CITY OF HUTTO, TEXAS  
SPECIAL CALLED CITY COUNCIL MEETING  
THURSDAY, APRIL 13, 2017 AT 5:00 PM  
CITY HALL - CITY COUNCIL CHAMBERS  
401 WEST FRONT STREET  

CITY COUNCIL  

Doug Gaul, Mayor  
Anne Cano, Place 1  
Tom Hines, Place 2, Mayor Pro-tem  
Nathan Killough, Place 3  
Tim Jordan, Place 4  
Lucio Valdez, Place 5  
Vacant, Place 6  

AGENDA  

1. CALL SESSION TO ORDER  

2. ROLL CALL  

3. WORK SESSION:  
A work session is conducted for information or educational purposes. No action is taken by the Council on items listed.  

3A. Work session concerning amendments to the Fiscal and Budgetary Policy.  

4. RESOLUTIONS:  

4A. Consideration and possible action on a resolution concerning a Development Agreement by and between the City of Hutto, TITAN INNOVATION BUSINESS PARK, LLC and Chris and Clay Schneider and Veronica Bolander.  

5. ADJOURNMENT  

The City Council for the City of Hutto reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above as authorized by the Texas Government Code Sections 551.071 [Litigation/Consultation with Attorney], 551.072 [Deliberations regarding real property], 551.073 [Deliberations regarding gifts and donations], 551.074 [Deliberations regarding personnel matters] or 551.076 [Deliberations regarding deployment/implementation of security personnel or devices] and 551.087 [Deliberations regarding Economic Development negotiations].
CERTIFICATION

I certify that this notice of the April 13, 2017 Special Called City Council Meeting was posted on the City Hall bulletin board of the City of Hutto on Monday, April 10, 2017, at 4:50 p.m.

Seth Gipson, City Secretary

The City of Hutto is committed to comply with the American with Disabilities Act. The Hutto City Council Chamber is wheelchair accessible. Request for reasonable special communications or accommodations must be made 48 hours prior to the meeting. Please contact the City Secretary at (512) 759-4033 or seth.gipson@hutto.tx.gov for assistance.
AGENDA ITEM NO.: 3A.  
AGENDA DATE: April 13, 2017

PRESENTED BY: Michel Sorrell, Chief Financial Officer

ITEM: Work session concerning amendments to the Fiscal and Budgetary Policy.

STRATEGIC GUIDE POLICY: Fiscal and Budgetary

ITEM BACKGROUND: The City of Hutto adopted a Fiscal and Budgetary Policy on April 21, 2016. Per the policy, the City must annually review the policy. The proposed amendments to the policy ensures alignment with the City's Strategic Guide and reflects current practices.

BUDGETARY AND FINANCIAL SUMMARY: Revisions to the Fiscal and Budgetary policy are proposed to ensure the policy remains current and to provide clarification on various items.

RELATED COUNCIL COMMITTEE OR ADVISORY BOARD RECOMMENDATIONS: Not applicable.

CITY ATTORNEY REVIEW: Not applicable.

STAFF RECOMMENDATION:

SUPPORTING MATERIAL:
1. Fiscal and Budgetary Policy - Red-line
FISCAL AND BUDGETARY POLICY

Amended April 20, 2017

I. OVERVIEW AND STATEMENT OF PURPOSE

The City of Hutto has an important responsibility to its citizens and customers to carefully account for
public funds, to manage City finances wisely and to plan for the adequate funding of services desired by
the public.

The broad purpose of the Fiscal and Budgetary Policy is to enable the City to achieve and maintain a long-
term stable and positive financial condition, and provide guidelines for the day-to-day planning and
operations of the City’s financial affairs. The City’s financial management, as directed by this Policy, is
based upon the foundation of integrity, prudent stewardship, planning, accountability and full disclosure.

Policy scope generally spans areas of financial planning, operating and capital budgeting, revenue
management, expenditure control, asset management, pay philosophy, accounting and financial
reporting, debt management, and reserves. This is done in order to:

A. Demonstrate to the citizens of Hutto, the City’s bond holders, other creditors and the bond rating
agencies that the City is committed to a strong fiscal operation;
B. Provide a common vision for financial goals and strategies for current and future policy-makers and
staff;
C. Fairly present and fully disclose the financial position of the City in conformity to Generally Accepted
Accounting Principals (GAAP); and
D. Demonstrate compliance with finance-related legal and contractual issues in accordance with the
Texas Local Government Code, bond covenants and other legal mandates.

The Fiscal and Budgetary Committee City Council will annually review and adopt the Fiscal and Budgetary
Policy, and make recommendations to City Council.

II. FIVE YEAR FINANCIAL PLAN

Budgeting is an essential element of the financial planning, control and evaluation process of municipal
government. Multi-year budgeting provides a means to identify the impact of implementing new
programs and projects on future budgets. The Five Year Financial Plan is the City’s long range operations
and capital plan. The plan includes all of the operating departments of the General Fund and Utility Fund
as well as the capital improvement funds of the City. The plan is reviewed and updated annually.

A. Capital Improvements Program – The Capital Improvements Plan (CIP) outlines the major utility
infrastructure, streets and drainage, facilities, parks, and other improvements needed to serve the
citizens, maintain existing infrastructure and facilities, meet growth related needs and comply with
state and federal regulations.

1. Preparation – The City Engineer, with the support of the Finance Department, coordinates the
annual update and adoption of the five multi-year CIP as a part of the annual budget process. In
accordance with the City Charter (Charter, section 12.03), the CIP will be delivered to the Planning
and Zoning Commission, so that P&Z recommendations may be included and presented to City
Council. The CIP includes all costs associated with the design, rights of way, acquisition and
construction of a project, as well as the estimated operating and maintenance costs, which
impacts future operating budgets. The following guidelines will be utilized in developing the CIP:

   • Needed capital improvements and major maintenance projects are identified through life
cycle system models, repair and maintenance records, and growth demands.
   • A team approach will be used to prioritize CIP projects, whereby City staff from all operational
areas provide input and ideas relating to each project and its effect on operations.
• Citizen involvement and participation will be solicited in formulating the capital budget through website solicitation [MS1].
• City Master Plans

2. **Financing Programs** – Where applicable, impact fees, assessments, pro-rata charges or other fees should be used to fund capital projects which have a primary benefit to specific, identifiable property owners. Factors related to the issuance of debt will include the following: a.) legal constraints on debt capacity and financing alternatives, b.) essentiality of the proposed capital improvement and the economic cost of delay, c.) willingness and financial ability to pay for the capital improvement, d.) determination of the ability to fund through a pay-as-you-go system, e.) assess current interest rate environment for borrowing and investment, as well as other market conditions, and reserve requirements e.) financial condition of the City, f.) the types, availability and stability of revenues to be pledged for repayment of the debt, g.) type of debt to be issued, and h.) the nature and asset life of the capital projects.

3. **Control** – All capital project expenditures must be appropriated in the capital budget. The Director of FinanceChief Financial Officer or City Manager must certify the availability of resources before any right of way easement is negotiated or before any capital project contract is presented to the Council for approval.

4. **Reporting** – Periodic financial reports will be prepared to enable the Department Directors to manage their capital budgets and to enable the Finance Department to monitor and control the budget as authorized. Capital project status reports will be provided to Council on a quarterly basis.

B. **Operations Plan** – The plan will include estimated operating expenses, the cost of new programs being contemplated, and staffing needs for the five multi-year period.

C. **Revenues and Financing Plan** - The Finance Department will develop conservative, five multi-year revenue forecasts based upon current and known future revenue streams. The Plan will illustrate the impact of the Capital and Operations Plan on the property tax rate, utility rates and other fees. Sensitivity analyses may be used in order to react to low-medium-high growth environments that would allow for more aggressive investment in infrastructure and conversely time to react to economic slowdown.

D. **Performance Measures** - Department Directors will develop program performance measures to evaluate the impact of new programs and growth on the departments. Existing programs will also be evaluated as a part of the five multi-year planning process and annual budget process to determine whether certain programs should continue to be funded. ICMA Insights program participation will be utilized to establish, track, and compare performance measures.

III. **ANNUAL OPERATING BUDGET**

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The “operating budget” is the City’s annual financial operating plan. The annual budget includes all of the operating departments of the general fund, proprietary funds, debt service funds, special revenue funds, and capital improvement funds of the City.

A. **Planning** – The budget process will include City Council participation in the identification of major policy issues. The budget process will be a part of an overall strategic planning process for the City. The process will also allow for citizen input [MS2].

B. **Preparation** – The Charter (Section 8.02) requires “On or before the 15th day of August each fiscal year, the City Manager shall submit to the City Council a budget for the ensuing fiscal year and an accompanying message.” The budget shall be adopted not later than the last day of the last month of the fiscal year.
1. Proposed Budget – A proposed budget shall be prepared by the City Manager and delivered to the City Council per the City Charter.
   a. In accordance with the Charter (Section 8.04), the budget shall provide a complete financial plan for the ensuing fiscal year, in a form as the City Manager or Council deems desirable, and the budget shall include goals and objectives, a capital budget, enterprise funds and appropriations.
   b. In accordance with the Charter (Section 8.05), the City will publish in a newspaper of general circulation in the City and on the City website a general summary of the budget, as well as the times and places that the budget is available for public inspection, no less than two weeks after the publication.
   c. A copy of the proposed budget will be filed with the City Secretary when it is submitted to the City Council, which must be at least 30 days prior to the vote.

2. Adoption – City Council will hold a public hearing, and subsequently adopt by Ordinance the final budget. The budget will be effective for the fiscal year beginning October 1st.

3. Standards for Publication - The City will utilize the criteria outlined in the Government Finance Officers Association (GFOA) Distinguished Budget Program for the presentation of the budget document. The budget document will be submitted annually to the GFOA for evaluation and consideration for the Distinguished Budget Presentation Award.

4. Budget Calendar – The timeline for budget adoption is guided by City Charter and state Truth in Taxation laws. The deadline for the chief appraiser to certify rolls to taxing units is July 25. After certification, City Council must discuss the tax rate, and if the maximum rate they will consider adopting will exceed the rollback rate or effective tax rate, they must take a record vote and schedule a public hearing. If required, Notice of Public Hearing on Tax Increase must be published at least 7 days before the first public hearing. If required, the second public hearing must be no earlier than 3 days after the first public hearing, and is also when the meeting to adopt tax rate will be scheduled and announced (must be 3-14 days from this date). Notice of Tax Revenue Increase must be published before the meeting to adopt tax rate (at least seven days, if available). The meeting to adopt tax rate must be held 3-14 days after the second public hearing, and the tax rate must be adopted before September 30.

C. Revenue Estimates – In order to maintain a stable level of services, the City shall use a conservative, objective and analytical approach when preparing revenue estimates. The process shall include the analysis of probable economic changes and their impacts on revenues, historical collection rates and trends in revenues. This approach should reduce the likelihood of actual revenues falling short of budget estimates during the year, which could otherwise result in mid-year service reductions.

D. Balanced Budget – The goal of the City is to balance the operating budget with current revenues, whereby, current revenues match and fund on-going expenditures/expenses. Excess balances in the operating funds from previous years may be used for non-recurring expenditures/expenses or as capital funds for capital expenditures.

E. Reporting – Summary financial reports will be provided to the City Council monthly and presented to the Fiscal and Budgetary Committee and provided to City Council during a regular City Council meeting quarterly, at a minimum. These reports will be in a format appropriate to enable the City Council to understand the overall budget and financial status.

F. Control and Accountability – Each Department Director, appointed by the City Manager, will be responsible for the administration of his/her departmental budget. This includes accomplishing the Goals and Objectives adopted as part of the budget and monitoring each department budget for compliance with spending limitations. Department Directors may request a transfer of funds within a department budget. All transfers of appropriation or budget amendments require either City Council or City Manager approval as outlined in Section V.C. Further expenditure control guidance is located in Section V of this policy.
G. **Budget Amendments** – The *Charter (Section 8.07)* provides a method to amend appropriations. The City Council may authorize:

1. **Supplemental Appropriations** – If the City Manager certifies that revenues are available in excess of those estimated in the budget, an amendment ordinance may be prepared for City Council approval.

2. **Emergency Appropriations** – To meet public emergency affecting life, health, property, or the public peace, or to avoid a material cost or public expense, the City Council may adopt an emergency appropriation.

3. **Reduction of Appropriations** – If at any time during the fiscal year it appears probable that expected revenues will be insufficient to finance expenditures for which appropriations have been authorized, the City Council may adopt an ordinance to reduce appropriations.

H. **Contingency Appropriations** – The budget may include contingency appropriations within designated operating department budgets. These funds are used to offset anticipated but amount unknown expenditures, unexpected maintenance or other unanticipated expenses that might occur during the year, including insurance deductibles, unexpected legal expenses, and equipment repairs.

I. **Outside Agency Funding** – The City Council may fund a number of outside agencies and organizations that provide core services for the citizens of Hutto. The amount of funding received by each agency depends upon Council direction and the availability of funds. The City Council may fund up to 0.75% of the estimated General Fund revenues during the budget process.

1. **Funding Process** - All agencies shall have a standardized process for application, review, monitoring, and reporting. All agencies are required to submit applications for funding to the City during the budget process. Applications will include the following:

   a. Information about the organization including organization’s purpose, charter, board of directors, etc.
   b. Copy of organization's financial policies.
   c. Copy of prior year’s tax filing demonstrating non-profit status.
   d. Copy of prior year’s audit or financial review for organizations whose operating budget exceeds $100,000 annually.

2. Funding of non-profit agencies through public funds require enhanced guidelines for spending and operations which shall include:

   a. Funding will typically be used for specific programs, rather than for general operating costs, and demonstrates the program’s sustainability beyond a three-year funding period.
   b. The City shall have the ability to review financial reports to monitor how public funds are utilized by an organization.
   c. Other items may be addressed by the City Council as specified in each organization's Outside Agency Funding Agreement.

3. The Fiscal and Budgetary Committee will review requests from other agencies and develop a recommendation to Council award based upon available funding. Applications will be evaluated on the following criteria:

   a. Number of Hutto citizens served by the organization;
   b. Type of service provided and whether other organizations in the community provide the service;
   c. Availability of other funding sources for the organization;
   d. Demonstration of ability to adhere to the guidelines outlined by this policy;
   e. The City Council prefers to allocate funding based upon the following guideline:
• Education – 10%
• Quality of Life – 30%
• Social Services – 60%
• Public Health and Safety – The City Council may provide additional funding above the designated 0.75% to support governmental organizations that provide public health and safety services to the Hutto Community. Examples include membership in the Williamson County and Cities Health District and financial support for Williamson County Emergency Services District #3.

All funded agencies shall be required to submit quarterly reports with performance data unless otherwise specified.

J. **Periodic Program Reviews** – The City Manager and Department Directors will periodically review programs for efficiency and effectiveness. Programs not meeting efficiency or effectiveness objectives shall be brought up to required standards, or be subject to reduction or elimination.

K. **Budget Contingency Plan** – This policy is intended to establish general guidelines for managing revenue shortfalls resulting from factors such as local and economic downturns that affect the City’s revenue streams.

1. **Immediate Action** - Once a budgetary shortfall is projected, the City Manager will take the necessary actions to offset any revenue shortfall with a reduction in current expenses. The City Manager may:
   a. Freeze all new hire and vacant positions except those deemed to be a necessity.
   b. Review all planned capital expenditures.
   c. Delay all "non-essential" spending or equipment replacement purchases.

2. **Further Action** - If the above actions are insufficient to offset the revenue deficit and the shortfall continues to increase, the City Manager will further reduce operating expenses to balance the variance. The City Manager may ask Department Directors for recommendations on reductions of service levels in order to reduce expenditures to balance the budget. Any resulting service level reductions, including workforce reductions, will be addressed by the City Council.

IV. **REVENUE MANAGEMENT**

A. **Optimum Characteristics** – The City will strive for the following optimum characteristics in its revenue system:

1. **Revenue Adequacy** – The City should require there to be a balance in the revenue system; i.e., the revenue base will have the characteristics of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.

2. **Realistic and Conservative Estimates** - Revenues will be estimated realistically, and conservatively, taking into account the volatile nature of various revenue streams.

3. **Administration** – The benefits of a revenue source should exceed the cost of levying and collecting that revenue. Where appropriate, the City will use the administrative processes of State, Federal or County collection agencies in order to reduce administrative costs.

4. **Diversification and Stability** – A diversified revenue system with a stable source of income shall be maintained. This will help avoid instabilities in two particular revenue sources due to factors such as fluctuations in the economy and variations in the weather.

B. **Other Considerations** – The following considerations and issues will guide the City in its revenue policies concerning specific sources of funds:

1. **Non-Recurring Revenues** – One-time or non-recurring revenues should not be used to finance current ongoing operations. Non-recurring revenues should be used only for non-recurring expenditures and not for budget balancing purposes.
2. **Property Tax Revenues** – All real and business personal property located within the City will be estimated at a collection rate of 98% of the taxable value for any given year based on the current appraisal supplied by the Williamson County Appraisal District.

3. **Investment Income** – Earnings from investments will be distributed to the funds in accordance with the equity balance of the fund from which the monies were provided to be invested.

4. **User-Based Fees and Service Charges** – For services associated with a user fee or charge, the direct or indirect costs of that service will be offset by a fee where possible. The City will review fees and charges no less than once every three years[MS5] to ensure that fees provide adequate coverage for the cost of services. The City Council will determine how much of the cost of a service should be recovered by fees and charges.

5. **Utility Fund Rates** – The City will review and adopt utility rates as needed to generate revenues required to fully cover operating expenses, meet the legal requirements of all applicable bond covenants and provide for an adequate level of working capital.

Additionally, enterprise activity rates will include transfers to and receive credits from other funds as follows:

6. **Administrative Cost Recovery** – Administrative costs should be charged to all funds for services of general overhead, such as administration, finance, customer billing, legal and other costs as appropriate. These charges will be determined through an indirect cost allocation following accepted practices and procedures.

7. **Revenue Monitoring** – Revenues as they are received will be regularly compared to budgeted revenues, variances will be investigated and any abnormalities material will be included in the quarterly report to the City Council.

C. **Funding Alternatives**

1. **Grants** - The City shall seek to obtain grants which are consistent with the City’s current and future priorities and objectives. The City Council must authorize acceptance of any grant funding. Potential grants will be examined for any matching requirements and the source of those requirements identified. Grant applications will be reviewed by Finance to ascertain funding sources, outcomes and other relevant information before the information is presented to the City Council. The City shall recover indirect costs to the maximum allowable by the funding source, and may waive or reduce indirect costs if doing so will significantly increase the effectiveness of the grant. Grant-funded programs and associated positions will be terminated as directed by the City Council when grant funds are no longer available, unless alternate funding is identified.

2. **Leases** - The City may authorize the use of lease financing for certain operating equipment when it is determined that the cost benefit of such an arrangement is advantageous to the City.

3. **Impact Fees** - The City will impose impact fees as allowable under state law for both water and wastewater services. These fees will be calculated in accordance with statute and reviewed at least every five years[MS8]. All fees collected will fund projects identified within the Fee study and as required by state laws.

D. **Liabilities and Receivables** - Procedures will be followed to maximize discounts and reduce penalties offered by creditors. Current liabilities will be paid within 30 days of receiving the invoice. Accounts Receivable procedures will target collection for a maximum of 30 days of service. Receivables aging past 120 days will be sent to a collection agency. The **Director of Finance/Chief Financial Officer** is authorized to write-off non-collectible accounts that are delinquent for more than 180 days, provided proper delinquency procedures have been followed, and include this information in the annual report to the City Council.
V. EXPENDITURE POLICIES

A. Appropriations – The point of budget control is at the department level budget for all funds. The Department Directors shall manage budgets to ensure that appropriations are not exceeded. Budgets are approved by the Council within a departmental or program budget category (personnel costs, supplies, maintenance, operations/maintenance and capital).

B. Central Control – No recognized or significant salary or capital budgetary savings in any Department shall be spent by the Department Head without prior authorization from the City Manager. This control will realize budget savings each year that will be available to be transferred by the City Manager, without further Council action.

C. Budget Transfers – The Charter (Section 8.06) provides that the City Manager may transfer balances within departments and programs. A Department Director may request a transfer between line items, or categories of items through the City Manager. Finance will make the adjustment upon approval from the City Manager and report the changes to City Council no later than the next scheduled City Council meeting.

D. Purchasing – All City purchases of goods or services will be made in accordance with the City’s current Purchasing Policy and with State law. In accordance with Texas Local Government Code, Subchapter B, Sections 252.021 and 252.043, the City shall make award to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the municipality. Council may delegate authority to a designated representative in determining the appropriate method of purchase. State law requires any purchase of goods or materials over $50,000 be formally bid or procured through an approved cooperative. The City’s Purchasing Policy follows State Law by requiring multiple quotes for most purchases over $3,000. The City’s Purchasing Policy requires all contracts greater than $50,000 annually be approved by the City Council. The following shows a summary of approval requirements for purchases.

1. Local Preference - In accordance with Chapter 271.9051 of the Local Government Code, the City Council may choose to award a competitive bid of $100,000 or less to a bidder whose principal place of business is in the City limits, provided that this bid is within 5% of the lowest bid price received from the lowest bidder whose business is not within the City limits. The determination that the local bidder offers the City the best combination of contract price and additional local economic development opportunities will be made in writing.

2. Interlocal Cooperation in Delivery of Services – In order to promote the effective and efficient delivery of services, the City shall work with other local jurisdictions to share on an equitable basis the cost of services, to share facilities and to develop joint programs to improve service to its citizens.

3. Conflict of Interest – The City will comply with all conflict of interest requirements as mandated by the Texas Government Code and Local Government Code.

E. Prompt Payment – All invoices approved for payment by the proper City authorities shall be paid within thirty (30) calendar days of receipt of goods or services or invoice date, whichever is later in accordance with State law. The City will take advantage of all purchase discounts, when possible.

VI. PAY PHILOSOPHY

The City’s goal as an employer is to attract and retain quality employees who provide exemplary public service to our community in an effective and efficient manner.

A. Adequate Staffing – Staffing levels will be adequate for the operations and programs of the City to be conducted efficiently and effectively. In order to provide continuing services to a growing population, as well as add new services, staffing levels will be evaluated by the City Manager regularly to determine workloads. Workload allocation alternatives, such as contract labor and contracted services, will be explored before adding additional staff.
B. **Market Adjustments** – The City shall utilize salary survey data, as well as data from other benchmark cities, as a reference for making market-based adjustments. Market based adjustments are based upon the job duties and job descriptions of the position, not on performance of the employee within the position. City Council identified benchmark cities based on parameters such as population, proximity to Hutto, growth rate, and tax base. The cities selected are: Belton, Cedar Park, Cibolo, Georgetown, Kyle, Leander, Little Elm, Pflugerville, Round Rock, Schertz, Seguin and Taylor.

C. **Merit Adjustments** – The City utilizes a merit based pay and step pay plan as a part of the overall compensation system. Council may fund merit increases annually during the budget process to aid in retaining and rewarding quality employees for productivity and job performance. These merit based adjustments are recommended by the employee’s immediate supervisor and reviewed by both the Department Director and the City Manager. Employees may receive a merit increase upon approval of the City Manager based upon performance, or when other situations warrant this type of increase, such as a reclassification due to additional job duties.

VII. **CAPITAL MAINTENANCE AND REPLACEMENT**

The City shall maintain a Capital Replacement Fund to provide financial resources to replace aging fleet and equipment. Only fleet and equipment included on the City's Fixed Assets inventory will be included on the replacement schedule. Funding will be set aside each year through the annual budget process to fund the future replacement of fleet and equipment.

VIII. **ACCOUNTING, AUDITING AND FINANCIAL REPORTING**

A. **Accounting** – The City is responsible for the recording and reporting of its financial affairs, both internally and externally. The Director of Finance is the City’s Chief Financial Officer and is responsible for establishing the structure for the City’s Chart of Accounts and for assuring that procedures are in place to properly record financial transactions and report the City’s financial position.

B. **Audit of Accounts** – In accordance with the Charter Section 8.14, an independent audit of the City accounts will be performed every year. The auditor is retained by and is accountable directly to the City Council.

C. **External Reporting** – Upon completion and acceptance of the annual audit by the City’s auditors, the City shall prepare a written Comprehensive Annual Financial Report (CAFR) which shall be presented to the City Council within 180 calendar days of the City’s fiscal year end. The CAFR shall be prepared in accordance with GAAP and shall be presented annually to the GFOA for evaluation and consideration for the Certificate of Achievement in Financial Reporting. If City staffing limitations preclude such timely reporting, the Director of Finance will inform the City Council of the delay and the reasons therefore.

IX. **RISK AND ASSET MANAGEMENT**

A. **Risk Management** – The City will utilize programs to prevent and/or reduce the financial impact to the City due to claims and losses. Transfer of liability for claims through transfer to other entities through insurance and/or by contract will be utilized where appropriate. Prevention of loss through the safety program and the employee health program will be employed.

B. **Investments** – The City Council has formally approved a separate Investment Policy for the City of Hutto that meets the requirements of the Public Funds Investment Act (PFIA), Section 2256 of the Texas Local Government Code. This policy is reviewed annually by the City Council and applies to all financial assets held by the City.

C. **Cash Management** – The City shall maintain a comprehensive cash management program to include the effective collection of all accounts receivable, the prompt deposit of receipts to the City’s depository, the payment of obligations, and the prudent investment of idle funds in accordance with this policy.
X. DEBT MANAGEMENT

The City of Hutto recognizes the primary purpose of capital facilities is to support provision of services and mobility to its residents. Using debt financing to meet the capital needs of the community must be evaluated according to efficiency and equity. Efficiency must be evaluated to determine the highest rate of return for a given investment of resources. Equity is resolved by determining who should pay for the cost of capital improvements. In meeting demand for additional services, the City will strive to balance the needs between debt financing and “pay as you go” methods. The City realizes that failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that too much debt may have detrimental effects on the City’s long-range financial condition.

The City will issue debt only for the purpose of acquiring or constructing capital assets, including equipment, for the general benefit of its citizens and to allow it to fulfill its various purposes as a city.

A. Usage of Debt - Long-term debt financing will be considered for non-continuous multi-year capital improvements of which future citizens will benefit. Alternatives for financing will be explored prior to debt issuance and include, but not limited to:

- Grants
- Use of Reserve Funds
- Use of Current Revenues
- Contributions from developers and others
- Leases
- Impact Fees

When the City utilizes long-term financing, it will ensure that the debt is soundly financed by conservatively projecting revenue sources that will be used to pay the debt. It will not finance the improvement over a period greater than the useful life of the improvement and it will determine that the cost benefit of the improvement, including interest costs, is positive to the community.

B. Types of Debt –

1. General Obligation Bonds (GO’s) – General obligation bonds must be authorized by a vote of the citizens of Hutto. They are used only to fund capital assets of the general government and are will not to be used to fund operating needs of the City. The full faith and credit of the City as well as the City’s ad valorem taxing authority back general obligation bonds. Conditions for issuance of general obligation debt include:

   - When the project will have a significant impact on the tax rate;
   - When the project may be discretionary or nonessential even though it is routine in nature; or
   - When the project falls outside the normal bounds of projects the City has typically done.

2. Certificates of Obligation, Contract Obligations (CO’s) – Certificates of obligation or contract obligations may be used to fund capital requirements that are not otherwise covered either by general obligation or revenue bonds. Debt service for CO’s may be either from general revenues (tax-supported) or supported by a specific revenue stream(s) or a combination of both. Typically, the City may issue CO’s when the following conditions are met:

   - When the proposed debt will have minimal impact on future effective property tax rates;
   - When the projects to be funded are within the normal bounds of city capital requirements, such as for roads, parks, various infrastructure and City facilities; and
   - When the average life of the obligation does not exceed the useful life of the asset(s) to be funded by the issue; or
   - When the project or capital item is determined to be nondiscretionary or essential to the City.
Certificates of obligation will be used with prudent care and judgment by the City Council. Every effort will be made to ensure public participation in decisions relating to debt financing.

3. **Self-supporting General Obligation Debt** – Refers to general obligation debt including CO’s issued for a specific purpose and repaid through dedicated revenues other than ad valorem taxes. The annual debt requirements are not included in the property tax calculation. The Utility Fund issues this type of debt.

4. **Internal Borrowing between City funds** – The City can authorize use of existing long-term reserves as “loans” between funds. The borrowing fund will repay the loan at a rate consistent with current market conditions. The loan will be repaid within ten (10) years. The loan will be considered an investment of working capital reserves by the lending fund.

5. **Short-term Borrowing** - The City may authorize the issuance of Public Property Finance Contractual Obligations (PPFCOs) or Limited Tax Notes (Notes) which are short-term obligations for the acquisition of personal public property, such as equipment. PPFCOs and Notes are payable from either ad valorem taxes or another dedicated revenue stream. Each issuance will be assessed to ensure cost effectiveness and the repayment schedule will not exceed the useful life of the asset. Multiple equipment acquisitions can and should be grouped in a single PPFCO or Note issue in order to develop economies of scale. Notes are limited to a 7 year term.

6. **Revenue Bonds** – Revenue bonds may be issued to provide for the capital needs of any activities where the capital requirements are necessary for the continuation or expansion of a service. The improved activity shall produce a revenue stream to fund the debt service requirements of the necessary improvement to provide service expansion. The average life of the obligation should not exceed the useful life of the asset(s) to be funded by the bond issue and will generally be limited to no more than twenty (20) years.

C. **Method of Sale** – The City will use a competitive bidding process in the sale of bonds unless conditions in the bond market or the nature of the issue warrant a negotiated sale. In such situations, the City will publicly present the reasons for the negotiated sale. The City will rely on the recommendation of the financial advisor and **Chief Financial Officer** in the selection of the underwriter or direct purchaser.

D. **Disclosure** – Full disclosure of operating costs along with capital costs will be made to the bond rating agencies and other users of financial information. The City staff, with assistance of the financial advisor and bond counsel, will prepare the necessary materials for presentation to the rating agencies and will aid in the production of the Preliminary Official Statements. The City will take responsibility for the accuracy of all financial information released.

E. **Federal Requirements** – The City will maintain procedures to comply with arbitrage rebate and other Federal requirements.

F. **Debt Structuring** – The City will issue bonds with maturity not to exceed the useful life of the asset acquired. The structure should approximate overall level debt service and tax rate or revenue source stability unless operational matters dictate otherwise. Market factors, such as the effects of tax-exempt designations, the cost of early redemption options and the like, will be given consideration during the structuring of long term debt instruments.

G. **Debt Coverage Ratio** – Refers to the number of times the current combined debt service requirements or payments would be covered by the current operating revenues net of on-going operating expenses of the City’s Utility. The City will maintain a minimum debt service coverage ratio of 1.0[MS10] times for these utilities as a whole.

H. **Reimbursement Resolutions** – The City may utilize reimbursement resolutions for debt financings as a tool to manage its debt issues, due to arbitrage requirements and project timing. In so doing, the City uses its capital reserve “cash” to delay bond issues until such time when issuance is favorable and beneficial to the City.
XI. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

The City of Hutto will maintain budgeted minimum reserves in the ending working capital/fund balances to provide a secure, healthy financial base for the City in the event of a natural disaster or other emergency, allow stability of City operations should revenues fall short of budgeted projections and provide available resources to implement budgeted expenditures without regard to actual timing of cash flows into the City.

A. Operating Reserves – In accordance with the Charter Section 8.04, the City will maintain emergency reserves at a minimum of 25% of net budgeted operating expenditures. Net budgeted operating expenditure is defined as total budgeted expenditures less interfund transfers and charges, general debt service (tax supported), direct cost for purchased power and payments from third party grant monies.

1. General Fund – The unobligated fund balance in the General Fund should equal at least 25%.
2. Utility Fund – Working capital reserves in these funds should be 25%.

Reserve requirements will be calculated as part of the annual budget process and any additional required funds to be added to the reserve balances will be appropriated within the budget. Funds in excess of the minimum reserves may be expended for City purposes at the will of the City Council once it has been determined that use of the excess will not endanger reserve requirements in future years.

B. Capital Project Funds – Every effort will be made for all monies within the Capital Project Funds to be expended within thirty-six (36) months of receipt. The fund balance will be invested and income generated will offset increases in construction costs or other costs associated with the project. Capital project funds are intended to be expended totally, with any unexpected excess to be transferred to the Debt Service fund to service project-related debt service.

C. Debt Service Funds for Ad Valorem Tax Obligations – This fund holds receipts from ad valorem property taxes levied to pay debt service on outstanding ad valorem tax obligations. Due to the nature of the source of funds, monies held within this fund are stable. Balances are maintained in this fund to ensure that debt service payments may be made in a timely manner and to comply with ordinances authorizing such outstanding debt obligations.

D. Investment of Reserve Funds – The reserve funds will be invested in accordance with the City’s investment policy. **Existing non-cash investment would be exempt through retirement of the investment.**

E. Sales Tax Excess – Due to the volatile nature of sales tax revenue, collections over and above the estimated sales tax revenue amount should be used to fund non-recurring expenses, such as (but not limited to) equipment purchases, capital improvement projects, or transfers to the capital replacement fund.
AGENDA ITEM NO.:  4A.  AGENDA DATE:  April 13, 2017

PRESENTED BY:  Odis Jones, City Manager

ITEM:  Consideration and possible action on a resolution concerning a Development Agreement by and between the City of Hutto, TITAN INNOVATION BUSINESS PARK, LLC and Chris and Clay Schneider and Veronica Bolander.

STRATEGIC GUIDE POLICY:  Economic Development

ITEM BACKGROUND:
The City of Hutto, in its goal towards creating an 'open for business' environment, has been working on facilitating job creation and economic development and increasing property values. The City’s objective, in partnership with TITAN INNOVATION BUSINESS PARK LLC and Chris and Clay Schneider and Veronica Bolander, is to cause to be constructed multiple institutional quality tilt wall buildings and capital improvements to support the proposed development to be located on the Schneider Property as Phase One of an overall master development business park development.

The property is to be annexed into the City of Hutto, thereby increasing property taxes within the City of Hutto.

BUDGETARY AND FINANCIAL SUMMARY:
Capital Improvements and Right of Way (ROW) acquisition are not to exceed 5 Million.

RELATED COUNCIL COMMITTEE OR ADVISORY BOARD RECOMMENDATIONS:
Not applicable.
CITY ATTORNEY REVIEW:
The City Attorney has reviewed the Development Agreement and Exhibits.

STAFF RECOMMENDATION:
Staff recommends approval of the Development Agreement between the City of Hutto, TITAN INNOVATION BUSINESS PARK, LLC, and Chris and Clay Schneider and Veronica Bolander.

SUPPORTING MATERIAL:
1. Resolution - Development Agreement
2. Draft - Development Agreement
RESOLUTION NO.

WHEREAS, Titan Innovation Business Park, LLC. “Developer” intends to acquire, through option agreements or otherwise, approximately 72 acres of real property known as the Schneider Tract (less the land to be sold by Chris & Clay Schneider and Veronica Bolander “the Schneiders” to the City in the Schneider Lot Sale), located within the extraterritorial jurisdiction of the City of Hutto and subject to executed annexation development agreements; and

WHEREAS, the Developer intends to develop the property as an industrial/business park including the construction of multiple institutional quality tilt-wall buildings; and

WHEREAS, the City has found and determined that the development of the property will further the public interest and welfare, and that the benefits that will accrue to the City are consistent with the City’s economic development objectives to increase property and sale and use taxes, and the attraction of new jobs, and is necessary to promote and develop new business enterprises while striving to ensure compatibility with surrounding land uses; and

WHEREAS, the City and the Developer desire to set forth in an agreement, the terms and conditions of reimbursements and conveyances to be made to Developer to help defray certain costs incurred in the development of the Property; and

WHEREAS, the Schneiders wish to convey to the City, and the City desires to purchase, land to be utilized for the extension of Emory Farms Blvd. and the construction of Technology Blvd. as well as a regional drainage facility at the locations outlined in the agreement.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HUTTO, TEXAS,

That the Hutto City Council hereby approves the development agreement, as attached as Exhibit A, with Titan Innovation Business Park, LLC., and Chris and Clay Schneider, and Veronica Bolander and authorizes the City Manager to execute the development agreement.

The City Council hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.
RESOLVED this 13th day of April 2017.

CITY OF HUTTO, TEXAS

________________________________________
Doug Gaul, Mayor

ATTEST:

________________________________________
Seth Gipson, City Secretary
DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") is entered into this ___ day of ____________, 2017, by and between the CITY OF HUTTO, TEXAS, a Texas home rule municipal corporation ("City"), TITAN INNOVATION BUSINESS PARK, LLC, its successors and assigns ("Developer") and CHRIS and CLAY SCHNEIDER and VERONICA BOLANDER (collectively, the "Schneiders).

RECITALS

WHEREAS, Developer intends to acquire, through option agreements or otherwise, approximately 72 acres of real property known as the Schneider Tract (less the land to be sold by the Schneiders to the City in the Schneider Lot Sale, the "Property"), located within the extraterritorial jurisdiction of the City of Hutto and subject to executed annexation development agreements and more specifically shown on Exhibit "A", attached hereto and incorporated herein; and

WHEREAS, Developer intends to develop the Property as an industrial/business park including the construction of multiple institutional quality tilt-wall buildings; and

WHEREAS, the City has found and determined that the development of the Property will further the public interest and welfare, and that the benefits that will accrue to the City are consistent with the City’s economic development objectives to increase property and sale and use taxes, and the attraction of new jobs, and is necessary to promote and develop new business enterprises while striving to ensure compatibility with surrounding land uses; and

WHEREAS, the City and Developer desire to set forth in this Agreement the terms and conditions of reimbursements and conveyances to be made to Developer to help defray certain costs incurred in the development of the Property; and

WHEREAS, Schneiders wish to convey to the City, and the City desires to purchase, approximately 5 acres of land to be utilized for the extension of Emory Farms Blvd. and
construction of Technology Blvd at the locations shown on Exhibit “B”, and approximately 12.34 acres of land to be utilized as a regional drainage facility at the location shown on Exhibit “B” (such purchase and sale the “Schneider Lot Sale”). The exact descriptions of both acquisitions shall be determined by a metes and bounds survey prepared on behalf of the City prior to closing. Schneiders agree to convey the two above-described tracts for $1.00 per square foot, as determined by the final surveys.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and for good and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to the following:

I. Authority

The City’s execution of this Agreement constitutes a valid and binding obligation of the City in the event Developer complies with the conditions as stated herein. The City acknowledges that Developer and the Schneiders are acting in reliance upon the City’s performance of its obligations under this Agreement in making its decision to commit substantial resources and money to construct the Project.

II. Term

This Agreement shall become enforceable upon its Effective Date, which is the date this Agreement is approved by the City. This Agreement shall terminate fifteen (15) years after the Effective Date, or when the Project is complete, as stated herein, whichever occurs first.

III. Annexation
Developer will commence proceeding to annex the property to be developed, into the City of Hutto, within ninety (90) days from the execution of this Agreement. The City will support and otherwise cause the Property to be annexed into the City of Hutto.

IV.

Project Description

The “Project” means the construction by Developer of multiple institutional quality tilt wall buildings on the Property, the commencement of annexation, platting, zoning (Light Industrial) the Property. Building construction shall run simultaneously with infrastructure improvements to be installed by the City. The City will also co-operate with and support the Developer’s efforts to in obtain Triple Freeport Tax Exemption status.

V.

Rights and Obligations of City

1. City, at its sole cost and expense, agrees to design and construct approximately 3,500 lineal feet of roadway, being Technology Boulevard and Emory Farms Blvd.as approximately shown on Exhibit B and related stormwater drainage infrastructure that extends in both the north-south and east-west direction thereby making the Property accessible off of Innovation Boulevard and the Emory Farms Avenue extension (the “Roadways”). The Roadways shall meet the general specifications set forth on Exhibit C, shall be public roadways, and shall be maintained in good condition and repair by the City.

2. The City will design and construct, or cause to be designed and constructed, at no cost to Developer, the utilities extensions generally in accordance with the provisions set forth on Exhibit “C” (the “Utilities”). The Utilities shall meet the general specifications set forth on Exhibit C.
3. The City, at its sole cost and expense, shall design and construct a landscaped buffer within an area 25 feet or less from the eastern property line to serve as a buffer from the existing residential development to the east, said 25 foot landscaped area to be planted in accordance with the City of Hutto’s Unified Development Code (UDC).

4. The City, at its sole cost and expense, shall design and construct the regional drainage retention structures and improvements (the “Drainage Improvements”) within the Property purchased by the City in the Schneider Lot Sale at the location as generally shown on Exhibit “B”, as well as a 10’ hike and bike trail encircling the regional retention structure. Developer will ensure that the hike and bike trail will be maintained by a property owners’ association formed by Developer. The Drainage Improvements shall have the general specifications set forth on Exhibit C, shall be a public facility, and shall be maintained in good condition and repair by the City.

5. The Roadway, Utilities, and Drainage Improvements (such items collectively, the “Infrastructure”) shall have the general specifications and characteristics set forth on Exhibit “C”. The final location and specifications for the Infrastructure shall be determined jointly by the City and the Developer in accordance with this Agreement. The City and the Developer may elect to complete the Infrastructure in phases and/or concurrently with construction of Developer’s buildings. Within thirty (30 days after the date of this Agreement, the City shall provide to the Developer an itemized estimate of the cost of the Roadways, Utilities, Drainage Improvements, landscape buffer, and hike and bike trail prepared by is engineer along with reasonable proof of the City’s ability to timely pay for all such amounts. If the City elects to complete design and construction of any portion of its obligations hereunder, the City shall provide to Developer for Developer’s reasonable approval, copies of all construction plans and specifications and construction schedules for
the applicable phase of construction. The City’s design and construction shall be completed in a time and in a manner so as not unreasonably interfere with or delay Developer’s construction and, to the extent reasonably requested by Developer, the City shall cause its contractors to coordinate their schedules with those of Developer’s contractor. Not later than the date that the Developer substantially completes each building, or such earlier date if required by a lease or purchase agreement executed by Developer, the City shall complete such portion of the improvements reasonably necessary or convenient for the full use of the applicable building and otherwise required by any lease or purchase agreement for the applicable building. If any offsite Infrastructure is required as a part of the development of the project by Developer, the City, at its sole cost and expense, shall complete all such Infrastructure in a manner and on a schedule that will not materially delay construction or increase the cost of construction by Developer.

6. The City shall, to the maximum extent permitted by law, accelerate the approval of any requests by Developer for rezoning, replatting, building or other construction permits, or any other requests for approvals or permits related to the Property.

7. The City will consider offering incentive partial tax reimbursement agreements to end-users within the Property.

8. The City hereby agrees, conditioned upon the execution of this Agreement by all Parties, to acquire from the Schneiders approximately 5 acres of land to be utilized for the extension of Emory Farms Blvd. at the location shown on Exhibit “B”, and approximately 12 acres of land to be utilized as a regional drainage facility at the location shown on Exhibit “B”. The exact descriptions of both acquisitions shall be mutually agreed upon by the parties and determined by a metes and bounds survey prepared on behalf of the City prior to closing. Schneiders agree to convey the two above-described tract for $1.00 per square
foot, as determined by the final surveys and in conformance with a standard TRE contract approved by both City and Schneiders which shall be executed within twenty (20) days after the date of this Agreement. The TRE contract will include language, in addition to other standard provisions, providing that the Schneider Lot Sale shall close within sixty (60) days after the date of this Agreement, that the City shall pay the cost of the title policy and all other closing costs, that the Schneider tracts will be conveyed by Special Warranty Deed, that there shall be a forty-five (45) day feasibility period, that the Schneiders and City shall have the right of specific performance, and that Developer is a third-party beneficiary.

9. Irrespective of anything stated above, the maximum amount to be expended by the City for all Infrastructure costs, including acquisition of Right-of-Way, shall not exceed $5 million.

VI.

Rights and Obligations of the Developer

1. Within ninety (90) days after the date of this Agreement, Developer will file applications for annexation of the Project, rezoning of the Project, and a replat for the lot for the initial building, the tracts to be conveyed to the City as part of the Schneider Lot Sale, and the related easements and right of ways.

2. A combination of speculative, build-to-suit (BTS) and land sales may occur within the Property. Developer, and/or such parties acquiring any part of the Project, from Developer will construct approximately 800,000 square foot of industrial/business park institutional grade tilt wall buildings on the Property, (with a projected timeline of fifteen (15) years, after Developer’s commencement of site work for the first building on the Property). The Developer will construct all onsite improvements associated with the design and construction of the buildings.
3. Within thirty (30) days after the later of (i) the effective date of the City’s annexation, (ii) the City’s approval of the rezoning for the Project, (iii) the City’s approval of the replat for the initial building and Schneider Lots Sale, and (iv) the City’s completion of the Infrastructure required for or reasonably related to the first building to be constructed by Developer, the Developer shall commence construction of an 100,000 square foot or greater institutional quality tilt-wall building. Developer will commence design and construction of the second building when the first building is 80% or more leased out and the City has completed the Infrastructure for such building. Developer shall commence design and construction on the third building when the second building is 80% or more leased out and the City has completed the Infrastructure for such building. This methodology shall continue until Developer has constructed a total of 800,000 square feet of buildings.

4. Developer will comply with all federal, state, and local laws, regulations, and ordinances.

5. In the event that more than 100,000 square feet is constructed on a speculative basis within one/half (1/2) mile of the Property by an entity other than Developer or if the City provides public assistance to another developer to construct industrial buildings which are competitive with those required to be built by Developer hereunder, the Developer’s obligation to complete buildings within the Property shall be reduced by the number of square footage in such new construction or expansion.

6. Developer and City are working with the land owner contiguous to the north of the Property known as the Maldonado tract which consists of approximately 103-acres. It is the Developer and City’s intention to complete a separate Development Agreement for that parcel which will be incorporated into the overall Park Plan. The area encompassing the Maldonado Tract is indicated on the attached Park Plan. Neither the City or Developer
shall have any obligation related to the Maldonado tract unless a written Development Agreement is entered into by the parties for such tract.

7. Within thirty (30) days after the approval of this Agreement, Developer and City agree to cooperate in the development and approval of a Master Construction Schedule which details the timing and coordination of the design and construction of the Infrastructure and of Developer’s initial building within the overall Park Plan.

VII.

Miscellaneous

A. Mutual Assistance.

The City and Developer will do all things reasonably necessary or appropriate to carry out the terms and provisions of this Agreement, and to aid and assist each other in carrying out such terms and provisions in order to put each other in the same economic condition contemplated by this Agreement regardless of any changes in public policy, the law, or taxes or assessments attributable to the Property.

B. Representations and Warranties.

The City represents and warrants to Developer that this Agreement is within its authority, and that it is duly authorized and empowered to enter into this Agreement, unless otherwise ordered by a court of competent jurisdiction. Developer represents and warrants to the City that it has the requisite authority to enter into this Agreement.

C. Default.

If either the City or Developer should default in the performance of any obligations of this Agreement, the other party shall provide such defaulting party written notice of the default, and a minimum period of thirty (30) days to cure such default, prior to instituting an action for breach
or pursuing any other remedy for default. In the event of an uncured default by the City of any of its obligations hereunder, the City shall be liable to Developer for all costs of construction of public improvements within or adjacent to the Property incurred or suffered by Developer as a result of the City’s default. In the event of an uncured breach by Developer hereunder, the City, as its sole remedy, may recover from Developer the City’s direct damages in an amount not to exceed (i) \((x)\) 800,000 minus the square footage of all buildings constructed or under construction in the Property as of the applicable date, divided by \((y)\) 800,000; multiplied by (ii) the reasonable and actual amounts paid by the City to third-parties for construction of the Infrastructure as of the applicable date.

D. Attorney’s Fees.

In the event any legal action or proceeding is commenced between the City and Developer to enforce provisions of this Agreement and recover damages for breach, the prevailing party in such legal action shall be entitled to recover its reasonable attorney’s fees and expenses incurred by reason of such action, to the extent allowed by law.

E. Entire Agreement.

This Agreement contains the entire agreement between the parties. This Agreement may only be amended, altered or revoked by written instrument signed by the City and Developer.

F. Binding Effect.

This Agreement shall be binding on and inure to the benefit of the parties, their respective successors and assigns.

G. Assignment.

Developer may not assign its rights and obligations under this Agreement to a third party without obtaining written permission from City to do so. Notwithstanding the foregoing,
Developer’s obligations hereunder may be satisfied by third-parties constructing buildings on the Property after sales or ground leases of portions of the Property to such third parties.

H. Amendment.

This Agreement may be amended by the mutual written agreement of the parties.

I. Notice.

Any notice and or statement required and permitted to be delivered shall be deemed delivered by actual delivery, facsimile with receipt of confirmation, or by depositing the same in the United States mail, certified with return receipt requested, postage prepaid, addressed to the appropriate party at the following addresses:

**Developer:** Kevin Reid
Manager
Titan Innovation Park, LLC
9601 McAllister Fwy #1120
San Antonio, Texas 78216
Kevin@Titan-Development.com

**Copy to:** Christopher Pacheco
6300 Riverside Plaza Lane NW
Suite 200
Albuquerque, New Mexico 87120

**City:**
City of Hutto
Attn: City Manager
401 West Front Street
Hutto, TX 78634

**Schneiders:** Chris and Clay Schneider

Either party may designate a different address at any time upon written notice to the other party.

J. Applicable Law.
This Agreement is made, and shall be construed and interpreted, under the laws of the State of Texas and venue shall lie in Williamson County, Texas.

K. **Severability.**

In the event any provisions of this Agreement are illegal, invalid or unenforceable under present or future laws, and in that event, it is the intention of the parties that the remainder of this Agreement shall not be affected. It is also the intention of the parties of this Agreement that in lieu of each clause and provision that is found to be illegal, invalid, or unenforceable, a provision be added to this Agreement which is legal, valid or enforceable and is as similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

L. **Paragraph Headings.**

The paragraph headings contained in this Agreement are for convenience only and will in no way enlarge or limit the scope or meaning of the various and several paragraphs.

M. **No Third Party Beneficiaries.**

This Agreement is not intended to confer any rights, privileges or causes of action upon any third party.

N. **Exhibits.**

The following Exhibit is attached and incorporated by reference for all purposes:

- Exhibit “A”  Property description
- Exhibit “B”  Conceptual Master Plan
- Exhibit “C”  General Road, Utility and Drainage Specifications

O. **No Joint Venture.**

It is acknowledged and agreed by the parties that the terms hereof are not intended to and shall not be deemed to create any partnership or joint venture among the parties. The City, its past, present and future officers, elected officials, employees and agents of the City, do not assume any
responsibilities or liabilities to any third party in connection with the development of the Project or the design, construction or operation of any portion of the Project.

[SIGNATURES ON FOLLOWING PAGES]
EXECUTED to be effective as of the _____ day of ___________________, 2017.

TITAN INNOVATION PARK, LLC

By:_______________________________________
Printed Name:__________________________
Title: _________________________________

CITY OF HUTTO, TEXAS,
A home rule city and municipal corporation

By:_______________________________________

________________________
________________________
________________________

City Attorney

________________________

CHRIS SCHNEIDER

________________________

CLAY SCHNEIDER

________________________

VERONICA BOLANDER
EXHIBIT - A
DEPICTION OF THE SCHNEIDER PROPERTY
INNOVATION BOULEVARD
HUTTO, TX 78634
EXHIBIT B
CONCEPTUAL MASTER PLAN
EXHIBIT C
GENERAL ROAD, UTILITY AND DRAINAGE SPECIFICATIONS

General Road Specifications

In general, the Roadways shall be designed, engineered and constructed to reasonably serve the intended development of the Project and shall be in compliance with City of Hutto standards. The Roadways shall be constructed in accordance with the City of Hutto’s Thoroughfare Plan and Unified Development Code. The Roadways shall be constructed pursuant to City standards. The Roadways shall be designed, engineered and constructed to handle heavy truck traffic with a truck count in excess of one hundred trucks per day. The Roadways shall include all traffic signs, signals and other traffic control devices reasonably necessary or common in a business park of this size and nature. The Roadways shall comply with all City Unified Development Code and TXDOT (if applicable) requirements. The Roadways shall include all curbing, curb-cuts and driveway cuts. The Roadways shall be designed, engineered and constructed to comply with the drainage plan and Drainage Improvements. The City does not contemplate that any traffic study or analysis will be required for the development of the Project, construction of any building, or the construction of the Roadways. To the extent that any traffic study, traffic analysis, or other similar study is required by the City, TXDOT, or any other party having jurisdiction at any time, the costs of such study and any and all improvements or infrastructure required as a result of such study shall be completed by the City at its sole cost and expense and in a time and manner so as not to delay the construction or occupancy of any building by Developer.

General Utility Specifications

In general, the utilities shall be designed, engineered and constructed to reasonably serve the intended development of the Project and shall comply with City standards. The Utilities shall include water, sanitary sewer, electric, natural gas, telephone, fiber optic, and cable television all in a capacity sufficient to serve the fully constructed Project. All utilities and related utility easements shall be underground and placed within the Roadways right-of-way.

General Drainage Specifications

The Drainage Improvements generally include those improvements to Carmel Creek and those improvements within the Project necessary to collect and convey stormwater drainage from the Project and such other upstream flows as determined by the City. In general, the Drainage Improvements shall be designed, engineered and constructed to reasonably serve the intended development of the Project and shall be of such quality and characteristics typically required by tenants and purchasers of institutional quality tilt-wall buildings. The Drainage Improvements shall be constructed to accept all drainage from the Project, as fully developed with all buildings, parking lots and other impervious ground cover, all in a manner such that no detention or retention
ponds shall be required on any lot within the Project. The Drainage Improvements shall include such facilities required to comply with all EPA, FEMA and other federal, state and local requirements.