- (e) How much real property tax base valuation will be added? (Assign 10 points per **\$25,000** in real property up to \$1,000,000 in valuation and 1/2 point per \$250,000 above \$1,000,000.)
- (f) How much personal property tax base valuation will be added? (Assign 10 points per **\$25,000** in personal property up to \$1,000,000 in valuation and 1/2 point per \$250,000 above \$1,000,000.)

Points	REAL PROPERTY Percentage Per Year	PERSONAL PROPERTY Percentage per Year
50-149	75%-50%-35%-25%-10%	
150-199	75%-50%-50%-25%-10%	
200-249	75%-50%-50%-50%-10%	
250-299	75%-50%-50%-50%-50%	
300-349	75%-65%-50%-50%-50%	
350-399	75%-65%-65%-50%-50%	50%-35%-25%-15%-10%
400-449	75%-65%-65%-65%-50%	50%-50%-25%-15%-10%
450-499	75%-65%-65%-65%-65%	50%-50%-50%-15%-10%
501-599	75%-75%-75%-65%-65%	50%-50%-50%-50%-10%
550-600	75%-75%-75%-75%-75%	50%-50%-50%-50%-50%

Special tax abatement formulas may be negotiated for projects meeting the standard for tax abatement that achieve a point score that exceeds 600 points and more. Projects *may be* granted tax abatement on both real and personal property of up to 100% for a period of years.

In addition to the objective criteria for which specific points values can be assigned/subtracted, several additional considerations must be evaluated to obtain premium/penalty points of up to ten (10) points per items listed below. The applicant is asked to respond in written narrative format to the items listed below:

- (1) Is the project applicant a local company?
- (2) What types and values of public improvements, if any, will be made by the applicant?
- (3) Will the occupants of the project be owners or lessees? If lessee, is occupancy commitment (signed lease) already existing?

- (4) What positive impact will the project have on other taxing entities (Palacios Independent School District in particular)?
- (5) Are the new jobs to be created likely to be filled by the City of Palacios' labor pool?
- (6) Will the project substantially increase business opportunities for existing local suppliers and contracts? Please give specific examples.
- (7) Will the project compete with existing businesses to the detriment of the local economy?
- (8) Does the project pose any negative environmental, operational, and/or visual or other impacts (i.e., pollution, noise, traffic congestion, etc.)?

Section 4 APPLICATION

- (a) Any present or potential property owner of taxable property in City of Palacios may request the creation of a reinvestment zone and tax abatement by filing a written request with the Palacios City Manager. Nothing within these guidelines shall be construed to suggest that the City of Palacios or any taxing authority in the City of Palacios is under obligation to provide any abatement to any applicant even if certain criteria are met. The City and any other taxing authority reserve the right to reject any application.
- (b) The Applicant should complete the following forms:
 - (1) Application for Tax Abatement
 - (2) Fiscal Impact Model Worksheet, along with documentation of figures.
 - (3) Tax Abatement Objective Worksheet with documentation.
 - (4) Narrative form for premium points.
 - (5) Signed Site Inspection Certificate by City Inspector.
 - (6) Signed Affidavit by Matagorda County Tax Office that all taxes on property in question are paid and current.
- (c) These forms shall be accompanied by the following:
 - (1) A general written description of the proposed use and the general nature and extent of the modernization, expansion or new improvements to be undertaken.
 - (2) A descriptive list of the improvements that will be a part of the facility.
 - (3) A map and legal property description.
 - (4) A time schedule for undertaking and completing the planned improvements.
 - (5) Such financial and other information as deemed appropriate by the City Council for purposes of evaluating the application.
- (d) Upon receipt of a completed application, the City Manager shall notify, in writing, the presiding officer of the governing body of each affected taxing authority or entity. Before acting upon the application, the City Council shall, through public hearing, afford the applicant, designated representatives of any affected taxing authority or entity, and the

general public opportunity to show cause why the abatement should or should not be granted. Notice of the public hearing shall be clearly identified on a City Council agenda to be posted in accordance with the Texas Property Redevelopment and Tax Abatement Act and the Texas Open Meeting Act.

- (e) After receipt of an application for tax abatement, the City Council may require a feasibility study setting out the impact of the proposed reinvestment zone and tax abatement, and the expense of the study shall be the sole responsibility of the entity requesting the proposed abatement. The feasibility study shall include, but not be limited to, an estimate of the economic effect of the abatement of taxes and the cost/benefit to the City and other affected jurisdictions.
- (f) A request for tax abatement shall not be granted if the City Council finds that the request for abatement was filed after the commencement of construction, alternation, or installation of improvements related to proposed expansion, modernization or new facility authorized as eligible under these guidelines.
- (g) Variance. Request for variance from provisions of these guidelines may be made in written form to the City Manager or a designated City representative provided, however, that the term and value of abatement described in Section 2(h), above, are not subject to variance. Such request shall include a complete description of the circumstances explaining why the applicant should be granted a variance. Approval of a request for variance requires a three-fourth (3/4) vote of the City Council.

Section 5 PUBLIC HEARING

- (a) Should any affected jurisdiction be able to show cause in the public hearing why the grant of abatement will have a substantial adverse effect on its bonds, tax revenue, service capacity or the provision of services, that showing shall be reason for the City to deny any designation of an Enterprise or Reinvestment Zone, the granting of abatement, or both.
- (b) Neither an Enterprise or Reinvestment Zone nor an abatement agreement shall be authorized if it's determined that:
 - (1) There would be a substantial adverse effect on the provision of government services or tax base,
 - (2) The applicant has insufficient financial capacity,
 - (3) Planned or potential use of the property would constitute a hazard to public safety, health or morals, or
 - (4) Planned or potential use of the property violates other codes or laws.

Section 6 AGREEMENT

- (a) After the approval, the City shall formally pass a resolution and execute an agreement with the owner of the facility and/or lessee, which shall include the following:
 - (1) Estimated value to be abated and the base year value;
 - (2) Percent of value to be abated each year as provided for in Section 3, above;
 - (3) The commencement and termination dates of the abatement;
 - (4) The proposed use of the facility, nature of the construction time schedule for construction and commencement of operations map, property description, and improvements as listed in the application under Sections 4(b) and 4(c), above;
 - (5) Contractual obligations in the event of default, violation of terms and conditions, delinquent taxes, recapture, administration and assignment as provided for in Sections 2(a), 2(g), 2(h) and Sections 3, 7, 8 and 9 or other provisions that may be required for uniformity or by state law, and
 - (6) Amount of investment in, and average number of jobs associated with, the facility during the abatement period.

- (b) Such agreement shall normally be executed within 60 days after the applicant has forwarded all necessary information and documentation for evaluation of the application to the City.

**Section 7
RECAPTURE**

- (a) In the event that the facility is completed and begins producing goods and/or services, but subsequently discontinues such production for any reason excepting fire, explosion or other casualty or natural disaster for a period of one (1) year during the abatement period, then the agreement shall terminate and so shall the abatement of taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for the calendar year shall be paid to the City within sixty (60) days from the date of termination.

- (b) Should the City determine that the company or individual is in default according to the terms and conditions of the abatement agreement, the City shall notify the company or individual, in writing, at the address stated in the agreement, and if such non-compliance is not resolved within sixty (60) days from the date of such notice, then the agreement shall be terminated.

- (c) In the event that the company or individual:
 - (1) Allows its ad valorem taxes owed the City or affected jurisdiction to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or

 - (2) Violates any of the terms and conditions of the abatement agreement and fails to resolve such violations within sixty (60) days from the date of written notice of such violations, the agreement then may be terminated and all taxes previously abated by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination.

Section 8

ADMINISTRATION

- (a) The company must submit to the City or to the Palacios Economic Development Corporation, if so designated by the City, a copy of its quarterly report to the state during each year of the tax abatement. These reports will show the employment counts reported in the Company's Quarterly Report. The reports will be reviewed to see that the company is meeting/has met the conditions of the tax abatement agreement. If the company is deemed not in compliance with the agreement, the City Council may cancel or modify the agreement.
- (b) The agreement will be registered with both the Texas Department of Commerce and State Comptroller. This report must contain a general description of the reinvestment zone as well as information about the specific agreement - the name of parties involved, the project, the portion of the property to be exempt, and duration of the agreement.
- (c) The Chief Appraiser of the Matagorda County Appraisal District shall, as a normal consequence of his duties, annually determine an assessment of the real and personal property comprising the reinvestment zone. Each year, the company or individual receiving abatement shall furnish the assessor with such information as may be necessary for the abatement, including the number of new or retained employees associated with the facility. Once the value has been established, the Chief Appraiser shall notify the affected jurisdictions that levy taxes of the amount of the assessment.
- (d) The agreement shall stipulate that employees and/or designated representatives of the City will have access to the abatement property during the term of the abatement agreement to inspect the facility to determine if the company or individual is in compliance with the terms and conditions of the abatement agreement. All inspections will be made only after notification of not less than twenty-four (24) hours and will only be conducted in such manner as not to unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one or more representatives of the company or individual present and in accordance with the company's safety standards.
- (e) Upon completion of construction, the City Manager or his representative shall annually evaluate each facility receiving abatement to ensure compliance with the agreement and report possible violations to the City Council and City Attorney. It is the responsibility of the property owner to annually certify to the governing body that the project is in compliance with the reinvestment zone creation agreement and tax abatement agreement.
- (f) All proprietary information required by the City for purposes of monitoring compliance by a company with the terms and conditions of an abatement agreement shall be considered confidential.
- (g) City of Palacios shall cancel the entire agreement if the property owner fails to comply with terms of the written agreement.

Section 9
ASSIGNMENT

- (a) Abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon the approval by resolution of the City Council subject to the financial capacity of the assignee and provided that all conditions and obligations in the abatement agreement are guaranteed by the execution of a new contractual agreement with the City of Palacios.
- (b) The expiration date of the new contractual agreement shall not exceed the termination date of the abatement agreement with the original owner and/or lessee.
- (c) No assignment or transfer shall be approved if the parties to the existing agreement, the new owner or new lessee are liable to the City of Palacios or any affected taxing jurisdiction for outstanding taxes or other obligations.
- (d) Approval of a transferred and assigned agreement shall not be unreasonably withheld.

Section 10
SERVERABILITY AND LIMITATION

- (a) In the event that any section, clause, sentence, paragraph or any part of these Guidelines and Criteria shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid such invalidity shall not affect, impair, or invalidate the remainder of these Guidelines and Criteria.
- (b) The City Council of the City of Palacios shall take no action that imposes an economic or financial hardship upon any other taxing authority or entity in the City of Palacios. Further, the City Council of the City of Palacios shall not designate a reinvestment zone or enterprise zone or enter into an abatement agreement which composes penalty provisions, as provided in Section 312.206 and Section 312.402 of the Tax Code, upon any other taxing unit in the City of Palacios for failing to enter into an abatement agreement.

Section 11
SUNSET PROVISION

- (a) The “Guidelines and Criteria” are effective upon the date of their adoption and will remain in force for two (2) years, at which time all reinvestment zones and tax abatement contracts created pursuant to its provisions will be reviewed by the City of Palacios City Council to determine whether the goals of the abatement program have been achieved. Based upon that review, the “Guidelines and Criteria” may be modified, renewed or eliminated.
- (b) This policy is mutual exclusive of existing Industrial District Contracts and owners of real property in areas deserving of special attention as agreed by the affected jurisdictions.

- (c) Prior to the date for review, as defined above, the “Guidelines and Criteria” may be modified by a two-thirds vote of the City Council, as provided for in the Texas Property Redevelopment and Tax Abatement Act.

Section 12

RESIDENTIAL TAX ABATEMENT

The following is an outline of recommended steps for review and consideration of applications for tax abatement in the City of Palacios based on the requirements contained in the Property Redevelopment and Tax Abatement Act (Tax Code, Chapter 312) and the “Guidelines and Criteria for the Granting of Tax Abatement in the City of Palacios,” adopted by the City Council on August 5, 1996 and re-adopted and amended on July 3, 2006.

- (a) **Receipt of Application**

Upon Receipt of an application for tax abatement, the original and two (2) copies should be dated. The original should be placed in a central file in the City Clerk’s office.

One copy should be delivered to the City Tax Appraisal District Office and one copy should be provided to the local economic development organization (e.g., Palacios Economic Development Corporation [PEDC]).

- (b) **Analysis of Application**

Prior to approving the resolution providing for a tax abatement agreement, the City Council shall request the following information:

The City Manager or the PEDC will determine if the facility is eligible under Section 2(a) of the Guidelines and Criteria, if the application was submitted prior to the commencement of construction or installation of equipment as provided in Section 2(b), and will review the description of improvements to determine if the value of the improvements exceeds the \$75,000 minimum requirement.

The Matagorda County Tax Office will determine if the applicant is delinquent in payment of taxes to the City or other affected taxing jurisdictions.

The City Attorney shall determine whether the application is in compliance with the adopted Guidelines and Criteria. If a variance from the Guidelines and Criteria is requested, the City Attorney shall determine if the request is consistent with the requirements provided in Section 3(f) of the Guidelines and Criteria.

- (c) **Consideration of the Resolution to Grant Tax Abatement**

At a regularly scheduled meeting of the City Council, the Council members shall consider the application for tax abatement.

Following a public hearing on the request for tax abatement, the Council members approve one resolution unless they find one of the following reasons for denying the tax abatement:

- (a) The application is not consistent with the adopted Guidelines and Criteria;

- (b) There would be a substantial adverse effect on the provision of government services or tax base;
- (c) Planned or potential use of the property would constitute a hazard to public safety, health, or morals;
- (d) Planned or potential use of the property violates the Zoning Ordinance or other codes or laws, or
- (e) Action by the City Council would impose a penalty under Chapter 312 of the Texas Tax Code on another taxing jurisdiction.

(d) **Execution of an Abatement Agreement Contract**

Following approval of the resolution, the City Attorney shall prepare an abatement agreement contract that, at a minimum lists:

- (a) The kind, number, and location of all proposed improvements;
- (b) Provides access to and authorizes inspection of the property by City employees to ensure that the improvements are made according to the terms and conditions of the abatement agreement;
- (c) Limits the use of property consistent with the general purpose of encouraging development or redevelopment of the zone during the period of the agreement, and
- (d) Provides for recapturing property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements as provided for in the agreement and keeps current on all taxes due to taxing entities.

(e) **Annual Determination of Taxable Value**

At the inception of the tax abatement agreement, the Matagorda County Central Appraisal District shall determine the base value of the facility. The base value of the facility is defined as the appraised value of the January 1st prior to the execution of the agreement, plus the value of any improvement made between January 1st and the date of the agreement.

Annually, the Matagorda County Central Appraisal District shall determine the taxable value of the facility based on the Guidelines and Criteria and report such value to all affected taxing jurisdictions.

Annually, the City or the PEDC, if so designated by the City, shall determine whether the company has made the improvements described in the application for abatement and has complied with the minimum investment and present such information to the City Manager with a recommendation on whether to continue or to terminate the agreement for non-compliance.

(f) **Recapture in the Event of Non-compliance**

If a residence is not in compliance with the abatement agreement or the owner becomes delinquent in payment of any taxes, the City Attorney shall provide notice to the owner of the determination of non-compliance and establish a deadline for resolution of the compliance issues as provided in Section 7(b) of the Guidelines and Criteria. If the compliance issues are not resolved, the City Attorney shall provide the owner and the Matagorda County Central Appraisal District notice of termination of the abatement agreement. The Matagorda County Central Appraisal District shall recapture all taxes

previously abated by virtue of the agreement as provided in Section 7(c)(2) of the Guidelines and Criteria.

(g) **Amount of Tax Abatement**

The tax abatement must adhere to the following schedule:

Year 1 – 75% abatement

Year 2 – 50% abatement

Year 3 – 35% abatement

Year 4 – 25% abatement

Year 5 – 15% abatement

TAX ABATEMENT

AGREEMENT STATE OF

TEXAS

I KNOW ALL BY THESE PRESENTS:

The Palacios City Council, in the County of Matagorda, State of Texas (the "City"), and Serendipity HC 1031 LLC who will be constructing Capital Improvements in Palacios, Texas (hereinafter referred as the "Applicant"), enter into this Tax Abatement agreement (the "Agreement") as follows:

RECITALS

WHEREAS, the Property Redevelopment and Tax Abatement Act, section 312.001 et seq., Texas Tax Code, as amended, (the "Act") authorizes the City to create a reinvestment zone for residential tax abatement or commercial and industrial business tax abatement purposes; and

WHEREAS, the Palacios City Council has adopted an Ordinance establishing guidelines and criteria governing tax abatement and electing to become eligible to participate in tax abatement pursuant to the requirements of the Act, which Ordinance is incorporated herein by reference thereto for all purposes; and

WHEREAS, the Palacios City Council on the 11th day of April 2017, did enact and adopt an Ordinance designating a certain area as a Reinvestment Zone (the "Zone"), all pursuant to the Act, which Ordinance is incorporated herein by reference thereto for all purposes; and

WHEREAS, the Palacios City Council finds that the terms of the Agreement and the property subject to this Agreement meet the applicable guidelines and criteria governing tax abatement previously adopted and recorded at Volume 35, page 117 et seq. of the Palacios City Council Minutes of Palacios, Texas and subsequently re-adopted as required; and

WHEREAS, the Applicant will use the taxable real property located in the Zone (the "Property") for commercial business; and

WHEREAS, the City and the Applicant desire to enter into this Agreement to exempt from taxation a part of the increase in the value of the Property over its value during the term of this Agreement as hereinafter set forth, all pursuant to: (i) the Act; (ii) Ordinance; (iii) the Comprehensive Policy Statement on Tax Abatement; and (iv) the terms and conditions herein set forth and contained;

NOW, THEREFORE, and in consideration of the mutual covenants and agreements herein contained, the City and the Applicant agree as follows:

1. **Incorporation of Recitals.** The determinations recited and declared in the preambles to the Agreement are hereby restated, repeated and incorporated herein as part of this Agreement.
2. **Term.** Whereby the Applicant intends to construct, build or expand on the Property a commercial or residential building, with permanent fixtures, to be used for business. The eligibility for the tax abatement provided by this Agreement begins with the 2018 tax year and ends with the 2023 tax year.
3. **Improvements.** In order to obtain any tax abatement under this Agreement, the Applicant agrees (i) to construct Capital Improvement within the Zone, substantially as more particularly described in Metes and Bounds Survey Exhibit "A"; (the foregoing Capital Improvements are collectively referred to hereinafter as the Improvement).
4. **Abatement of Real Property Taxes.** The City agrees to exempt from taxation all or such parts of the increase in the value of the Property by virtue of the improvements over its value in the year in which this Agreement is executed, as specified and in accordance with the Provisions of Exhibit "B" Guidelines and Criteria for Granting Tax Abatements, and such exemption shall include any addition, change, or modification to the improvements after substantial completion due to casualty loss or otherwise. Provided however, that the abatement of taxes and exemption granted by this Agreement shall pertain only to the Property, the Improvements and other permanent fixtures within the Zone, and shall not include trade fixtures, inventory, or other personal property.
5. **Access to Property.** The Applicant agrees that the City shall, at reasonable times and upon reasonable notice, have access to the Property and the Applicant authorizes employees and agents of the City to inspect the Property to ensure that the Improvements are being made in accordance with the terms and conditions of this Agreement and utilized in accordance with this Agreement.
6. **Recapture of Property Taxes.** The Applicant agrees that should it fail to construct and install (or cause to be constructed or installed), or maintain the Improvements in accordance with the terms of this Agreement, then the City shall have the right, in addition to any other available remedy, to recapture all property tax revenue lost as a result of such breach of this Agreement. The City shall notify the Applicant, in writing, of default(s) by the Applicant in complying with the terms and provisions of this Agreement. The Applicant shall promptly reimburse the City for all city tax revenue lost as a result of the breach and the City may, without further notice to the Applicant, immediately cause all tax abatement to cease on the Property subject to this Agreement. Failure on the part of the City to exercise any right contained in this Agreement shall not constitute a waiver of any right in the event of any subsequent default, and no waiver shall be effective unless in writing, executed by the City, and the Applicant.
7. **Miscellaneous.**
 - a. **Assignment.** No party shall have the right to assign that party's interest in this Agreement without the prior written consent of the other party.
 - b. **Modifications.** At any time before the expiration of the term of this Agreement, this Agreement may be modified by the joint action of the parties hereto to include other

provisions that could have been included in the original agreement. Any such modification shall be in writing and signed by all the parties hereto and made by the same procedure by which the original agreement was approved and executed. In no event, may this Agreement be modified so as to extend the term of this Agreement beyond five (5) years from the effective date of this Agreement.

- c. **Notices.** Any notices required or desired to be given to any party hereto shall be deemed to be delivered: (i) on the date of delivery, if hand delivered; (ii) one (1) day after sending, if sent by overnight courier; or (iii) if sent by mail, three (3) days after the same is posted in a U.S. mail receptacle, postage prepaid, to the address of the applicable party set out below such party's signature herein below. Any party hereto may change such party's address for notice to another address within the United States of America, but until written notice of such change is actually received by the other party, the last address of such party designated for notice shall remain such party's address for notice.
- d. **Severability.** If any term or provision of this Agreement is held to be illegal, invalid or unenforceable, the legality, validity or enforceability of the remaining terms or provisions of this Agreement shall not be affected hereby, and in lieu of each such illegal, invalid or unenforceable term or provision, there shall be added automatically to this Agreement a legal, valid or enforceable term or provision as similar as possible to the term or provision declared illegal, invalid or unenforceable. The City expressly disclaims any warranty or representation as to the legality or enforceability of this Agreement and the Applicant expressly disclaims the existence of any such warranty or representation.
- e. **Governing Law.** This Agreement and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas and the Act in particular.
- f. **Paragraph Headings: Construction.** The paragraph headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several paragraphs hereof. All parties have participated in the negotiation and preparation of this Agreement so that this Agreement shall not be construed either more or less strongly against or for any party.
- g. **Complete Agreement.** This Agreement contains the entire agreement among the parties and supersedes any and all prior understandings and agreements between the parties hereto relating to the subject matter hereof.
- h. **Binding Effect.** Except as limited herein, the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, devisees, personal and legal representatives, successors and assigns.
- i. **Counterparts.** This Agreement has been executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

- j. **Exhibits.** All exhibits to this Agreement are incorporated herein by reference for all purposes wherever reference is made to the same.
- k. **Relationship of Parties.** Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent or of partnership or of joint venture or of any association whatsoever between the parties.

EXECUTED this the 11th day of April , 2017.

THE CITY OF PALACIOS, TEXAS:

By: _____
Mayor City of Palacios

Address for Notice:

Mayor Glen Smith
P.O. Box 845
Palacios, Texas 77465
(361) 972-3605

With Copy To:

City Attorney

Serendipity HC 1031 LLC

By: _____

Address for Notice:

302 Powderhorn Lane

Port Lavaca, TX 77979

(SEAL)

I, Angela Flores, City Secretary for Palacios, Texas certify that the above is a true and correct copy of Agreement on file in the City Hall of Palacios, Texas and that I, as City Secretary of Palacios, Texas, have legal custody of such writing.

_____ City Secretary Palacios, Texas

A Report of the Economic Impact of Serendipity RV Resort, Cabins and Marina in Palacios, Texas

April 10, 2017

Prepared for:

Palacios Economic Development Corporation
P.O. Box 877
Palacios, TX 77465

Prepared by:

Impact DataSource
4709 Cap Rock Drive
Austin, Texas 78735
(512) 892-0205
Fax (512) 892-2569
www.impactdatasource.com

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A Report of the Projected Economic Impact from Serendipity RV Resort, Cabins and Marina

Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, Austin, Texas. The analysis was to determine the impact that Serendipity RV Resort, Cabins and Marina will have on the economy of the Palacios, Texas area and the costs and benefits for local taxing districts over the first ten years.

Description of the Facility

Serendipity RV Resort, Cabins and Marina is a planned in Palacios. The facility will include six cabins on which the city will collect hotel occupancy taxes short term rentals of those cabins.

The company will invest \$3,808,515 in the facility: \$573,000 for land, \$2,958,000 for buildings and other real property improvements and \$277,515 for furniture fixtures and equipment.

The facility will retain 5 employees and create 4 new jobs for a total of 9 direct jobs with salaries ranging from \$8 per hour to \$2,500 a month for the general manager.

How the facility will impact the economy of the area is discussed next.

The Estimated Economic Impact of the Facility over the First Ten Years

The facility will have the following economic impact on the Palacios area over the first ten years:

Economic Impact over the First Ten Years	
Total number of permanent direct and indirect jobs to be created and retained:	
Direct	9
Indirect and induced	2
Total direct, indirect and induced jobs	11
Number of direct and indirect workers who move to the city	1
Number of residents that the facility will bring to the city	3
Number of new residential properties to be built in the city	0
Number of new students for Palacios ISD	0
Salaries to be created for direct and indirect workers	\$2,267,850
Taxable sales and purchases created in the City	\$85,396,281
Lodging sales at the facility	\$1,170,687
The value of residential property to be built for direct and indirect workers who move to the city	\$0
The facility's assets that will be added to local tax rolls	\$3,808,515

How this economic activity translates into additional costs and benefits for local taxing districts is discussed next.

Costs and Benefits for Local Taxing Districts over the First Ten Years

Local taxing districts can expect costs and benefits over the first ten years from the facility, as scheduled below, beginning with the additional revenues to be received.

Additional Revenues for Local Taxing Districts

Local taxing districts can expect to receive the following revenues over the first ten years from the facility, its employees and workers in indirect jobs created in the community.

Additional Revenues For Local Taxing Districts Over the First Ten Years of the Facility's Operation					
	Sales Taxes	Property Taxes	Utilities	Utility Franchise Fees	Building Permits and Fees
City of Palacios	\$1,707,926	\$233,431	\$795,379	\$53,374	\$14,790
Matagorda County	\$0	\$120,680			
Palacios ISD		\$452,721			
Matagorda County Nav. Dist. # 1		\$12,764			
Matagorda County Hosp. Dist.		\$124,728			
Drainage District # 3		\$6,522			
Coastal Plains Cons. District		\$2,756			
Palacios Seawall Commission		\$396,881			
Total	\$1,707,926	\$1,350,482	\$795,379	\$53,374	\$14,790

	Upfront Payment from Project	Hotel Occupancy Taxes	Other Taxes and User Fees	Additional State and Federal School Funding	Total Additional Revenues
City of Palacios		\$81,948	\$2,190		\$2,889,038
Matagorda County			\$821		\$121,501
Palacios ISD				\$17,024	\$469,745
Matagorda County Nav. Dist. # 1					\$12,764
Matagorda County Hosp. Dist.					\$124,728
Drainage District # 3					\$6,522
Coastal Plains Cons. District					\$2,756
Palacios Seawall Commission					\$396,881
Total	\$0	\$0	\$821	\$17,024	\$4,023,934

Additional Costs for Local Taxing Districts

Local taxing districts will incur the following costs over the first ten years, as a result of the facility and direct and indirect employees.

Costs for Local Taxing Districts Over the First Ten Years of the Facility's Operation					
	Costs of Services to New Residents	Costs of Providing Monthly Utility Services	Costs of Educating New Students	Reduction in State School Funding as a Result of Property being Added to Local Tax Rolls	Total
City of Palacios	\$3,832	\$755,610			\$759,442
Matagorda County	\$1,642				\$1,642
Palacios ISD			\$16,891	\$362,177	\$379,068
Matagorda County Nav. Dist. # 1					\$0
Matagorda County Hosp. Dist.					\$0
Drainage District # 3					\$0
Coastal Plains Cons. District					\$0
Palacios Seawall Commission					\$0
Total	\$5,475	\$755,610	\$16,891	\$362,177	\$1,140,153

Additional Net Benefits

The additional public benefits less additional public costs will result in the following net benefits for the City, County and other local taxing districts over the first ten years of the facility's operation:

Net Benefits for Local Taxing Districts Over the First Ten Years of the Facility's Operation			
	Benefits	Costs	Net Benefits
City of Palacios	\$2,889,038	\$759,442	\$2,129,595
Matagorda County	\$121,501	\$1,642	\$119,858
Palacios ISD	\$469,745	\$379,068	\$90,677
Matagorda County Nav. Dist. # 1	\$12,764	\$0	\$12,764
Matagorda County Hosp. Dist.	\$124,728	\$0	\$124,728
Drainage District # 3	\$6,522	\$0	\$6,522
Coastal Plains Cons. District	\$2,756	\$0	\$2,756
Palacios Seawall Commission	\$396,881	\$0	\$396,881
Total	\$4,023,934	\$1,140,153	\$2,883,781

Discounted Cash Flow for Local Taxing Districts

The discounted cash flow over the first ten years for each local taxing district from the facility is as follows:

Discounted Cash Flow Over the First Ten Years	
City of Palacios	\$1,576,561
Matagorda County	\$84,470
Palacios ISD	\$67,945
Matagorda County Nav. Dist. # 1	\$8,999
Matagorda County Hosp. Dist.	\$93,461
Drainage District # 3	\$4,887
Coastal Plains Cons. District	\$2,065
Palacios Seawall Commission	\$297,163
Total	\$2,135,550

The above discounted cash flow or present value of net benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. Today's dollar and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 6% to make the dollars comparable -- by expressing them in today's dollars or in present value.

Net Benefits to be Received by the City and PEDC from (1) the Facility and (2) Workers

The City of Palacios/PEDC will receive benefits from spending and investments by the facility and from spending by workers. These benefits, over the first ten years, are shown below for these two categories.

Schedule of Benefits for the City from the Facility and From Workers			
	Benefits from:		Total Benefits
	The Facility	Workers	
Additional revenues:			
Sales taxes	\$1,706,157	\$1,769	\$1,707,926
Property taxes	\$233,431	\$0	\$233,431
Utility revenues	\$781,582	\$13,797	\$795,379
Utility franchise fees	\$52,723	\$651	\$53,374
Hotel occupancy taxes	\$81,948		\$81,948
Other taxes and user fees		\$2,190	\$2,190
Building permits and fees	\$14,790		\$14,790
Total additional revenues	\$2,870,631	\$18,407	\$2,889,038
Additional costs:			
Costs of providing utilities	\$742,503	\$13,107	\$755,610
Costs of providing municipal services for new residents		\$3,832	\$3,832
Debt service on bonds	\$0		\$0
Total additional costs	\$742,503	\$16,939	\$759,442
Net benefits	\$2,128,128	\$1,468	\$2,129,595

Taxes to be Abated

The City of Palacios, Matagorda County, Navigation District and Seawall District may consider abating property taxes on the firm's real property improvements and business personal property at the following percentages:

Percentage of Taxes to be Abated	
Year 1	75%
Year 2	65%
Year 3	50%
Year 4	50%
Year 5	50%
Year 6	0%
Year 7	0%
Year 8	0%
Year 9	0%
Year 10	0%

If taxes are abated as proposed, the following property taxes will be abated for the facility:

Property Taxes to be Abated for the Facility					
	City	County	Navigation District	Seawall District	Total
Year 1	\$23,819	\$11,909	\$1,260	\$506	\$36,987
Year 2	\$20,756	\$10,377	\$1,098	\$441	\$32,231
Year 3	\$16,164	\$8,081	\$855	\$344	\$25,100
Year 4	\$16,367	\$8,183	\$866	\$348	\$25,416
Year 5	\$16,577	\$8,288	\$877	\$352	\$25,742
Year 6	\$0	\$0	\$0	\$0	\$0
Year 7	\$0	\$0	\$0	\$0	\$0
Year 8	\$0	\$0	\$0	\$0	\$0
Year 9	\$0	\$0	\$0	\$0	\$0
Year 10	\$0	\$0	\$0	\$0	\$0
Total	\$93,683	\$46,839	\$4,954	\$1,992	\$145,476

Discussion of State Aid for the School District

According to the Texas Education Agency, any property added to local tax rolls reduces funding from the state – dollar for dollar. However, it takes a year for this to affect. Therefore, the analysis shows that the school district keeps or benefits from the first year’s property taxes but state funding in subsequent years is reduced by the amount of local property taxes collected from the facility. However, according to the Texas Education Agency, the school district will receive state aid for each new child that moves to the District. The additional revenues for the school district are calculated in this analysis.

Conduct of the Analysis

This analysis was conducted by Impact DataSource using data, rates and information supplied PEDC. In addition, Impact DataSource used certain estimates and assumptions.

Using this data, the economic impact from the facility and the costs and benefits for the City of Palacios, Matagorda County and other local taxing districts were calculated for a ten year period.

In addition to the direct economic impact of the facility and its employees, spin-off or indirect and induced benefits were also calculated. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services to the facility. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

To estimate the indirect and induced economic impact of the facility and its employees on the Palacios area, regional economic multipliers were used. Regional economic multipliers for Texas and areas of the state are included in the US Department of Commerce’s Regional Input-Output Modeling System (RIMS II).

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier.

An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the Palacios area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The multipliers show the estimated number of indirect and induced jobs created for every one direct job at the facility and the amount of salaries paid to these workers for every dollar paid to a direct worker at the facility. The multipliers used in this analysis are below:

Employment multiplier	0.2250
Earnings multiplier	0.2477

About Impact DataSource

Impact DataSource is a 23-year-old Austin economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 39 other states. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department.

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.

Data used in the analysis, along with schedules of the results of calculations, are on the following pages.

Data and Rates Used in this Analysis

Local Tax Rates:

Sales tax rates:

City of Palacios including economic development tax 2.0%

City of Palacios hotel occupancy tax rate 7%

Property tax rates, per \$100 of valuation:

City of Palacios	\$0.84000
Matagorda County	\$0.41998
Palacios ISD	\$1.13500
Matagorda County Navigation District # 1	\$0.04442
Matagorda County Hospital District	\$0.31270
Drainage District # 3	\$0.01635
Coastal Plains Conservation District	\$0.00691
Palacios Seawall Commission	\$0.01786

Some City Rates:

Annual marginal cost of providing municipal services, excluding utilities, to each new household \$350

Estimated annual other taxes and user fees to be collected by the city from each new household -- those revenues that are in addition to sales and property taxes, utilities and utility franchise fees \$200

Annual increase expected in the city's other revenues and marginal costs 2%

The city's estimated annual water, wastewater and garbage collection billings per household \$1,260

Utility Service	Estimated Monthly Billing	Estimated Annual Billing (Monthly billing x 12)
Water	\$40	\$480
Wastewater	\$40	\$480
Solid waste	\$25	\$300

The city's cost of providing water, wastewater and solid waste services, as a percent of utility billings 95%

Annual increase expected in city-owned utility billings 2%

The city's estimated utility franchise fee percentages:

Electricity	\$0.002709	per KwH
Estimated electricity percentage based on flat rate	4%	
Natural gas	2%	
Cable	3%	
Telephone monthly line access charge:		
Residential	\$0.27	
Non-residential	\$0.47	

Annual utility franchise fees collected from utility providers for each household in the city as detailed below: \$56.82

Utility Service	Estimated Monthly Billing	Utility Franchise Fee Percentage	Monthly Utility Franchise Fee Collections	Estimated Annual Utility Franchise Fee Collections <i>(Monthly collections x 12)</i>
Electricity	\$65	4%	\$2.60	\$31.20
Natural gas	\$40	2%	\$0.80	\$9.60
Cable	\$40	3%	\$1.20	\$14.40
Telephone lines	0.5	\$0.27	\$0.14	\$1.62

Some County Rates:

Annual marginal cost of providing county services to each new household	\$150
Annual miscellaneous taxes and user fees to be collected from each new household, those county revenues other than property and sales taxes	\$75
Annual increase expected in other county revenues and marginal costs	2%

Some School District Rates:

Estimated annual state, federal and other funding received by the district for for each child enrolled	\$4,500
Average annual cost of providing services to each child in the district	\$9,500
Average annual cost for each new child, as a percent of average annual cost	47%
Annual marginal cost of providing services to each new child	\$4,465

Other Community Rates:

Expected inflation rate over the next ten years	3.0%
Discount rate used in analysis to compute discounted cash flows	6%
Percent of a typical worker's salary that will be spent on taxable goods and services	26%
Average taxable value of a new single family residence in the community that will be built for some individuals moving to the city	\$175,000
Percent annual increase in the taxable value of residential property on local tax rolls over the next ten years	2%

Depreciation rates for business personal property:

Year 1	90%
Year 2	80%
Year 3	70%
Year 4	60%
Year 5	50%
Year 6	40%
Year 7	30%
Year 8	20%
Year 9	20%
Year 10	20%

The Facility's Investments, Assets and Construction:

Value on property to be added to local tax rolls:

	Buildings and Other Real Property Land improvements	Business Personal Property	Total
Year 1	\$573,000	\$2,958,000	\$3,808,515
Year 2	\$0	\$0	\$0
Year 3	\$0	\$0	\$0
Year 4	\$0	\$0	\$0
Year 5	\$0	\$0	\$0
Year 6	\$0	\$0	\$0
Year 7	\$0	\$0	\$0
Year 8	\$0	\$0	\$0
Year 9	\$0	\$0	\$0
Year 10	\$0	\$0	\$0
Total	\$573,000	\$2,958,000	\$3,808,515

Spending During Construction:

Estimated spending for construction:

Year 1	\$2,958,000
Year 2	\$0
Year 3	\$0
Year 4	\$0
Year 5	\$0
Year 6	\$0
Year 7	\$0
Year 8	\$0
Year 9	\$0
Year 10	\$0

Percent of construction costs for:

Materials	60%
Labor	40%

Estimated percent of construction materials that will be purchased in the city and be subject to sales tax 20%

Percent of taxable spending by construction workers that will be in the city 15%

Estimated percent of furniture, fixtures and equipment that will be purchased in the city and be subject to sales tax 5%

Estimated development and building permits and fees to be paid to the city:

Year 1	\$14,790
Year 2	\$0
Year 3	\$0
Year 4	\$0
Year 5	\$0
Year 6	\$0
Year 7	\$0
Year 8	\$0
Year 9	\$0
Year 10	\$0

Activities During the Facility's Operations:

The facility's taxable sales subject to sales tax in the city:

Year 1	\$15,000
Year 2	\$50,000
Year 3	\$52,500
Year 4	\$55,125
Year 5	\$57,881
Year 6	\$60,775
Year 7	\$63,814
Year 8	\$67,005
Year 9	\$70,355
Year 10	\$73,873

Expected annual increase in taxable sales after year 2 5%

The facility's estimated lodging sales subject to hotel occupancy taxes in the city:

Year 1	\$93,075
Year 2	\$97,729
Year 3	\$102,615
Year 4	\$107,746
Year 5	\$113,133
Year 6	\$118,790
Year 7	\$124,729
Year 8	\$130,966
Year 9	\$137,514
Year 10	\$144,390

Expected annual increase in lodging sales 5%

Estimated annual utilities at the facility:

	Water	Wastewater	Solid Waste	Electricity	Natural Gas	Cable	Telephone
Year 1	\$24,000	\$24,000	\$9,000	\$86,000	\$10,000	\$24,000	\$15,000
Year 2	\$24,480	\$24,480	\$9,180	\$87,720	\$10,200	\$24,480	\$15,300
Year 3	\$24,970	\$24,970	\$9,364	\$89,474	\$10,404	\$24,970	\$15,606
Year 4	\$25,469	\$25,469	\$9,551	\$91,264	\$10,612	\$25,469	\$15,918
Year 5	\$50,938	\$25,978	\$9,742	\$93,089	\$10,824	\$50,938	\$16,236
Year 6	\$51,957	\$26,498	\$9,937	\$94,951	\$11,041	\$51,957	\$16,561
Year 7	\$52,996	\$27,028	\$10,135	\$96,850	\$11,262	\$52,996	\$16,892
Year 8	\$54,056	\$27,568	\$10,338	\$98,787	\$11,487	\$54,056	\$17,230
Year 9	\$55,137	\$28,120	\$10,545	\$100,763	\$11,717	\$55,137	\$17,575
Year 10	\$56,240	\$28,682	\$10,756	\$102,778	\$11,951	\$56,240	\$17,926
Annual increase	2%	2%	2%	2%	2%	2%	2%

Estimated number of telephone lines at the facility 4

The facility's estimated local taxable purchases of materials, supplies and services for its operations:

	Total	Taxable 100%
Year 1	\$12,000	\$12,000
Year 2	\$29,000	\$29,000
Year 3	\$30,450	\$30,450
Year 4	\$31,973	\$31,973
Year 5	\$33,571	\$33,571
Year 6	\$35,250	\$35,250
Year 7	\$37,012	\$37,012
Year 8	\$38,863	\$38,863
Year 9	\$40,806	\$40,806
Year 10	\$42,846	\$42,846

Expected annual increase in taxable purchases after year 2 5%

The facility's total taxable purchases and taxable utilities:

	Taxable Purchases of Supplies, Materials and Services	Utilities Subject to Sales Tax			Total
		Utilities Subject to Sales Tax	Percent Taxable	Taxable Utilities	
Year 1	\$12,000	\$135,000	100%	\$135,000	\$147,000
Year 2	\$12,600	\$137,700	100%	\$137,700	\$150,300
Year 3	\$13,230	\$140,454	100%	\$140,454	\$153,684
Year 4	\$13,892	\$143,263	100%	\$143,263	\$157,155
Year 5	\$14,586	\$171,088	100%	\$171,088	\$185,674
Year 6	\$15,315	\$174,510	100%	\$174,510	\$189,825
Year 7	\$16,081	\$178,000	100%	\$178,000	\$194,081
Year 8	\$16,885	\$181,560	100%	\$181,560	\$198,445
Year 9	\$17,729	\$185,191	100%	\$185,191	\$202,921
Year 10	\$18,616	\$188,895	100%	\$188,895	\$207,511

Number of existing workers and new jobs to be created at the facility each year:

Year 1	9
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	
Year 10	
Total	9

Number of workers who may move to the community:

Year 1	1
Year 2	0
Year 3	0
Year 4	0
Year 5	0
Year 6	0
Year 7	0
Year 8	0
Year 9	0
Year 10	0
Total	1

Average annual salaries of workers at the facility in the first year \$18,444

Percent of expected increase in employee salaries after year 1 2.0%

Multipliers for calculating the number of indirect and induced jobs and earnings in the area:

Earnings	0.2477
Employment	0.2250

This cost-benefit analysis uses the above multipliers to project the indirect and induced benefits in the community as a result of the direct economic activity. The employment multiplier shows the number of spin-off jobs what will be created from each direct job. Similarly, the earnings multiplier estimates the salaries and wages to be paid to workers in these spin-off jobs for each \$1 paid to direct workers.

Percent employees to be hired in spin-off jobs created at the facility who will move to the city to take a job 5%

Percent of workers who move to the community that will buy a new home or require that new residential property be built for them 20%

The number of people in a typical worker's household 2.5

The number of school children in a typical worker's household 0.33

Percent of retail shopping by a typical worker in the city 15%

Visitors to the Facility from Out-of-Town:

Estimated number of annual out-of-town visitors to the facility 3,000

Average annual increase in the number of out-of-town visitors to the facility	0%
Average number of days that each of these visitors will stay in the city	60
Estimated average daily retail spending by each visitor in other parts of the city	\$40

Schedules Showing the Results of Economic Impact Calculations

Number of local jobs added each year and worker salaries to be paid:

	Direct Jobs	Indirect Jobs	Total Jobs	Direct Salaries	Indirect Salaries	Total Salaries
Year 1	9	2	11	\$166,000	\$41,115	\$207,115
Year 2	0	0	0	\$169,320	\$41,937	\$211,257
Year 3	0	0	0	\$172,706	\$42,776	\$215,482
Year 4	0	0	0	\$176,161	\$43,631	\$219,792
Year 5	0	0	0	\$179,684	\$44,504	\$224,188
Year 6	0	0	0	\$183,277	\$45,394	\$228,672
Year 7	0	0	0	\$186,943	\$46,302	\$233,245
Year 8	0	0	0	\$190,682	\$47,228	\$237,910
Year 9	0	0	0	\$194,495	\$48,173	\$242,668
Year 10	0	0	0	\$198,385	\$49,136	\$247,521
Total	9	2	11	\$1,817,654	\$450,196	\$2,267,850

Number of direct and indirect workers and their families who will move to the area and their children who will attend local public schools:

	New Workers Moving to the Area	Total New Residents	Total New Students
Year 1	1	3	0
Year 2	0	0	0
Year 3	0	0	0
Year 4	0	0	0
Year 5	0	0	0
Year 6	0	0	0
Year 7	0	0	0
Year 8	0	0	0
Year 9	0	0	0
Year 10	0	0	0
Total	1	3	0

Number of new residential properties that may be built in the city for direct and indirect workers who will move to the community:

	New Residential Properties
Year 1	0
Year 2	0
Year 3	0
Year 4	0
Year 5	0
Year 6	0
Year 7	0
Year 8	0
Year 9	0
Year 10	0
Total	0

Local taxable spending on which sales taxes will be collected:

	Local Construction Workers' Spending and Furniture, Fixtures and Equipment	Direct and Indirect Workers' Spending	Visitors' Spending	Taxable Sales at the Facility	The Facility's Local Purchases and Taxable Utilities	Total
Year 1	\$414,981	\$8,077	\$7,200,000	\$15,000	\$147,000	\$7,785,058
Year 2	\$0	\$8,239	\$7,416,000	\$50,000	\$150,300	\$7,624,539
Year 3	\$0	\$8,404	\$7,638,480	\$52,500	\$153,684	\$7,853,068
Year 4	\$0	\$8,572	\$7,867,634	\$55,125	\$157,155	\$8,088,486
Year 5	\$0	\$8,743	\$8,103,663	\$57,881	\$185,674	\$8,355,962
Year 6	\$0	\$8,918	\$8,346,773	\$60,775	\$189,825	\$8,606,292
Year 7	\$0	\$9,097	\$8,597,177	\$63,814	\$194,081	\$8,864,168
Year 8	\$0	\$9,278	\$8,855,092	\$67,005	\$198,445	\$9,129,820
Year 9	\$0	\$9,464	\$9,120,745	\$70,355	\$202,921	\$9,403,484
Year 10	\$0	\$9,653	\$9,394,367	\$73,873	\$207,511	\$9,685,404
Total	\$414,981	\$88,446	\$82,539,931	\$566,328	\$1,786,595	\$85,396,281

Local spending by visitors on lodging by out-of-town visitors:

	Spending on Lodging
Year 1	\$93,075
Year 2	\$97,729
Year 3	\$102,615
Year 4	\$107,746
Year 5	\$113,133
Year 6	\$118,790
Year 7	\$124,729
Year 8	\$130,966
Year 9	\$137,514
Year 10	\$144,390
Total	\$1,170,687

Taxable value of new residential property built for direct and indirect workers who move to the community and the value of the facility's property on local tax rolls:

	New Residential Property	Value of Property at the Facility on Local Tax Rolls	Total Taxable Property
Year 1	\$0	\$3,780,764	\$3,780,764
Year 2	\$0	\$3,801,431	\$3,801,431
Year 3	\$0	\$3,848,487	\$3,848,487
Year 4	\$0	\$3,896,984	\$3,896,984
Year 5	\$0	\$3,946,950	\$3,946,950
Year 6	\$0	\$3,998,415	\$3,998,415
Year 7	\$0	\$4,051,409	\$4,051,409
Year 8	\$0	\$4,105,962	\$4,105,962
Year 9	\$0	\$4,187,082	\$4,187,082
Year 10	\$0	\$4,269,825	\$4,269,825

Schedules Showing the Results of Costs and Benefits Calculations

Costs and Benefits for the City of Palacios:

Benefits:

Sales tax collections:

	During Construction and Purchases of Furniture, Fixtures and Equipment	On Direct and Indirect Workers' Spending	On Visitors' Spending	On Taxable Sales at the Facility	The Facility's Local Purchases and Taxable Utilities	Total
Year 1	\$8,300	\$162	\$144,000	\$300	\$2,940	\$155,701
Year 2	\$0	\$165	\$148,320	\$1,000	\$3,006	\$152,491
Year 3	\$0	\$168	\$152,770	\$1,050	\$3,074	\$157,061
Year 4	\$0	\$171	\$157,353	\$1,103	\$3,143	\$161,770
Year 5	\$0	\$175	\$162,073	\$1,158	\$3,713	\$167,119
Year 6	\$0	\$178	\$166,935	\$1,216	\$3,797	\$172,126
Year 7	\$0	\$182	\$171,944	\$1,276	\$3,882	\$177,283
Year 8	\$0	\$186	\$177,102	\$1,340	\$3,969	\$182,596
Year 9	\$0	\$189	\$182,415	\$1,407	\$4,058	\$188,070
Year 10	\$0	\$193	\$187,887	\$1,477	\$4,150	\$193,708
Total	\$8,300	\$1,769	\$1,650,799	\$11,327	\$35,732	\$1,707,926

Property tax collections on:

	New Residential Property	Property at the Facility			Total
		Taxes Collected	Taxes Abated	Total Taxes After Abatement	
Year 1	\$0	\$23,819	\$23,819	\$0	\$0
Year 2	\$0	\$31,932	\$20,756	\$11,176	\$11,176
Year 3	\$0	\$32,327	\$16,164	\$16,164	\$16,164
Year 4	\$0	\$32,735	\$16,367	\$16,367	\$16,367
Year 5	\$0	\$33,154	\$16,577	\$16,577	\$16,577
Year 6	\$0	\$33,587	\$0	\$33,587	\$33,587
Year 7	\$0	\$34,032	\$0	\$34,032	\$34,032
Year 8	\$0	\$34,490	\$0	\$34,490	\$34,490
Year 9	\$0	\$35,171	\$0	\$35,171	\$35,171
Year 10	\$0	\$35,867	\$0	\$35,867	\$35,867
Total	\$0	\$327,114	\$93,683	\$233,431	\$233,431

Utilities and utility franchise fees collected by the city from new residents and from the facility:

	Utilities	Utility Franchise Fees	Total
Year 1	\$58,260	\$4,439	\$62,699
Year 2	\$59,425	\$4,529	\$63,954
Year 3	\$60,614	\$4,620	\$65,234
Year 4	\$61,826	\$4,714	\$66,540
Year 5	\$88,022	\$5,558	\$93,580
Year 6	\$89,783	\$5,670	\$95,452
Year 7	\$91,578	\$5,784	\$97,362
Year 8	\$93,410	\$5,901	\$99,310
Year 9	\$95,278	\$6,020	\$101,297
Year 10	\$97,184	\$6,141	\$103,324
Total	\$795,379	\$53,374	\$848,753

Other city revenues, including hotel occupancy taxes, other taxes and user fees collected from new residents and building permits on construction at the facility:

	Hotel Occupancy Taxes	Other Taxes and User Fees	Building Permits and Fees	Total Other Revenues
Year 1	\$6,515	\$200	\$14,790	\$21,505
Year 2	\$6,841	\$204	\$0	\$7,045
Year 3	\$7,183	\$208	\$0	\$7,391
Year 4	\$7,542	\$212	\$0	\$7,754
Year 5	\$7,919	\$216	\$0	\$8,136
Year 6	\$8,315	\$221	\$0	\$8,536
Year 7	\$8,731	\$225	\$0	\$8,956
Year 8	\$9,168	\$230	\$0	\$9,397
Year 9	\$9,626	\$234	\$0	\$9,860
Year 10	\$10,107	\$239	\$0	\$10,346
Total	\$81,948	\$2,190	\$14,790	\$98,928

Costs:**The costs of providing municipal services and utility services to new residents:**

	Cost of Services to New Residents	Costs of Utilities	Total Costs
Year 1	\$350	\$55,347	\$55,697
Year 2	\$357	\$56,454	\$56,811
Year 3	\$364	\$57,583	\$57,947
Year 4	\$371	\$58,735	\$59,106
Year 5	\$379	\$83,621	\$84,000
Year 6	\$386	\$85,293	\$85,680
Year 7	\$394	\$86,999	\$87,393
Year 8	\$402	\$88,739	\$89,141
Year 9	\$410	\$90,514	\$90,924
Year 10	\$418	\$92,324	\$92,743
Total	\$3,832	\$755,610	\$759,442

Net Benefits for the City of Palacios:

	Benefits	Costs	Net Benefits	Cumulative Net Benefits
Year 1	\$239,906	\$55,697	\$184,209	\$184,209
Year 2	\$234,666	\$56,811	\$177,855	\$362,064
Year 3	\$245,850	\$57,947	\$187,903	\$549,967
Year 4	\$252,431	\$59,106	\$193,325	\$743,292
Year 5	\$285,412	\$84,000	\$201,412	\$944,704
Year 6	\$309,701	\$85,680	\$224,021	\$1,168,725
Year 7	\$317,634	\$87,393	\$230,240	\$1,398,965
Year 8	\$325,794	\$89,141	\$236,653	\$1,635,618
Year 9	\$334,399	\$90,924	\$243,475	\$1,879,093
Year 10	\$343,245	\$92,743	\$250,503	\$2,129,595
Total	\$2,889,038	\$759,442	\$2,129,595	

Benefits for Matagorda County:

Sales tax collections on spending:

	During Construction and Purchases of Furniture, Fixtures and Equipment	On Direct and Indirect Workers' Spending	On Visitors' Spending	Taxable Sales at the Facility	The Facility's Local Purchases and Taxable Utilities	Total
Year 1	\$0	\$0	\$0	\$0	\$0	\$0
Year 2	\$0	\$0	\$0	\$0	\$0	\$0
Year 3	\$0	\$0	\$0	\$0	\$0	\$0
Year 4	\$0	\$0	\$0	\$0	\$0	\$0
Year 5	\$0	\$0	\$0	\$0	\$0	\$0
Year 6	\$0	\$0	\$0	\$0	\$0	\$0
Year 7	\$0	\$0	\$0	\$0	\$0	\$0
Year 8	\$0	\$0	\$0	\$0	\$0	\$0
Year 9	\$0	\$0	\$0	\$0	\$0	\$0
Year 10	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0

Miscellaneous taxes and user fees to be collected from new residents:

	Misc. Taxes and User Fees
Year 1	\$75
Year 2	\$77
Year 3	\$78
Year 4	\$80
Year 5	\$81
Year 6	\$83
Year 7	\$84
Year 8	\$86
Year 9	\$88
Year 10	\$90
Total	\$821

Property tax collections on:

	New Residential Property	Property at the Facility			Total
		Taxes Collected	Taxes Abated	Total Taxes After Abatement	
Year 1	\$0	\$15,878	\$11,909	\$3,970	\$3,970
Year 2	\$0	\$15,965	\$10,377	\$5,588	\$5,588
Year 3	\$0	\$16,163	\$8,081	\$8,081	\$8,081
Year 4	\$0	\$16,367	\$8,183	\$8,183	\$8,183
Year 5	\$0	\$16,576	\$8,288	\$8,288	\$8,288
Year 6	\$0	\$16,793	\$0	\$16,793	\$16,793
Year 7	\$0	\$17,015	\$0	\$17,015	\$17,015
Year 8	\$0	\$17,244	\$0	\$17,244	\$17,244
Year 9	\$0	\$17,585	\$0	\$17,585	\$17,585
Year 10	\$0	\$17,932	\$0	\$17,932	\$17,932
Total	\$0	\$167,519	\$46,839	\$120,680	\$120,680

Costs of providing county services to new residents:

	Costs of County Services
Year 1	\$150
Year 2	\$153
Year 3	\$156
Year 4	\$159
Year 5	\$162
Year 6	\$166
Year 7	\$169
Year 8	\$172
Year 9	\$176
Year 10	\$179
Total	\$1,642

Total Benefits for the County:

	Benefits	Costs	Net Benefits	Cumulative Net Benefits
Year 1	\$4,045	\$150	\$3,895	\$3,895
Year 2	\$5,664	\$153	\$5,511	\$9,406
Year 3	\$8,159	\$156	\$8,003	\$17,409
Year 4	\$8,263	\$159	\$8,104	\$25,513
Year 5	\$8,369	\$162	\$8,207	\$33,720
Year 6	\$16,875	\$166	\$16,710	\$50,430
Year 7	\$17,100	\$169	\$16,931	\$67,360
Year 8	\$17,330	\$172	\$17,158	\$84,519
Year 9	\$17,673	\$176	\$17,497	\$102,016
Year 10	\$18,022	\$179	\$17,843	\$119,858
Total	\$121,501	\$1,642	\$119,858	

Costs and Benefits for the Palacios ISD:

Benefits, including property taxes and additional state and federal school funding:

	Property Tax Collections on:			Additional State School Funding	Total
	New Residential Property	The Facility's Property	Total Collections		
Year 1	\$0	\$42,912	\$42,912	\$1,485	\$44,397
Year 2	\$0	\$43,146	\$43,146	\$1,530	\$44,676
Year 3	\$0	\$43,680	\$43,680	\$1,575	\$45,256
Year 4	\$0	\$44,231	\$44,231	\$1,623	\$45,853
Year 5	\$0	\$44,798	\$44,798	\$1,671	\$46,469
Year 6	\$0	\$45,382	\$45,382	\$1,722	\$47,104
Year 7	\$0	\$45,983	\$45,983	\$1,773	\$47,757
Year 8	\$0	\$46,603	\$46,603	\$1,826	\$48,429
Year 9	\$0	\$47,523	\$47,523	\$1,881	\$49,405
Year 10	\$0	\$48,463	\$48,463	\$1,938	\$50,400
Total	\$0	\$452,721	\$452,721	\$17,024	\$469,745

Costs of educating children of new workers who move to the district:

	Cost of Educating New Students
Year 1	\$1,473
Year 2	\$1,518
Year 3	\$1,563
Year 4	\$1,610
Year 5	\$1,658
Year 6	\$1,708
Year 7	\$1,759
Year 8	\$1,812
Year 9	\$1,867
Year 10	\$1,923
Total	\$16,891

Reduction in State aid to the school district as a result of new residential property for the facility's employees and the facility's property being added to the school district's tax rolls:

	Reduction in State Aid for the School District
Year 1	\$34,329
Year 2	\$34,517
Year 3	\$34,944
Year 4	\$35,385
Year 5	\$35,838
Year 6	\$36,306
Year 7	\$36,787
Year 8	\$37,282
Year 9	\$38,019
Year 10	\$38,770
Total	\$362,177

Net Benefits for the School District:

	Benefits	Costs	Net Benefits	Cumulative Net Benefits
Year 1	\$44,397	\$35,803	\$8,594	\$8,594
Year 2	\$44,676	\$36,035	\$8,641	\$17,235
Year 3	\$45,256	\$36,507	\$8,748	\$25,983
Year 4	\$45,853	\$36,995	\$8,859	\$34,842
Year 5	\$46,469	\$37,497	\$8,973	\$43,815
Year 6	\$47,104	\$38,014	\$9,090	\$52,904
Year 7	\$47,757	\$38,546	\$9,210	\$62,115
Year 8	\$48,429	\$39,094	\$9,335	\$71,450
Year 9	\$49,405	\$39,885	\$9,519	\$80,969
Year 10	\$50,400	\$40,693	\$9,708	\$90,677
Total	\$469,745	\$379,068	\$90,677	

Benefits for Matagorda County Navigation District # 1

Property tax collections:

	New Residential Property	Property at the Facility		Total Taxes After Abatement	Total
		Taxes Collected	Taxes Abated		
Year 1	\$0	\$1,679	\$1,260	\$420	\$420
Year 2	\$0	\$1,689	\$1,098	\$591	\$591
Year 3	\$0	\$1,709	\$855	\$855	\$855
Year 4	\$0	\$1,731	\$866	\$866	\$866
Year 5	\$0	\$1,753	\$877	\$877	\$877
Year 6	\$0	\$1,776	\$0	\$1,776	\$1,776
Year 7	\$0	\$1,800	\$0	\$1,800	\$1,800
Year 8	\$0	\$1,824	\$0	\$1,824	\$1,824
Year 9	\$0	\$1,860	\$0	\$1,860	\$1,860
Year 10	\$0	\$1,897	\$0	\$1,897	\$1,897
Total	\$0	\$17,718	\$4,954	\$12,764	\$12,764

Benefits for Matagorda County Hospital District:

Property tax collections on:

	New Residential Property	Property at the Facility			Total
		Taxes Collected	Taxes Abated	Total Taxes After Abatement	
Year 1	\$0	\$11,822	\$0	\$11,822	\$11,822
Year 2	\$0	\$11,887	\$0	\$11,887	\$11,887
Year 3	\$0	\$12,034	\$0	\$12,034	\$12,034
Year 4	\$0	\$12,186	\$0	\$12,186	\$12,186
Year 5	\$0	\$12,342	\$0	\$12,342	\$12,342
Year 6	\$0	\$12,503	\$0	\$12,503	\$12,503
Year 7	\$0	\$12,669	\$0	\$12,669	\$12,669
Year 8	\$0	\$12,839	\$0	\$12,839	\$12,839
Year 9	\$0	\$13,093	\$0	\$13,093	\$13,093
Year 10	\$0	\$13,352	\$0	\$13,352	\$13,352
Total	\$0	\$124,728	\$0	\$124,728	\$124,728

Total Benefits for Matagorda County Hospital District:

	Benefits	Costs	Net Benefits	Cumulative Net Benefits
Year 1	\$11,822	\$0	\$11,822	\$11,822
Year 2	\$11,887	\$0	\$11,887	\$23,710
Year 3	\$12,034	\$0	\$12,034	\$35,744
Year 4	\$12,186	\$0	\$12,186	\$47,930
Year 5	\$12,342	\$0	\$12,342	\$60,272
Year 6	\$12,503	\$0	\$12,503	\$72,775
Year 7	\$12,669	\$0	\$12,669	\$85,444
Year 8	\$12,839	\$0	\$12,839	\$98,283
Year 9	\$13,093	\$0	\$13,093	\$111,376
Year 10	\$13,352	\$0	\$13,352	\$124,728
Total	\$124,728	\$0	\$124,728	

Benefits for Drainage District # 3

Property tax collections:

	New Residential Property	Property at the Facility			Total
		Taxes Collected	Taxes Abated	Total Taxes After Abatement	
Year 1	\$0	\$618	\$0	\$618	\$618
Year 2	\$0	\$622	\$0	\$622	\$622
Year 3	\$0	\$629	\$0	\$629	\$629
Year 4	\$0	\$637	\$0	\$637	\$637
Year 5	\$0	\$645	\$0	\$645	\$645
Year 6	\$0	\$654	\$0	\$654	\$654
Year 7	\$0	\$662	\$0	\$662	\$662
Year 8	\$0	\$671	\$0	\$671	\$671
Year 9	\$0	\$685	\$0	\$685	\$685
Year 10	\$0	\$698	\$0	\$698	\$698
Total	\$0	\$6,522	\$0	\$6,522	\$6,522

Benefits for Coastal Plains Conservation District

Property tax collections:

	New Residential Property	Property at the Facility			Total
		Taxes Collected	Taxes Abated	Total Taxes After Abatement	
Year 1	\$0	\$261	\$0	\$261	\$261
Year 2	\$0	\$263	\$0	\$263	\$263
Year 3	\$0	\$266	\$0	\$266	\$266
Year 4	\$0	\$269	\$0	\$269	\$269
Year 5	\$0	\$273	\$0	\$273	\$273
Year 6	\$0	\$276	\$0	\$276	\$276
Year 7	\$0	\$280	\$0	\$280	\$280
Year 8	\$0	\$284	\$0	\$284	\$284
Year 9	\$0	\$289	\$0	\$289	\$289
Year 10	\$0	\$295	\$0	\$295	\$295
Total	\$0	\$2,756	\$0	\$2,756	\$2,756

Benefits for Palacios Seawall Commission

Property tax collections:

	New Residential Property	Property at the Facility		Total Taxes After Abatement	Total
		Taxes Collected	Taxes Abated		
Year 1	\$0	\$37,808	\$506	\$37,301	\$37,301
Year 2	\$0	\$38,014	\$441	\$37,573	\$37,573
Year 3	\$0	\$38,485	\$344	\$38,141	\$38,141
Year 4	\$0	\$38,970	\$348	\$38,622	\$38,622
Year 5	\$0	\$39,469	\$352	\$39,117	\$39,117
Year 6	\$0	\$39,984	\$0	\$39,984	\$39,984
Year 7	\$0	\$40,514	\$0	\$40,514	\$40,514
Year 8	\$0	\$41,060	\$0	\$41,060	\$41,060
Year 9	\$0	\$41,871	\$0	\$41,871	\$41,871
Year 10	\$0	\$42,698	\$0	\$42,698	\$42,698
Total	\$0	\$398,873	\$1,992	\$396,881	\$396,881

ORDINANCE NO. 2017-O-3

AN ORDINANCE AMENDING ARTICLE 10.02 "RECREATIONAL VEHICLE COMPLIANCE" OF THE CODE OF ORDINANCES OF THE CITY OF PALACIOS, TEXAS TO PROHIBIT THE OCCUPATION OF A RECREATIONAL VEHICLE OUTSIDE OF A RV PARK; CONTAINING A SAVINGS CLAUSE; REPEALING INCONSISTENT ORDINANCES; ESTABLISHING A PENALTY FOR VIOLATIONS; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, the City Council of the City of Palacios has determined that in order to better protect residential neighborhoods and to preserve the value of homes within the City, the occupation of recreational vehicles located outside of recreational vehicle parks should be prohibited; NOW THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS:

SECTION 1: That Section 10.02.442, of the Code of Ordinances of the City of Palacios, Texas is hereby amended to read as follows:

Sec. 10.02.442 Recreational vehicles outside parks

- (a) A single recreational vehicle may not be occupied outside a park.
- (b) A recreational vehicle may be parked or stored on a lot with another residential structure so long as it is not occupied (except as may be provided in subsection (c), only electricity is connected to the recreational vehicle, the vehicle is not parked on or extending over public property unless parked on a street or a parking lot in full compliance with the laws, and the parking or storage of the vehicle is not in violation of any other law or any valid and applicable deed restrictions or covenants running with the land. For purposes of this subsection only, a unit is presumed occupied if it is connected to any utility other than electricity. A connection to electricity only will not trigger the presumption of occupancy.
- (c) If a recreational vehicle is proposed to be occupied only temporarily for purpose of visitation, it may be placed outside a park, provided the proposed occupant applies for and obtains a 30-day temporary placement permit, the proposed site is a lot or tract which already has a residence on the same lot, and the owner of said residence consents in writing to such placement. After 30 days, the temporary placement permit may be renewed for an additional 30 days upon written request. The permit shall expire after the 30-day extension and no additional renewals shall be granted. Another temporary placement permit may not be issued for 180 days after the expiration of a permit or renewed permit. It shall be an offense for the occupant of the recreational vehicle and/or the residence owner to leave the recreational vehicle on the location described in the permit after the permit has expired.
- (d) Recreational vehicles not in compliance with this section may continue as currently situated, subject to compliance with subsections (b)(1) and (b)(2) of this section, until they are removed or discontinued, which is sometimes referred to as "being grandfathered." This right to continue applies only if the recreational vehicle was legally permitted as of April 21, 2009,
 - 1. The electrical and gas distribution lines and all connections comply with applicable permits, city and state codes; and
 - 2. The water and sewer lines and connections comply with applicable permits, city and state codes.

SECTION 2: If any provisions, section, exception, subsection, paragraph, sentence, clause or phrase of this ordinance or the application of same to any person or set of circumstances, shall for any reason be held unconstitutional, void or invalid, such invalidity shall

not affect the validity of the remaining provisions of this ordinance or their application to other persons or sets of circumstances and to this end all provisions of this ordinance are declared to be severable.

SECTION 3: All ordinances or parts of ordinances inconsistent with the terms of this ordinance are hereby repealed; provided however, that such repeal shall be only to the extent of such inconsistency and in all other respects this ordinance shall be cumulative of other ordinances regulating and governing the subject matter covered by this ordinance.

SECTION 4: Any person who shall violate any provision or provisions of this ordinance shall be guilty of a misdemeanor and shall, upon conviction thereof, be punished by a fine of not more than \$500.00 for each violation. Each day in which any violation shall occur or continue shall constitute a separate offense.

SECTION 5: This Ordinance shall become effective after its approval and adoption upon second and final reading and its publication pursuant to law.

PASSED AND APPROVED on first reading this _____ day of _____, 2017.

PASSED, APPROVED AND ADOPTED on second and final reading this _____ day of _____, 2017.

CITY OF PALACIOS, TEXAS

GLEN SMITH, Mayor

ATTEST:

ANGELA FLORES, City Secretary

APPROVED AS TO FORM:

RANDALL B. STRONG, City Attorney

...ordinances\amending rv occupancy

Subpart C. Recreational Vehicle Compliance

Sec. 10.02.442 Recreational vehicles outside parks

(a) A single recreational vehicle may **not** be occupied outside a park, ~~only if it is the only residential structure on the lot where it is located, and the recreational vehicle and the lot on which it is located:~~

~~(1) — Are in compliance with all zoning and subdivision requirements, and any applicable deed restrictions;~~

~~(2) — The recreational vehicle is placed on a foundation constructed of concrete, asphalt, limestone, or chip seal with no loose gravel and in the appropriate dimension to prohibit the accumulation of water and debris under the RV it is intended to serve. A concrete foundation shall have a minimum thickness of four inches (4") and be reinforced with 3/8" rebar on sixteen inch (16") centers or an equivalent approved by the chief building inspector;~~

~~(3) — There is at least one parking space of concrete, asphalt, limestone, or chip seal with no loose gravel with a driveway of a minimum width of nine feet between it and the street, constructed of the same material;~~

~~(4) — The electrical and gas distribution lines and all connections comply with applicable city and state codes; and~~

~~(5) — The water and sewer lines and connections comply with city and state codes.~~

(b) A recreational vehicle may be parked or stored on a lot with another residential structure so long as it is not occupied (except as may be provided in subsection (c), only electricity is connected to the recreational vehicle, the vehicle is not parked on or extending over public property unless parked on a street or a parking lot in full compliance with the laws, and the parking or storage of the vehicle is not in violation of any other law or any valid and applicable deed restrictions or covenants running with the land. For purposes of this subsection only, a unit is presumed occupied if it is connected to any utility other than electricity. A connection to electricity only will not trigger the presumption of occupancy.

(c) If a recreational vehicle is proposed to be occupied only temporarily for purpose of visitation, it may be placed outside a park, provided the proposed occupant applies for and obtains a 30-day temporary placement permit, the proposed site is a lot or tract which already has a residence on the same lot, and the owner of said residence consents in writing to such placement. After 30 days the temporary placement permit may be renewed for an additional 30 days upon written request. The permit shall expire after the 30 day extension and no additional renewals shall be granted. Another temporary placement permit may not be issued for 180 days after the expiration of a permit or renewed permit. It shall be an offense for the occupant of the recreational vehicle and/or the residence owner to leave the recreational vehicle on the location described in the permit after the permit has expired.

(d) Recreational vehicles not in compliance with this section may continue as currently situated, subject to compliance with subsections (a)(4) and (a)(5) of this section, until they are removed or discontinued, which is sometimes referred to as “being grandfathered.” This right to continue applies only if the recreational vehicle was legally permitted as of April 21, 2009.

1. The electrical and gas distribution lines and all connections comply with applicable permits, city and state codes; and
2. The water and sewer lines and connections comply with applicable permits, city and state codes.

~~(Ordinance 2011-O-5, sec. 3, adopted 6/14/11)~~

4. Discuss and consider approving Pay Estimate #17 to Charnok and Co. Inc., in the amount of \$74,422.87

APPLICATION AND CERTIFICATION FOR PAYMENT

AIA DOCUMENT G702

TO OWNER City of Palacios
311 Henderson
Palacios, TX 77465

PROJECT: Palacios Coastal
Education Pavilion

APPLICATION NO: 017

APPLICATION DATE 03/25/17

PERIOD TO: 03/25/17

ARCHITECT'S
PROJECT NO: 131004-036

Distribution to:

<input checked="" type="checkbox"/>	OWNER
<input checked="" type="checkbox"/>	ARCHITECT
<input checked="" type="checkbox"/>	CONTRACTOR
<input type="checkbox"/>	
<input type="checkbox"/>	

FROM CONTRACTOR:
Charnok & Company Inc.
1140 Sail Fish
Hitchcock, TX 77563

VIA ARCHITECT: Randall-Porterfield
265 FM 270 North
League City, TX 77573

CONTRACT FOR:

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

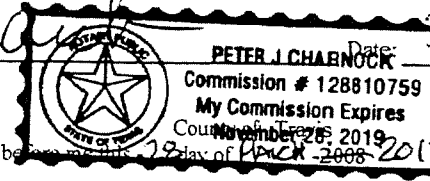
1. ORIGINAL CONTRACT SUM	\$2,392,500.00
2. Net change by Change Orders	(\$111,922.30)
3. NEW CONTRACT SUM WITH CHANGE ORDERS	\$ 2,280,577.70
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$ 2,112,350.35
5. RETAINAGE:	
a. 5 % of Completed Work (Column D + E on G703)	\$ 105,617.52
b. 5 % of Stored Material (Column F on G703)	\$ -
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$ 105,617.52
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)	\$ 2,006,732.83
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$ 1,932,309.96
8. CURRENT PAYMENT DUE	\$ 74,422.87
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$ 273,844.87

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	\$0.00	(\$144,702.30)
Total approved this Month	\$0.00	\$32,780.00
TOTALS	\$0.00	(\$111,922.30)
NET CHANGES by Change Order	\$111,922.30	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due

CONTRACTOR:

By: P. Charnok



State of: Texas

Subscribed and sworn to before me this 28 day of March, 2017

Notary Public:

My Commission expires:

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has been performed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$ 74,422.87

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: _____ Date: _____

CONSTRUCTION MONITOR:

By: _____ Date: _____

CONTINUATION SHEET

APPLICATION AND CERTIFICATE FOR PAYMENT, CONTAINING CONTRACTORS SIGNED CERTIFICATION IS ATTACHED.

APPLICATION NUMBER: 017
 APPLICATION DATE: 03/25/17
 PERIOD TO: 03/25/17
 ARCHITECTS PROJECT No.: 131004-036
 RETAINAGE: 5%

IN TABULATION BELOW, AMOUNTS STATED TO THE NEAREST 1/100TH DOLLAR.
 USE COLUMN "I" ON CONTRACTS WHERE VARIABLE RETAINAGE FOR LINE ITEMS APPLY.

(A) ITEM No.	(B) DESCRIPTION OF WORK	(C) SCHEDULED VALUE	(D) PREVIOUS APPL.	(E) THIS APPLICATION	(F) STORED MATERIALS	(G)		(H) BALANCE TO FINISH	(I) AMOUNT OF RETAINAGE
						TOTAL COMPLETED/STORED TO DATE	PCT		
1	General Conditions	\$215,516.00	\$193,965.99	\$10,774.21		\$204,740.20	95.00%	\$10,775.80	\$10,237.01
2	Sitework	\$168,533.00	\$151,679.70			\$151,679.70	90.00%	\$16,853.30	\$7,583.99
3	Foundation Concrete	\$327,957.00	\$311,559.15	\$16,397.85		\$327,957.00	100.00%		\$16,397.85
4	Masonry	\$43,464.00	\$41,290.80	\$2,173.20		\$43,464.00	100.00%		\$2,173.20
5	Metals	\$328,413.00	\$328,413.00			\$328,413.00	100.00%		\$16,420.65
6	Framing Carpentry	\$221,699.00	\$210,613.10	\$11,085.90		\$221,699.00	100.00%		\$11,084.95
7	Moisture & Thermal	\$254,117.00	\$241,411.15			\$241,411.15	95.00%	\$12,705.85	\$12,070.56
8	Doors & Windows	\$90,771.00	\$86,232.45			\$86,232.45	95.00%	\$4,538.55	\$4,311.62
9	Exterior Finishes	\$180,131.00	\$144,104.80	\$9,006.55		\$153,111.35	85.00%	\$27,019.65	\$7,655.57
10	Interior Finishes	\$81,456.00	\$12,218.40			\$12,218.40	15.00%	\$69,237.60	\$610.92
11	H.V.A.C.	\$103,476.00	\$77,607.00			\$77,607.00	75.00%	\$25,869.00	\$3,880.35
12	Electrical	\$194,770.00	\$116,862.50	\$9,738.50		\$126,601.00	65.00%	\$68,169.00	\$6,330.05
13	Plumbing	\$131,766.00	\$112,000.60			\$112,000.60	85.00%	\$19,765.40	\$5,600.03
15	Specialties	\$50,431.00	\$6,051.00	\$19,164.50		\$25,215.50	50.00%	\$25,215.50	\$1,260.78
-	Allowances are here \$25,000.00								
Change Order #1	(\$144,702.50)	-\$111,922.30							
Change Order #2	\$32,780.00								
	(\$111,922.30)								
PROJECT TOTALS		\$2,280,577.70	\$2,034,009.64	\$78,340.71		\$2,112,350.35	92.62%	\$280,149.65	\$105,617.52

STATE OF TEXAS

MOWING SERVICES CONTRACT

COUNTY OF MATAGORDA

WITNES SETH:

This mowing service agreement, hereinafter known as "Agreement," is made and entered into this 11th day of April, by and between the City of Palacios, a municipal corporation located in Matagorda County, Texas, hereinafter known as the "City," and Palacios Lawn Care, hereinafter known as the "Contractor."

SCOPE OF CONTRACT:

Contractor agrees to furnish all the material and perform all work in a timely and workman like manner as required herein. In return, the City agrees to pay the Contractor the price as shown in the Contractor's bid documents which bid documents form a part of this Agreement and are attached hereto as Exhibit "A". All payments, however, shall be subject to the terms and conditions herein. Furthermore, should there be a conflict between the terms of the bid documents and the terms of this Agreement, the terms of this Agreement shall control.

2 DEFINITIONS:

The following words shall, unless the context otherwise requires, have the meanings ascribed to them below:

City Manager shall mean the City Manager of the City of Palacios or his designated representative.

Debris shall mean litter, trash, garbage, tree limbs, fragments, remains, ruins, rubble, or loose material of any nature which may detract from the appearance, safety, or use of the property.

Inclement weather shall mean rainy weather when the condition of the soil is such that the rutting of property shall not allow cutting of grass to be accomplished satisfactorily, as determined by the City.

Litter shall mean any debris, trash, garbage, tree limbs, fragments, remains, ruins, rubble of loose materials of any nature which may distract from the appearance of the landscaping maintenance project areas. Such term shall include, but not be limited to, paper, cans, bottles, limbs 3" or smaller in diameter, rocks, etc., which are not intended to be present as part of the landscape.

Property means the properties, whether singular or plural, which are identified by the City and given to the Contractor for mowing.

Trimming shall refer to the cutting or removal of all plant material immediately adjacent to or under the park structures, trees, poles, culverts, signs, fences, etc., and shall also include removal of all plant material from expansion joints and any other cracks in curbs, sidewalks (both sides), driveways, parking lots and any other concrete surface within the right-of-way.

Work shall refer to those certain maintenance services required in this Agreement, including, but not limited to, mowing, trimming, the property and litter removal as well as any other related services for the property as specified in this agreement and the bid documents.

3 CONTRACTOR'S RESPONSIBILITIES:

a. **Equipment:** Contractor warrants that all equipment used in performance of this agreement is adequate for the work. Mowing equipment shall be equipped with sharp blades so as not to tear but cleanly cut the blades of grass. Additionally, Contractor shall maintain or have immediate access to adequate backup equipment in order to sustain continuous operations in the event of equipment failure. The use of insufficient and/or inadequate machinery or equipment as determined by the City Manager shall be deemed a breach of this Agreement.

b. **Personnel:** Contractor shall provide supervision of work crews at all times while performing work under this Agreement. Personal supervision is not required provided that equipment or other means are provided that enable the work crew to communicate with the Contractor at all times.

c. **Litter Removal:** Contractor shall pick up litter and debris throughout the property prior to mowing or performing any work. Contractor shall remove all litter from the, sidewalks, and right-of-way and place the same in plastic trash bags. Removal and disposal of litter and debris to a location designated by City shall be the sole responsibility of the Contractor. Any litter, cut or broken during maintenance operations, shall be completely removed from the property immediately and prior to proceeding with the maintenance of other areas.

d. **Mowing:** The grass shall be mowed to an approximate height of three (3) inches. Upon completion, a mowed area shall be free of clumped grass and heavy clippings. On the initial mowing, material discharged shall be removed prior to proceeding with work on another property. Removal of cut grass from the ground areas where growth occurred will not be required for subsequent mowings. Cut grass and debris which falls or is thrown by equipment upon adjacent properties through the action of the Contractor or his work crew shall be removed from the area prior to the exit of the Contractor or his work crew from the property of the immediate work site.

e. **Trimming:** All structures, trees, poles, signs, and fences are to be trimmed closely. Special care shall be given to trimming around trees and wooden bollards so as not to inflict damage to the bark of the trees and the base of the bollards.

4. INSPECTION BY THE CONTRACTOR:

The Contractor acknowledges responsibility for inspecting the properties prior to the bidding and to inform itself regarding local conditions. After the City awards the bid, the Contractor in the presence of the City Manager or his designee must make an additional inspection of the properties on which the Contractor will be working pursuant to this Agreement prior to the first mowing.

5. INDEMNITY:

Contractor agrees to and shall indemnify, hold harmless, and defend the City, its officers agents and employees from and against any and all claims, losses, damages, causes of action, suits and liability of every kind, including all expenses of litigation, court costs, and attorneys' fees, for injury to or death of any person, or for any and all damages arising out of or in connection with the work performed or required to be performed by the Contractor, his agents, servants, employees, and/or subcontractors pursuant to this Agreement, the conduct or management of Contractor's business or activities, or from any act or omission by Contractor, his agents, servants, employees, and/or subcontractors on or about the property, where such injuries, death or damages are caused by the joint negligence of the City, its officers, agents and any other person or entity and/or by the joint or sole negligence of contractor, his officers, agents, employees, and/or subcontractors. It is the expressed intention of the parties hereto, both the Contractor and the City, that the indemnity provided for in this paragraph is indemnity by the Contractor to indemnify and protect the City from the consequences of (1) the negligence of the City, its officers, agents and/or employees, where that negligence is a concurring cause of the resulting injury, death or damage and/or (2) Contractor's, his agents', servants', employees', and/or subcontractors' joint and/or sole negligence. Furthermore, the indemnity provided for in this paragraph shall have no application to any claim, loss, damage, cause of action, suit and liability where the injury, death, or damage results from the sole negligence of the City, its officers agents and/or employees unmixed with the fault of any other person or entity.

6. INSURANCE:

The Contractor shall at all times during this Agreement maintain in full force and effect insurance as provided herein:

- a. Commercial general liability. This coverage must have a general aggregate of \$1,000,000 and a minimum of \$250,000 per occurrence.
- b. If contractor has employees, the contractor is required to maintain Statutory Worker's compensation coverage in amounts as required by Texas laws and shall include a Waiver of Subrogation on behalf of the City.
- c. Business Automobile Liability. This coverage shall have combined single limits of \$500,000.00 or limits of \$100,000./\$300,000./\$100,000 are acceptable. All automotive coverage is to include all owned and hired vehicles, if applicable.
- d. Upon execution of this agreement, the Contractor shall file with the City valid certificates of insurance and endorsements acceptable to the City. Such certificates shall contain a provision that coverage afforded under the policies will not be canceled, suspended, voided or reduced until at least thirty (30) days' prior written notice has been given to the City via certified mail, return receipt requested. The City, its officials and employees are to be added as additional insured to liability policies.

e. Should any insurance required by this Agreement lapse, the Contractor shall immediately cease all operations as of the time and date of such lapse, and shall not resume any operations until authorized in writing by the City. If the lapse period extends fifteen (15) days, this Agreement shall automatically terminate with no notice to the Contractor required and the Contractor shall be in breach of this Agreement.

7 . T E R M :

The term of this Agreement shall commence on May 1, 2017, and shall remain in force for a period of time not to extend beyond April 31, 2018, unless terminated sooner by the City Manager or his designee. Pricing shall be firm. After completion of the initial Agreement term, the Agreement may be renewed for an additional two, two year terms, when done so at least one (1) month prior to the termination date of the existing Agreement. Such extensions must be in writing and signed by both parties and may not extend more than four (4) years beyond the initial Agreement term ending date. The final ending date of this contract is April 3, 2023 if all renewals are requested by the contractor and accepted by the city,

8 . T E R M I N A T I O N :

The City, besides all other rights or remedies it may have, shall have the right to terminate this Agreement without cause upon ten (10) days' written notice from the city Manager to the Contractor of the City's election to do so. Furthermore, the City may immediately and without notice terminate this Agreement if the Contractor breaches this Agreement, which shall include, but not limited to, the following:

- a. By failing to pay insurance premiums, liens, claims or other charges;
- b. By failing to pay any payments due the City, State or Federal Government from the Contractor or its principals, including, but not limited to, payments identified in this Agreement, any taxes, fees, assessments or liens.
- c. On the institution of voluntary or involuntary bankruptcy proceeding against the Contractor;
- d. By death of the Contractor, or dissolution of the Contracting firm or business;
- e. By violation of any provision of this Agreement.
- f. By the abandonment or discontinuance of the Contractor's operations for a period of thirty (30) days. Should this occur, the City shall not be responsible for the custodial protection of merchandise, fixtures, or equipment abandoned, even though it may be necessary for the City to remove the same for storage or disposal in its sole discretion.

9. ENTIRE AGREEMENT:

This Agreement along with the Contractor's bid documents, City's Bid Specifications and all exhibits incorporated herein, shall constitute the entire understanding of the parties hereto with respect to the subject matter hereof, and no amendment, modification, or alteration of the terms shall be binding unless the same be in writing, dated subsequent to the date hereof, and duly executed by all parties hereto. Furthermore, this Agreement shall not bestow any rights upon any third party, but rather, shall bind and benefit the Contractor and the City only. Should any of the provisions contained in any of the contract documents be in conflict or inconsistent with each other, such conflict or inconsistency shall be construed in favor of the City. Furthermore, both parties express agree that the City Manager shall be the sole and final decision-maker should any conflict arise hereunder.

In the event of any such conflict or any ambiguity in any other terms of this Agreement, such conflict or ambiguity shall not be construed for or against any party hereto on the basis that such party did or did not author the same.

10. NOTICES:

All notices required to be given hereunder shall be given in writing by certified or registered mail or by hand delivery at the respective addresses of the parties set forth herein or at such other address as may be designated in writing by either party. Notice given by mail shall be deemed given three (3) days after the date of mailing thereof to the following addresses:

CONTRACTOR
Rodrigo Salinas
707 Rorem
Palacios, TX 77465

CITY
City of Palacios
Attn: City Manager
P. O. Box 845
Palacios, Texas 77465

11. COMPLIANCE WITH RULES AND REGULATIONS

The Contractor shall comply with all rules, regulations, and laws of the United States of America, the State of Texas, and all laws, regulations and ordinances of the City of Palacios as they now exist or may hereafter be enacted or amended.

12. SALE OR ASSIGNMENT:

The Contractor may not sell or assign all or part of its interest in this Agreement to another party or parties without written approval of the City Manager of such sale or assignment. The City may require any records or financial statements necessary in its opinion to ensure such sale or assignment will be in the best interest of the City.

13. WAIVERS:

Failure of either party hereto to insist on the strict performance of any of the agreements contained herein or to exercise any rights or remedies accruing thereunder upon default or failure of performance shall not be considered a waiver of the right to insist on and to enforce by an appropriate remedy, strict compliance with any other obligation hereunder to exercise any right or remedy occurring as a result of any future default or failure of performance.

14. RELATIONSHIP OF PARTIES:

The parties intend that Contractor, in performing the specified services, shall act as an Independent Contractor and shall have control of the work and the manner in which it is performed. Contractor will perform Contractor's services for the City in accordance with currently approved methods and standards applicable to Contractor's business. Contractor shall be free to contract for similar services to be performed for other employers while Contractor is under contract with City. Contractor is not to be considered an agent or employee of the City and is not entitled to participate in any benefits that City provides for its employees.

15. MATERIALS AND EQUIPMENT:

Contractor shall furnish, at Contractor's own expense and risk, all materials, tools, and equipment necessary to carry out the terms of this contract, except for those supplies and other materials the City agrees to provide by prior approval of City Council.

16. FORCE MAJEURE:

Neither the City nor the Contractor shall be required to perform any term, condition or covenant of this Agreement so long as performance is delayed or prevented by force majeure, which shall mean acts of God, drought, floods, material or labor restrictions by any governmental authority, and any other cause not reasonably within the control of either party in which, by the exercise of due diligence, the City or Contractor is unable to prevent or overcome.

16. VENUE:

This Agreement shall in all respects be interpreted and construed in accordance with and governed by the laws of the State of Texas and the City. The place of making and the place of performance for all purposes shall be Palacios, Matagorda County, Texas.

17. SEVERABILITY:

All parties agree that should any provision of this Agreement be determined to be invalid or unenforceable, such determination shall not affect any other term of this Agreement, which shall continue in full force and effect.

18. AUTHORITY:

The officers executing this Agreement on behalf of the parties hereby confirm that such officers have full authority to execute this Agreement and to bind the party he/she represents.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of which shall be deemed to be an original, but all of which shall constitute but one and the same Agreement on the day of , 2017, the date of execution by the Mayor of the City of Palacios.

Contractor

Glen Smith
Mayor

ATTEST:

Angela Flores
City Secretary

City Property Mowing Services Bid Tabulation

Bid Opening 3/31/17 2:00 p.m.

	ABZ Landscaping		Ortiz Lawn & Shred.		Palacios Lawn Care		Southern Oak Service		Dawson Services		Julian Molina		Ralph Conklin & Billy Welsh		Monthly	Yearly
	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly		
Base Bid																
Property A	1,360.00	16,320.00	1,862.50	22,350.00	700.00	8,400.00	1,350.00	16,200.00	1,463.00	17,556.00			600.00	7,200.00		
Property B	720.00	8,640.00	1,462.50	17,550.00	550.00	6,600.00	900.00	10,800.00	1,394.75	16,737.00			450.00	5,400.00		
Property C	440.00	5,280.00			350.00	4,200.00	225.00	2,700.00	927.50	11,130.00			700.00	8,400.00		
Total Base Bid	2,520.00	30,240.00	3,325.00	39,900.00	1,600.00	19,200.00	2,475.00	29,700.00	3,785.25	45,423.00	5,666.00	68,000.00	1,750.00	21,000.00	0.00	0.00
Alternate #1 Bid																
Property A	220.00	2,640.00	625.00	7,500.00	550.00	6,600.00	675.00	8,100.00	1,623.75	19,845.00			450.00	5,400.00		
Property B	220.00	2,640.00	400.00	4,800.00	150.00	1,800.00	225.00	2,700.00	161.00	1,932.00			500.00	6,000.00		
Total Alt #1	440.00	5,280.00	1,025.00	12,300.00	700.00	8,400.00	900.00	10,800.00	1,784.75	21,777.00	0.00	0.00	950.00	11,400.00	0.00	0.00
Alternate #2 Bid																
Property A	220.00	2,640.00	150.00	1,800.00	200.00	2,400.00	225.00	2,700.00	206.50	2,478.00			550.00	6,600.00		
Total Alt #2	220.00	2,640.00	150.00	1,800.00	200.00	2,400.00	225.00	2,700.00	206.50	2,478.00	0.00	0.00	550.00	6,600.00	0.00	0.00
Alternate #3 Bid																
Property A	320.00	3,840.00	800.00	9,600.00	350.00	4,200.00	112.50	1,350.00	647.05	7,770.00			425.00	5,100.00		
Total Alt #3	320.00	3,840.00	800.00	9,600.00	350.00	4,200.00	112.50	1,350.00	647.05	7,770.00	0.00	0.00	425.00	5,100.00	0.00	0.00

	ABZ Landscap	Ortiz Lawn & Shred.	Palacios Lawn Care	Southern Oak	Dawson Services	Julian Molina	Ralph Conklin & Billy Welsh
	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly
Base Bid	30,240.00	39,900.00	19,200.00	29,700.00	45,423.00	68,000.00	21,000.00
Alternate #1	5,280.00	12,300.00	8,400.00	10,800.00	21,777.00		11,400.00
Alternate #2	2,640.00	1,800.00	2,400.00	2,700.00	2,478.00		6,600.00
Alternate #3	3,840.00	9,600.00	4,200.00	1,350.00	7,770.00		5,100.00
	42,000.00	63,600.00	34,200.00	44,550.00	77,448.00	68,000.00	44,100.00



GLEN SMITH – MAYOR
JOHNNY TRAN – Mayor Pro-Tem – Councilmember Place 1
JUDY CHAVEZ – Councilmember Place 2
MARY CROCKER – Councilmember Place 3
WAYNE DODD – Councilmember Place 4
ANDY ERDELT – Councilmember Place 5
STEPHEN MCGOVERN – Councilmember Place 6

**CITY OF PALACIOS
CITY COUNCIL MEETING MINUTES
March 28, 2017**

REGULAR COUNCIL MEETING

CALL TO ORDER – Mayor Smith called the Regular Meeting to order at 7:00 p.m.
City Staff present: David Kocurek, Angela Flores, Chief Miles, David Kauffman

COUNCILMEMBERS ABSENT- McGovern

CALL TO ORDER

INVOCATION – Councilmember Tran

PLEDGE OF ALLEGIANCE – Councilmember Chavez

PLEDGE TO TEXAS FLAG – Councilmember Chavez

PLEDGE TO PALACIOS FLAG – Councilmember Chavez

VISITOR FORUM- Chip Woolf points out that there are a couple of typos on page 12 of the audit. He also explains that he is still confused about the Pavilion project and some change orders that were not modified. He still believes that personnel costs are high. Bonnie Benson let the Council know that the Mexican Consulate will be meeting in Victoria and that the City should have that on the webpage. She also mentions that the ACLU will be meeting in Bay City over “9 Mile Policy” which is how immigrants and refugees are dealt with in our county.

ADMINISTRATIVE REPORTS

1. Pavilion Update- Change Order #3 will be coming for additional time. End of April to May 1st is the new completion date.
2. Final Closing Memorandum- Tax Notes 2017- was successful and the funds have been received.
3. Election Update- Ballots have come in, equipment is out being programmed and will be tested April 20th.

ITEMS TO BE CONSIDERED

1. Discuss and consider 2015-2016 Fiscal Year Audit- with noted typos
Councilmember Crocker motioned to approve the Fiscal Year Audit with noted changes.
Councilmember Erdelt seconded.
There was no opposition
With no opposition, the motion carried
2. Discuss and consider approving Resolution 2017-R-5 Re Adopting Tax Abatement Guidelines and Criteria
Councilmember Dodd motioned to approve Resolution 2017-R-5
Councilmember Chaves seconded
There was no opposition
With no opposition, the motion carried
3. Discuss and consider approving Pay Estimate #5 with Lester Contracting, Inc. Contract No. 7215359
Councilmember Crocker motioned to approve Pay Estimate #5
Councilmember Tran seconded
There was no opposition
With no opposition, the motion carried
4. Discuss and consider approving an agreement with Urban Engineering for professional services for the new Volunteer Fire Department Site Plan
Councilmember Tran motioned to approve the agreement

- Councilmember Chavez seconded
There was no opposition
With no opposition, the motion carried
5. Discuss and consider approving payment for Invoice #27 with RPA, Inc. for the amount of \$620.38 for Pavilion Architectural Services
Councilmember Chavez motioned to approve payment for Invoice #27
Councilmember Erdelt seconded
There was no opposition
With no opposition, the motion carried
6. Discuss and consider approving a Municipal Court Collections Agreement with Linebarger Goggan Blair & Sampson, LLP- Richard Hill from Linebarger came and spoke on the relationship between their services and the City
Councilmember Tran motioned to approve the agreement
Councilmember Crocker seconded
There was no opposition
With no opposition, the motion carried
7. Discuss and consider action to approve the following consent agenda items:
a) Minutes of the March 14, 2017 Regular Council Meeting
b) Excuse absences of Councilmember Tran, Dodd and Chavez from the March 14, 2017 Regular Council Meeting
Councilmember Erdelt motioned to approve to consent agenda
Councilmember Dodd seconded.
There was no opposition
With no opposition, the motion carried

EXECUTIVE SESSION

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council May go into Executive (closed) session in order to:

- Consult with its attorney (551.071)
- Discuss Real Estate transaction (551.072)
- Deliberation regarding prospective gifts or donation (551.073)
- Discuss personnel matters (551.074)
- Deliberation regarding security devices (551.076)
- Discuss economic development negotiations (551.087)

ACTION ON EXECUTIVE SESSION

ADJOURN

- Councilmember Erdelt motioned to adjourn at 7:42pm.
- Councilmember Dodd seconded.
- There was no opposition.
- With no opposition, the motion carried.

Glen Smith, Mayor

Angela Flores, City Secretary

b) Excuse absence of Councilmember McGovern from the March 28, 2017 Regular Meeting

EXECUTIVE SESSION

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council
May go into Executive (closed) session in order to:

Consult with its attorney (551.071)

Discuss Real Estate transaction (551.072)

Deliberation regarding prospective gifts or donation (551.073)

Discuss personnel matters (551.074)

Deliberation regarding security devices (551.076)

Discuss economic development negotiations (551.087)

ACTION ON EXECUTIVE SESSION:**ADJOURN**

In compliance with the Americans with Disabilities Act, the City of Palacios will provide for reasonable accommodations for persons attending public meetings. To better serve attendees, requests should be received 24 hours prior to the meeting. Please contact City Hall, at 361.972.3605.

CERTIFICATION

I certify that a copy of the April 11, 2017 agenda of items to be considered by the City Council was posted on the City Hall bulletin board by 5:00p.m. on April 7, 2017.