



**NOTICE OF REGULAR MEETING AGENDA
LANCASTER CITY COUNCIL
MUNICIPAL CENTER CITY COUNCIL CHAMBERS
211 N. HENRY STREET, LANCASTER, TEXAS**



Monday, June 12, 2017 - 7:00 PM

CALL TO ORDER

INVOCATION: Ministerial Alliance

PLEDGE OF ALLEGIANCE: Councilmember Carol Strain-Burk

PROCLAMATION: Juneteenth Celebration and Upsilon Lambda Omega Chapter of Alpha Kappa Alpha Sorority, Inc.

CITIZENS' COMMENTS:

At this time citizens who have pre-registered before the call to order will be allowed to speak on any matter other than personnel matters or matters under litigation, for a length of time not to exceed three minutes. No Council action or discussion may take place on a matter until such matter has been placed on an agenda and posted in accordance with law.

CONSENT AGENDA:

Items listed under the consent agenda are considered routine and are generally enacted in one motion. The exception to this rule is that a Council Member may request one or more items to be removed from the consent agenda for separate discussion and action.

1. Consider approval of minutes from the City Council Special Meeting held on May 8, 2017 and City Council Special Meeting held on May 15, 2017.
2. Consider a resolution approving the terms and conditions of the L-14 and L-26 ground leases at Lancaster Regional Airport.
3. Consider a resolution authorizing the City Manager to authorize on behalf of the City of Lancaster commercial and non-commercial leases, ground leases, and assignments and assumptions of ground leases at the Lancaster Regional Airport from June 12, 2017 to June 12, 2018.
4. Consider a resolution approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-tex Division regarding the company's 2017 rate review mechanism RRM filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement.
5. Consider a resolution approving the terms and conditions of a Cooperative Agreement by and between the City of Lancaster and Dallas County to provide the Community Development Block Grant Program.

6. Consider a resolution authorizing the City Manager to sign all documents regarding the submittal of an application for the KaBoom! Playground Build Grant to replace the playground at Kidsquare Park.
7. Consider a resolution authorizing the purchase of (1) one 2016 Ford F450 AEV Type I demonstration ambulance from Professional Ambulance in an amount not to exceed one hundred and ninety thousand dollars (\$190,000).

ACTION:

8. Discuss and consider a resolution accepting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016.
9. Discuss and consider an ordinance amending the Code of Ordinances by amending Chapter 14 Titled " Offenses and Additional Provisions", Article 14.05 Titled "Smoking in Public Places and Places of Employment" setting forth regulations prohibiting smoking in all workplaces and public places located within the City; providing regulations for electronic cigarettes and liquid nicotine; providing for prohibition of smoking in certain outdoor areas; providing for posting of signs; providing for penalties for business or establishments not to exceed two thousand dollars (\$2,000).
10. Consider an ordinance amending the Pleasant Run Estates Public Improvement District Five Year Service Plan, adopted by Ordinance No. 2016-08-15, as hereby amended by increasing the Pleasant Run Estates Public Improvement District Five Year Service Plan for fiscal year 2016/2017 by a total of \$11,950.

ADJOURNMENT

EXECUTIVE SESSION: The City Council reserve the right to convene into executive session on any posted agenda item pursuant to Section 551.071(2) of the Texas Government Code to seek legal advice concerning such subject.

ACCESSIBILITY STATEMENT: Meetings of the City Council are held in municipal facilities are wheelchair-accessible. For sign interpretive services, call the City Secretary's office, 972-218-1311, or TDD 1-800-735-2989, at least 72 hours prior to the meeting. Reasonable accommodation will be made to assist your needs.

PURSUANT TO SECTION 30.06 PENAL CODE (TRESPASS BY HOLDER WITH A CONCEALED HANDGUN), A PERSON LICENSED UNDER SUBCHAPTER H, CHAPTER 411, GOVERNMENT CODE (HANDGUN LICENSING LAW), MAY NOT ENTER THIS PROPERTY WITH A CONCEALED HANDGUN.

CONFORME A LA SECCION 30.06 DEL CODIGO PENAL (TRASPASAR PORTANDO ARMAS DE FUEGO CON LICENCIA) PERSONAS CON LICENCIA BAJO DEL SUB-CAPITULO 411, CODIGO DEL GOBIERNO (LEY DE PORTAR ARMAS), NO DEBEN ENTRAR A ESTA PROPIEDAD PORTANDO UN ARMA DE FUEGO OCULTADA.

PURSUANT TO SECTION 30.07 PENAL CODE (TRESPASS BY HOLDER WITH AN OPENLY CARRIED HANDGUN), A PERSON LICENSED UNDER SUBCHAPTER H, CHAPTER 411, GOVERNMENT CODE (HANDGUN LICENSING LAW), MAY NOT ENTER THIS PROPERTY WITH A HANDGUN THAT IS CARRIED OPENLY.

CONFORME A LA SECCION 30.07 DEL CODIGO PENAL (TRASPASAR PORTANDO ARMAS DE FUEGO AL AIRE LIBRE CON LICENCIA) PERSONAS CON LICENCIA BAJO DEL SUB-CAPITULO H, CAPITULO 411, CODIGO DE GOBIERNO (LEY DE PORTAR ARMAS), NO DEBEN ENTRAR A ESTA PROPIEDAD PORTANDO UN ARMA DE FUEGO AL AIRE LIBRE.

Certificate

I hereby certify the above Notice of Meeting was posted at the Lancaster City Hall on June 8, 2017 @ 10:00 p.m. and copies thereof were provided to the Mayor, Mayor Pro-Tempore, Deputy Mayor Pro-Tempore and Council members.



Sorangel O. Arenas
City Secretary

LANCASTER CITY COUNCIL

City Council Regular Meeting

1.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2015-2016 Policy Agenda

Submitted by: Sorangel O. Arenas, City Secretary

Agenda Caption:

Consider approval of minutes from the City Council Special Meeting held on May 8, 2017 and City Council Special Meeting held on May 15, 2017.

Background:

Attached for your review and consideration are minutes from the:

- City Council Regular Meeting held on May 8, 2017 and
- City Council Special Meeting held on May 15, 2017.

Attachments

May 8, 2017 Minutes

May 15, 2017 Minutes

MINUTES

LANCASTER CITY COUNCIL REGULAR MEETING OF MAY 8, 2017

The City Council of the City of Lancaster, Texas, met in a called Regular session in the Council Chambers of City Hall on May 8, 2017 at 5:30 p.m. with a quorum present to-wit:

Councilmembers Present:

Mayor Marcus E. Knight
Mayor Pro Tem Carol Strain-Burk
Deputy Mayor Pro Tem Stanley Jaglowski
Marco Mejia
Spencer W. Hervey Jr.
Clyde C. Hairston
Nina Morris

City Staff Present:

Opal Mauldin-Jones, City Manager
Rona Stringfellow, Assistant City Manager
Sean Johnson, Managing Director of Quality of Life & Cultural Services
Shane Shepard, Director of Economic Development
Fabrice Kabona, Assistant to the City Manager
Alton Dixon, Purchasing Agent
Sorangel O. Arenas, City Secretary

Call to Order:

Mayor Knight called the meeting to order at 5:31 p.m. on May 8, 2017 and altered the order on the agenda.

Executive Session:

- 4. The City Council shall convene into closed executive session pursuant to Section §551.074 (a)(1) of the Texas Government Code to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee, to wit: interview candidates for the position of City Attorney.**
- 5. Reconvene into open session. Consider and take appropriate action(s), if any, on closed/executive session matters.**

The City Council recessed for Executive Session at 5:32 p.m. and reconvened into open session at 9:08 p.m.

Invocation:

Pastor Dixon gave the invocation.

Pledge of Allegiance:

Councilmember Morris led the pledge of allegiance.

Proclamation:

Mayor Knight read a proclamation announcing the month of May as "Motorcycle Safety Awareness Month," which urges all residents to increase safety and awareness in the community to enable the reduction of accidents and injuries involving motorcyclists.

Citizens' Comments:

Sherita Haggerty, 1836 Athena Drive, did not wish to speak but shows support for agenda item 2.

Sue Wyrick, 721 Sequoia Drive, did not wish to speak but shows support for agenda item 2.

Consent Agenda:

City Secretary Arenas read the consent agenda.

1. **Consider approval of minutes from the City Council Regular Meeting held on April 24, 2017.**
2. **Consider a resolution of the City Council of the City of Lancaster approving an agreement between the City of Lancaster and Great Lakes Recycling Inc. d/b/a Simple Recycling to permit the collection of soft recyclable materials from residential customers within the City.**

Mayor Pro Tem Strain-Burk requested additional staff comments on item 2 regarding the collection of items.

Keith Kahn, 892 Union Station Parkway, Lewisville, commented that textile waste items will need to be placed in the orange bag. Additional, if the bag is removed from the property by any individual other than the company or property owner the act is a theft.

Deputy Mayor Pro Tem Jaglowski inquired how the information will be communicated to the citizens. Mr. Kahn shared that the company will prepare and distribute the materials with specific instructions.

Councilmember Hairston inquired as to the average cost received per ton. Mr. Kahn commented that the monthly statement will reflect \$20 per ton for the City.

Councilmember Hervey inquired of staff if number four (4) on page 2 of 11 of the contract will impact other organizations which states, "During the term, Contractor shall have the sole and exclusive rights to pick up Soft Recyclables in the Service Area through municipal contracted pick up."

Assistant to the City Manager Kabona shared that citizens still have the ability to make donations to any organization of their choice. However, approval of item 2 gives the Simple Recycling authorization for curb-side pick-up.

MOTION: Mayor Pro Tem Strain-Burk made a motion, seconded by Deputy Mayor Pro Tem Jaglowski to approve consent items. The vote was cast for 7, 0 against.

3. **Discuss and consider resolution supporting 85th Texas Legislature House Bill (H.B.) 1156, House Bill (H.B.) 2390, Senate Bill (S.B.) 1084, and Senate Bill (S.B.) 1090 related to animal services.**

Mayor Knight requested staff comments on the operational issues that would be impacted by the bills. For example, House Bill (H.B.) 2390, letter A, states, "before an animal adoption becomes final, a shelter provide the proposed new owner with a written history showing if the animal has been screened or tested for diseases and conditions common to the species along with any test dates and result."

Assistant to the City Manager Kabona shared that the history is being provided to the new owner as part of the adoption package.

Deputy Mayor Pro Tem Jaglowski shared that he has studied the bills listed in item 3 from prior legislative sessions. He commented that the bill will take the responsibility from staff and volunteers while the animals are present at the shelter and will open the door for additional resources.

Councilmember Mejia inquired if passing of these bills will require additional staff and funding. Assistant to the City Manager Kabona shared that staff already provides the information that the shelter has of the treatment the animals receives.

Mayor Knight commented that if the bills become law then the city will adhere to them but the question is will these bills be a burden to the City.

Councilmember Morris inquired if the item can be tabled until after the legislative session. Mayor Knight shared the month of May is the end of the current legislative session.

MOTION: Deputy Mayor Pro Tem Jaglowski made a motion, seconded by Mayor Pro Tem Strain-Burk to approve item 3. The vote was cast for 5, 2 against [Mejia and Hervey].

MOTION: Councilmember Morris made a motion, seconded by Councilmember Hairston to appoint legal services with Brown & Hofmeister, L.L.P. The vote was cast for 4, 3 against [Knight, Strain-Burk, and Mejia].

MOTION: Councilmember Hairston made a motion, seconded by Mayor Pro Tem Strain-Burk to adjourn. The vote was cast for 7, 0 against.

The meeting was adjourned at 9:47 p.m.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

MINUTES

LANCASTER CITY COUNCIL SPECIAL MEETING OF MAY 15, 2017

The City Council of the City of Lancaster, Texas, met in a called Special session in the Council Chambers of City Hall on May 15, 2017 at 7:00 p.m. with a quorum present to-wit:

Councilmembers Present:

Mayor Marcus E. Knight
Mayor Pro Tem Carol Strain-Burk
Deputy Mayor Pro Tem Stanley Jaglowski
Marco Mejia
Spencer W. Hervey Jr.
Clyde C. Hairston
Nina Morris

City Staff Present:

Opal Mauldin-Jones, City Manager
Rona Stringfellow, Assistant City Manager
Dori Lee, Human Resources Director
Baron Sauls, Finance Director
Shane Shepard, Director of Economic Development
Sean Johnson, Managing Director of Quality of Life & Cultural Services
Jim Brewer, Director of Public Works
Jermaine Sapp, Director of Equipment Services and Facilities
Alton Dixon, Purchasing Agent
Fabrice Kabona, Assistant to the City Manager
Cheryl Womble, Administrative & Community Relations Supervisor
Chris Youngman, Assistant Fire Chief
Michael Fine, Lieutenant
Charley Miller, Assistant Police Chief
Mayra A. Ortiz, Deputy City Secretary
Sorangel O. Arenas, City Secretary

Call to Order:

Mayor Knight called the meeting to order at 6:01 p.m. on May 15, 2017.

1. Administer oaths of office and present Certificates of Election.

City Secretary Arenas administered the Oath of Office for Stanley M. Jaglowski and Spencer W. Hervey. Ms. Carolyn Morris administered the Oath of Office for Nina L. Morris. Certificates of Election were presented.

Deputy Mayor Pro Tem Jaglowski thanked his constituents in District 2 and expressed his excitement to work with City Council and staff. He thanked his wife, Stacy, for her support.

Councilmember Hervey thanked God, City Council, staff, and, especially, his constituents in District 4. Councilmember Hervey sincerely expressed his gratitude to his wife for always being by his side. Councilmember Hervey state he is excited to have the opportunity to serve for the next three years with City Council and staff to improve and attempt to make the City a better place for the future.

Ms. Carolyn Morris expressed her appreciation to Councilmember Morris for serving the community and thanked the constituents in District 6. Councilmember Morris shared that this will be her fourth term and expressed appreciation for the knowledge and growth since her first term. Also, she expressed her appreciation to her constituents of District 6, family, and friends for allowing her the opportunity to serve. Most importantly, she thanked her husband for supporting her and taking care of their daughter when she is unable. Councilmember Morris shared that it is a privilege to serve on the City Council and expressed gratitude toward her colleagues.

Re-elected councilmembers were seated: Deputy Mayor Pro Tem Stanley M. Jaglowski, District 2; Councilmember Spencer W. Hervey, Jr., District 4; and Councilmember Nina L. Morris, District 6.

Executive Session:

2. City Council shall convene into closed executive session pursuant to:

- a. **Section §551.072 of the Texas Government Code, discuss and deliberate the acquisition, purchase, exchange, lease or value of real property as deliberation in this open meeting would have a detrimental effect of the position of the City of Lancaster in negotiations with third persons.**
- b. **Section §551.074 (a)(1) of the Texas Government Code to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee, to wit: City Attorney candidates.**

3. Reconvene into open session. Consider and take appropriate action(s), if any, on closed/executive session matters.

The City Council recessed for Executive Session at 7:28 p.m. and reconvened into open session at 8:10 p.m.

No action taken.

4. Consider election of a Mayor Pro Tempore.

Councilmember Morris nominated Councilmember Hairston. Deputy Mayor Pro Tem Jaglowski nominated Mayor Pro Tem Strain-Burk.

A roll call vote was cast 4 for, 3 against for Councilmember Hairston to serve as Mayor Pro Tempore.

5. Consider election of a Deputy Mayor Pro Tempore.

Mayor Pro Tem Hairston nominated Councilmember Morris. Councilmember Strain-Burk nominated Deputy Mayor Pro Tem Jaglowski.

A roll call vote was cast 5 for, 2 against for Councilmember Morris to serve as Deputy Mayor Pro Tempore.

6. Discuss and consider appointment of council liaisons to City Boards and Commissions.

Mayor Knight stated that the history of councils' selection to be appointed as a liaison to the City Boards and Commissions is based on tenure. He stated there are 12 boards and commissions and 6 council members that are able to participate.

City Council made their selection of board/commissions to serve as council liaison as follows:

Deputy Mayor Pro Tem Morris
Councilmember Mejia
Councilmember Jaglowski
Councilmember Strain-Burk
Mayor Pro Tem Hairston
Councilmember Hervey
Deputy Mayor Pro Tem Morris
Councilmember Mejia
Councilmember Jaglowski
Councilmember Strain-Burk
Mayor Pro Tem Hairston
Councilmember Hervey
Deputy Mayor Pro Tem Morris

Parks & Rec and Recreational Development Corp.
Economic Development Corporation
Animal Advisory Board
Planning and Zoning Commission
Civil Service Commission
Airport Advisory Board
Property Standards & Appeals Board
did not select
Library Advisory Board
Historic Landmark Preservation Committee
Museum Advisory Board
Zoning Board of Adjustment
Youth Advisory Commission

MOTION: Deputy Mayor Pro Tem Morris made a motion, seconded by Deputy Mayor Pro Tem Hairston, to adjourn. The vote was cast 7 for, 0 against.

The meeting was adjourned at 8:17 p.m.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

LANCASTER CITY COUNCIL

City Council Regular Meeting

2.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Financially Sound Government
Sound Infrastructure

Submitted by: Mark Divita, Airport Manager

Agenda Caption:

Consider a resolution approving the terms and conditions of the L-14 and L-26 ground leases at Lancaster Regional Airport.

Background:

In 1989 the City ground leased lots L-12 through L-35 to Airport Properties, Inc. through a Master Lease in order to facilitate hangar development. Airport Properties, Inc. then issued sub-leases to lessees to buy and occupy the built hangars. In 1998 Airport Properties, Inc. sold its interest in the Master Lease to the City through an Assignment and Assumption agreement dated August 3, 1998. A major discrepancy was recently discovered when the current owner of the L-27 & L-29 ground leases prepared to sell their hangars. The Master Lease Assignment and Assumption agreement from Airport Properties, Inc. to the City was signed on August 3, 1998, however, the second paragraph on page 2 of the Assignment and Assumption states "If any of the above parties fail to execute this Assignment and Assumption Agreement, on or before August 1, 1998, then this assignment shall become null and void and of no further force and effect."

Therefore, the City Attorney drafted a complete new set of ground leases that maintained the same basic content and spirit of the original Master Lease and sub leases. The new leases eliminate previous ambiguity on insurance, length of lease term, taxes, and right of first refusal for re-letting. At the April 20, 2017 meeting council addressed L-27 and L-29 ground leases.

This agenda communication brings forward a remedy ground lease, L-14, for lessee Mr. Tommy Tigert and L-26, for lessee Mr. David Pasahow.

Operational Considerations:

The new leases allow for the continued utilization of the hangars.

Legal Considerations:

The resolution and lease agreement were reviewed and approved as to form by the City Attorney.

Public Information Considerations:

This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meeting Act.

Fiscal Impact:

The lease rates were carried over from the original leases and vary between leases. The rates are on an escalating schedule for the term of the lease increasing revenue for the Airport over time. The rates can be found on page 1 of each lease.

Options/Alternatives:

1. Approve the resolution, as presented.
2. Deny the resolution.

Recommendation:

Staff recommends approval of the resolution, as presented.

Attachments

Resolution

Exhibit "1" (L-14 & L-26)

1989 Master Lease

1989 Master Lease Assignment and Assumption

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING THE TERMS AND CONDITIONS OF THE L-14, L-26 GROUND LEASES AT LANCASTER REGIONAL AIRPORT; AUTHORIZING THE CITY MANAGER TO EXECUTE SAID LEASES; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Lancaster Regional Airport has aircraft hangars ground leased from the Airport; and

WHEREAS, the City Council of Lancaster, Texas, desires to authorize the ground leases pursuant to the tenants listed in Exhibit "1".

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

SECTION 1. That the City ground lease agreement attached hereto and incorporated herein by reference as Exhibit "1" having been reviewed by the City Council of the City of Lancaster, Texas and found to be acceptable and in the best interest of the City and its citizens, be, and the same is hereby, in all things approved.

SECTION 2. That the City Manager is hereby authorized to execute said lease agreements.

SECTION 3. This Resolution shall become effective immediately from and after its passage, as the law and charter in such cases provide.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

GROUND LEASE

WHEREAS, the City of Lancaster (hereinafter called "City" or "Owner") is the owner of the Lancaster Regional Airport in Lancaster, Texas (the "Airport"); and

WHEREAS, the development of the Airport and its pad sites is important to the vitality of the Airport.

This Ground Lease (the "Lease") is made this **12th day of June, 2017** (the "Commencement Date") between the City and Tommy Tigert (hereinafter called "Lessee"), which has entered into an agreement to acquire a ground lease for Hangar No. **L-14** on the Airport property (said Hangar, together with the improvements now or hereafter located thereon or installed therein are collectively referred to herein as the "Leased Premises"), which is situated on Lot No. A of the land more particularly described on **Exhibit A** attached hereto and incorporated herein (said land comprising a portion of the Airport).

- 1. INITIAL TERM.** The term of this Lease shall be from the Commencement Date until **June 12, 2019**.
- 2. GROUND RENT.** In consideration of this Lease, Lessee agrees during each year of the term of this Lease to pay to the City a yearly ground rental ("Ground Rent"). Ground Rent will be due in advance, with the first installment due on the Commencement Date and each subsequent installment due on each anniversary of the Commencement Date. The yearly Ground Rent shall be as follows:

Years 1-2	\$ <u>610.00</u>
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Any Ground Rent or any other sums due and owing by Lessee to City hereunder which is/are not paid within ten (10) days after its/their due date shall bear interest at a rate of 10% per annum until said amount due is fully paid.

- 3. EXTENSION OF TERM.** Lessor hereby grants Lessee, its successors, heirs, and assigns, two successive options to extend this Lease on the Lease remises, as existing at the times(s) when either is exercised as follows:
 - a. **First Option Period:** Five (5) years, beginning at the expiration date of the initial term.
 - b. **Second Option Period:** Five (5) years beginning at the expiration date of the first option period.
 - i. As a condition for the exercise of each option, Lessee shall give Lessor written notice of Lessee's intent to exercise its option at least six (6)

months prior to the expiration date of the term of the Lease, as then in effect.

- ii. All conditions and covenants contained herein shall remain in force during any extension of term pursuant to said option(s) except the provision for rental, which shall be renegotiated by the parties in advance of any extension using as a basis the standard airport ground rental rates then prevailing at Lancaster Regional Airport. During any option period, no rental shall be charged for any lease hold improvements added or constructed by Lessee, or sublessee, or successor during the term of the Lease or any option period.
- iii. Lessee's right to exercise such option is conditional on proper notice, required in Paragraph "i." of this section and is further conditional upon Lessee not being in default in the performance of its covenants undertaken by Lessee at the beginning date of the extension of the term for which such notice is given.
- iv. Lessee shall not have the right to exercise such options if this Lease has been terminated under any termination rights provided for in the Lease, or if Lessee is in default as to any provision or condition of the Lease prior to the exercise of an option granted under this section.

4. LEASEHOLD IMPROVEMENTS: During the term of this Lease, Lessee shall have the right to construct additional facilities on the Leased Premises, all of which shall be in accordance with the terms and conditions of this Lease and any applicable City code or FAA requirements (the "Leasehold Improvements"). Any Leasehold Improvements shall be completed in strict accordance with the following:

- A. Lessee shall at no time permit a lien or claim against any part of the Leased Premises to exist or to come into being arising out of the Leasehold Improvements.
- B. All costs of Leasehold Improvements, labor, work, materials, and equipment installed or placed upon the Leased Premises shall be paid for solely by Lessee.
- C. Lessee understands and agrees that any damage to the Leased Premises caused by the construction and/or installation of the Leasehold Improvements shall be repaired at Lessee's sole cost and expense.

5. UTILITIES: Utilities will be provided for as follows:

- A. **ELECTRICITY:** Electrical charges for the Leased Premises will be assessed at a \$5.00 per month minimum charge, regardless of occupancy. This minimum charge may be increased to \$7.00 per month during the last 6 years of this Lease.
- B. **WATER AND SEWER:** Water and sewer charges for the Leased Premises will be assessed at a \$5.00 per month minimum charge, regardless of occupancy. This minimum charge may be increased to \$7.00 per month during the last 6 years of this Lease.

6. TERMS: During the term of this Lease, the Lessee agrees to the following:

- A. To abide by all rules and regulations of the Federal Aviation Administration (the "FAA"), State of Texas, City of Lancaster, and any other duly constituted public authority having jurisdiction over the Airport.
- B. To accept the Leased Premises (as of the Commencement Date) in its "as is, where is" condition. City hereby disclaims and Lessee hereby accepts such disclaimer of any warranty (except a 12-month warranty), express or implied, of the conditions of fitness for use of the Leased Premises. Except for damage to the Leased Premises resulting from the negligence or willful misconduct of the City and/or their agents, officers or employees (for which the City shall have liability to repair and/or replace such damage), Lessee shall maintain and repair the Leased Premises during the term hereof.
- C. During the term of this Lease, Lessee shall, at its sole cost and expense, carry (i) commercial general liability insurance (in amounts determined by Lessee), which shall name the City as an additional insured and (ii) property insurance with respect to the improvements now or hereafter comprising a part of the Leased Premises, which shall be in the amount of 100% of the replacement cost of all such improvements now or hereafter comprising a part of the Project (as such replacement cost is reasonably determined by Lessee) and name City as an additional insured, loss payee. All property insurance proceeds will be payable by joint check to the City and the Lessee for the sole purpose of rebuilding the improvements to at least their condition prior to the date of the applicable damage or casualty.
- D. To furnish such equipment in and to the Leased Premises as may be necessary to properly secure Lessee's aircraft and hangar (office areas included). Lessee agrees to be solely responsible for setting brakes, placing chocks, tying down or otherwise securing Lessee's aircraft in the Leased Premises.

- E. Not to hold City or any of their agents or employees responsible for any loss occasioned by fire, theft, rain, windstorm, hail, or any other force majeure event, whether said cause be the direct, indirect, or merely a contributing factor in producing the loss to any airplane, automobile, personal property, parts or surplus that may be located or stored in the Leased Premises, offices, aprons, field, or any other location at the Airport.
 - F. Except as otherwise indicated below, to indemnify, defend, hold harmless the City and their agents, officers, and employees, from and against any and all liability or loss resulting from claims or court action arising directly out of the acts of Lessee, Lessee's agents, servants, guests, or business visitors, under this Lease or by reason of any act or omission of such person arising from any use of the Airport premises and/or facilities. This indemnification provision shall not be applicable, however, if the negligence or willful misconduct of the City and/or their agents, officers or employees was a contributing factor to such event resulting in liability or loss.
 - G. To prohibit storage of any inflammable liquids, gases, signal flares, or other similar material on the Leased Premises, or in any building on the Airport; except that such materials may be kept in aircraft housed within the Leased Premises, or in rooms or areas specifically approved for such storage by the Airport Supervisor, or in underwriter-approved safety cans.
 - H. To permit City to enter the Leased Premises with a prearranged appointment for inspection or repairs, of additions, or alterations necessary for the safety, improvement, or preservation of the Leased Premises.
 - I. City shall have, at all times during normal business hours, the right to enter into the Leased Premises and inspect Lessee's facilities and operations for the purposes of determining Lessee's compliance with its obligations under this Lease. City shall provide at least 24 hours' notice before any inspection except in cases of emergency. Notice shall be sufficient if prominently posted on the building on the Leased Premises 24 hours prior to the inspection.
- 7. ASSIGNMENTS AND SUBLETTING:** Lessee may sublet the Leased Premises or any part thereof provided Lessee delivers prior written notice thereof to the City. Lessee may assign its rights in this Lease to a third party provided the assignee shall agree in writing to assume all of the terms, covenants, and conditions of this Lease, and a duplicate original thereof shall be delivered to the City prior to the effective date of such assignment. Provided the immediately preceding sentence is satisfied, the assignor of this Lease shall be released from any further liabilities or obligations under this Lease from and after the effective date of such assignment.

8. DEFAULT: The following shall be deemed to be events of default by Lessee under this Lease:

- A. The making by Lessee of an assignment for the benefit of its creditors;
- B. The levying on or against any part of the Leased Premises of a writ of execution or attachment which is not released or discharged within thirty (30) days thereafter;
- C. In the event proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation, or involuntary dissolution of Lessee, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of Lessee, and proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the institution of said proceedings;
- D. Any act which creates a Mechanics Lien or claim therefor against any part of the Leased Premises which is not released or discharged within thirty (30) days thereafter; or
- E. The failure of Lessee to pay any installment of Ground Rent or other charge or money obligation herein required to be paid by Lessee within twenty (20) days after written notice is given by City to Lessee, or the failure of Lessee to perform any Lessee's other covenants under this Lease not involving the payment of money within thirty (30) days after written notice is given by City to Lessee.

Upon the occurrence of any of the above uncured defaults, City may terminate this Lease and re-enter the Leased Premises with or without process of law using such force as may be necessary, change the locks or otherwise lock out Lessee and remove all persons and property from the Leased Premises. City shall not be liable for damages or otherwise by reason of re-entry or termination of this Lease. It is further understood that Lessee will, in addition to the rent and other sums agreed to be paid hereunder, pay reasonable attorney's fees incurred by the City to enforce the provisions of this Lease, or the collection of the rent due to the City. Any property belonging to Lessee or to any persons holding by, through, or under Lessee, or otherwise found upon the Leased Premises, may be removed therefrom and stored in any public warehouse at the cost of and for the account of Lessee.

9. MISCELLANEOUS PROVISIONS:

A. REMOVAL OF PERSONAL PROPERTY AND FIXTURES.

- i. Upon the termination of this Lease, Lessee shall remove all personal property from the Leased Premises and return the Leased Premises to the City in broom clean and good condition, ordinary wear and tear excepted. Lessee shall not, however, remove or be required to remove: (1) any improvements then comprising a part of the Leased Premises (including any Existing Improvements or Leasehold Improvements); or (2) any fixtures permanently or semi-permanently affixed in or to the Leased Premises, all of which are (and shall be) property of the City.
- ii. Any personal property remaining on the Leased Premises sixty (60) days after termination of this Lease for any reason shall be deemed as abandoned by Lessee and City may make any disposition of such personal property as it deems appropriate. City may charge Lessee for the reasonable costs incurred in disposing of such personal property.

B. TAXES. Lessee shall be responsible for the payment of any taxes or assessments on its furniture, equipment and personal property now or hereafter located in or on the Leased Premises. However, Lessee shall not be responsible or liable for any ad valorem or similar taxes or assessments on the land, improvements and/or fixtures now or hereafter constituting a portion of the Leased Premises.

C. ENVIRONMENTAL LAWS. Lessee's obligations under this Lease specifically include, but are not limited to, strict and timely compliance with all environmental laws. Lessee shall ensure that all operations on the Leased Premises comply with all environmental laws and orders of any governmental authorities having jurisdiction under any environmental laws. Lessee shall exercise extreme care in handling hazardous substances and shall undertake any and all preventive, investigatory, or remedial action (including emergency response, removal, containment, and other remedial action) which is either required by and applicable environmental laws or orders of any governmental authorities having jurisdiction under any environmental laws. Lessee shall exercise extreme care in handling hazardous substances and shall undertake any and all preventive, investigatory, or remedial action (including emergency response, removal, containment, and other remedial action) which is either required by any applicable environmental laws or orders of any governmental authority having jurisdiction under such laws, or necessary to prevent or minimize

property damage, personal injury or damage to the environment or threat of any such damage or injury, by releases of, or exposure to, hazardous materials in connection with the Leased Premises or operations thereon. Lessee shall immediately notify the City upon becoming aware of any leak, spill, release or disposal of hazardous substances on, under, or adjacent to the Leased Premises. In the event Lessee fails to perform any of Lessee's obligations under this paragraph, City may, but shall not be required to, perform such obligations at Lessee's expense. In performing any such obligations of Lessee, City shall at all times be deemed the agent of Lessee and shall not, by reason of such performance, be deemed to be assuming any responsibility of Lessee under any environmental law or to any other third party. The City may from time to time during the term of this Lease exercise its inspection rights in accordance with Section 6. I above to ensure Lessee's compliance with this paragraph.

- i. As used in this Lease, the term "environmental laws" means all state, federal, and local statutes, regulations, and ordinances relating to the protection of human health and the environment.
- ii. In this Lease, the term "hazardous materials" is used in its very broadest sense and refers to materials that, because of their quantity, concentration or physical, chemical, or infectious characteristics, may cause or pose a present or potential hazard to human health and to the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported, or otherwise handled on the Leased Premises. The term includes, without limitation, petroleum products or crude oil or any fraction thereof, and any and all hazardous or toxic substances, materials, or wastes as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation, and Liability Act, and any other environmental laws.
- iii. If, prior to termination of this Lease, City informs Lessee in writing that Lessee is in breach of this paragraph (and such breach is not cured to the reasonable satisfaction of the City prior to the termination date of this Lease), Lessee's obligations to the City under this paragraph shall not be terminated upon the termination of the Lease, but shall continue as an ongoing obligation.

- D. RIGHT OF FIRST REFUSAL.** At the end of the Lease term (if the Lease has not been terminated early due to a Lessee default hereunder), Lessee (or its heirs, successors, and assignees) shall be given a first right of refusal to again lease the Leased Premises on terms substantially similar to those set forth in this Lease. However, the length of such new lease and rental to be paid thereunder (which shall be based on the improved ground lease rate per the City's adopted fee schedule for the Airport) shall be mutually agreed upon, and negotiated directly with the City.
- E. CITY'S COVENANTS.** During the term of this Lease, City covenants and agrees: (a) at City's sole cost and expense, to maintain all the Airport runways, roads, lighting, instrument approaches and all common taxiways; and (b) Lessee shall have the right of ingress and egress to and from the Leased Premises by means of roadways (for automobiles) and taxiways (for aircraft), all in conformity with the rules and regulations adopted from time to time by the City, the FAA or any other state, federal or local authority.
- F. TEXAS LAW TO APPLY:** This Lease shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Dallas County, Texas.
- G. PARTIES BOUND:** This Lease shall be binding on and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as otherwise expressly provided herein.
- H. LEGAL CONSTRUCTION:** In case any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
- I. PRIOR AGREEMENTS SUPERSEDED:** This Lease constitutes the only agreement of the parties hereto and supersedes and prior understandings or written or oral agreements between the parties.
- J. ATTORNEY'S FEES:** If any action at law or in equity, including any action for declaratory relief, is brought to enforce or interpret the provisions of this Lease, the prevailing party shall be entitled to recover reasonable attorney's fees from the other party, which fees

may be set by the court in the trial of such action or may be enforced in a separate action brought for that purpose, and which fees shall be in addition to any other relief which may be awarded.

- K. **NOTICE:** Unless otherwise provided herein, any notice, tender, or delivery to be given hereunder by either party to the other may be effected by personal delivery in writing or by registered or certified mail, postage prepaid, return receipt requested, addressed to the parties at the respective addresses set forth below or at such other address as they shall have theretofore specified by written notice to the other. Any notice shall be deemed delivered and effective if hand delivered on the date of delivery or if mailed when deposited in the U.S. Mails, postage prepaid and properly addressed.
- L. **TIME OF ESSENCE:** Time is of the essence of this Lease.
- M. **NATURE AND EXTENT OF AGREEMENT:** This instrument and its exhibits contains the complete agreement of the parties regarding the terms and conditions of the lease of the Leased Premises by the City to Lessee, and there are no oral or written conditions, terms, understandings, or other agreements pertaining thereto which have not been incorporated herein. This instrument creates only the relationship of City and Lessee between the parties hereto as to the Leased Premises. Nothing in this Lease shall be construed to create a partnership, joint venture or association between the City and Lessee, and, except as otherwise indicated herein, this Lease shall not be construed to authorize either City or Lessee to act as agent for the other.
- N. **CAPTIONS AND HEADINGS:** The captions and headings in this Lease are for convenience and reference only, and the words contained therein shall be in no way be held or deemed to define, limit, describe, explain, modify, amplify or add to the interpretation, construction or meaning of any provision of or the scope or intent of this Lease or in any way affect this lease.
- O. **AUTHORITY TO EXECUTE:** City and Lessee represent and warrant to each other that each is full authorized to enter into this Lease without the joinder of any other person, executing this lease on behalf of each, such party corporate, partnership or joint venture action required has been taken.

[Remainder of Page Intentionally Blank]

LESSEE:

CITY OF LANCASTER:

Tommy Tigert

Owner

Address for Notice:

1305 Ferris Rd

Lancaster, TX 75146

Opal Mauldin-Jones

City Manager

Address for Notice:

PO Box 940

Lancaster, TX 75146

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on _____ by _____.

[Seal]

Notary Public Signature

My Commission expires on _____

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on _____ by _____.

[Seal]

Notary Public Signature

My Commission expires on _____

EXHIBIT A

DESCRIPTION

BEING a tract of land situated in the JONES GREEN SURVEY, ABSTRACT NO. 504, in the City of Lancaster, Dallas County, Texas, and being part of a tract conveyed to the City of Lancaster, by Betty Edwards Smith Woodward, by Deed dated March 22, 1984, and recorded in Volume 84061, at Page 1039, in the Deed Records of Dallas County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point for corner, which is located South 12 degrees 19 minutes 00 seconds East, 143.70 feet and North 77 degrees 41 minutes 00 seconds East, 71.91 feet from the Southeast corner of the most Southerly five (5) existing hangars adjacent to Lancaster Ferris Road;

THENCE South 39 degrees 07 minutes 12 seconds East for a distance of 257.69 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 305.36 feet to the beginning of a curve to the right having a radius of 45.00 feet, a tangent distance of 22.98 feet, a chord distance of 40.98 feet;

THENCE in a Northwesterly direction along said curve to the right through a central angle of 54 degrees 06 minutes 42 seconds for a distance of 42.50 feet to the beginning of a curve to the left having a radius of 100.00 feet, a tangent distance of 51.08 feet, a chord of 90.97 feet;

THENCE in a Northwesterly direction along said curve to the left through a central angle of 54 degrees 06 minutes 42 seconds for a distance of 94.44 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 90.53 feet to a point for corner;

THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 81.00 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 6.00 feet to a point for corner;

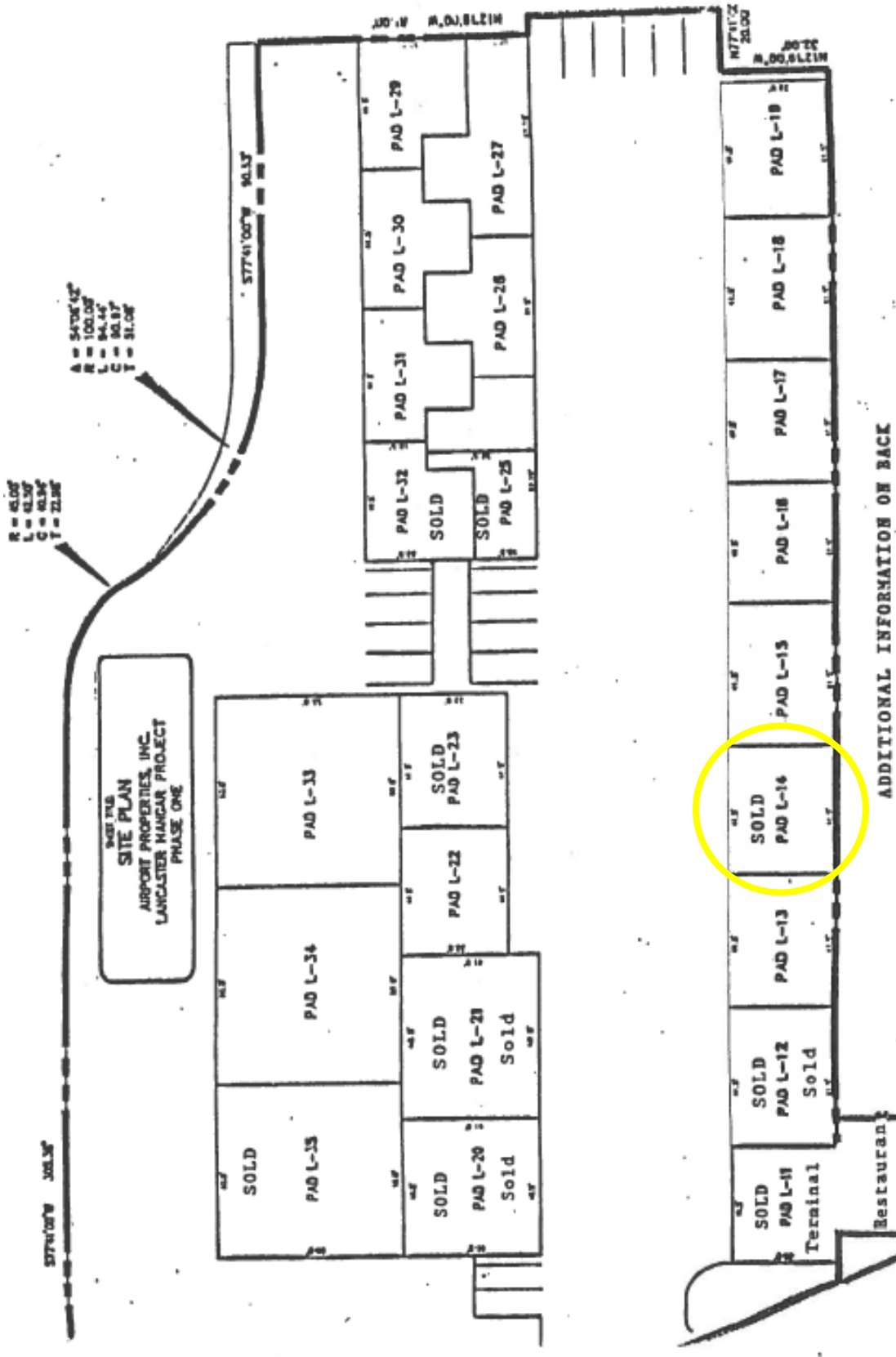
THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 57.00 feet to a point for corner;

THENCE North 77 degrees 41 minutes 00 seconds East for a distance of 20.00 feet to a point for corner;

THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 32.00 feet to a point for corner;

THENCE North 77 degrees 41 minutes 00 seconds East for a distance of 383.16 feet to the PLACE OF BEGINNING.

CONTAINING 95,111.64 square feet or 2.1835 acres of land.



GROUND LEASE

WHEREAS, the City of Lancaster (hereinafter called “City” or “Owner”) is the owner of the Lancaster Regional Airport in Lancaster, Texas (the “Airport”); and

WHEREAS, the development of the Airport and its pad sites is important to the vitality of the Airport.

This Ground Lease (the “Lease”) is made this **12th day of June, 2017** (the “Commencement Date”) between the City and David Pasahow (hereinafter called “Lessee”), which has entered into an agreement to acquire a ground lease for Hangar No. **L-26** on the Airport property (said Hangar, together with the improvements now or hereafter located thereon or installed therein are collectively referred to herein as the “Leased Premises”), which is situated on Lot No. C of the land more particularly described on **Exhibit A** attached hereto and incorporated herein (said land comprising a portion of the Airport).

- 1. INITIAL TERM.** The term of this Lease shall be from the Commencement Date until **March 14, 2029**.
- 2. GROUND RENT.** In consideration of this Lease, Lessee agrees during each year of the term of this Lease to pay to the City a yearly ground rental (“Ground Rent”). Ground Rent will be due in advance, with the first installment due on the Commencement Date and each subsequent installment due on each anniversary of the Commencement Date. The yearly Ground Rent shall be as follows:

Year 1	\$ <u>345.00</u>
Years 2-6	\$ <u>365.00</u>
Years 7-12	\$ <u>415.00</u>

Any Ground Rent or any other sums due and owing by Lessee to City hereunder which is/are not paid within ten (10) days after its/their due date shall bear interest at a rate of 10% per annum until said amount due is fully paid.

- 3. EXTENSION OF TERM.** Lessor hereby grants Lessee, its successors, heirs, and assigns, two successive options to extend this Lease on the Lease remises, as existing at the times(s) when either is exercised as follows:
 - a. **First Option Period:** Five (5) years, beginning at the expiration date of the initial term.
 - b. **Second Option Period:** Five (5) years beginning at the expiration date of the first option period.

- i. As a condition for the exercise of each option, Lessee shall give Lessor written notice of Lessee's intent to exercise its option at least six (6) months prior to the expiration date of the term of the Lease, as then in effect.
- ii. All conditions and covenants contained herein shall remain in force during any extension of term pursuant to said option(s) except the provision for rental, which shall be renegotiated by the parties in advance of any extension using as a basis the standard airport ground rental rates then prevailing at Lancaster Regional Airport. During any option period, no rental shall be charged for any lease hold improvements added or constructed by Lessee, or sublessee, or successor during the term of the Lease or any option period.
- iii. Lessee's right to exercise such option is conditional on proper notice, required in Paragraph "i." of this section and is further conditional upon Lessee not being in default in the performance of its covenants undertaken by Lessee at the beginning date of the extension of the term for which such notice is given.
- iv. Lessee shall not have the right to exercise such options if this Lease has been terminated under any termination rights provided for in the Lease, or if Lessee is in default as to any provision or condition of the Lease prior to the exercise of an option granted under this section.

4. LEASEHOLD IMPROVEMENTS: During the term of this Lease, Lessee shall have the right to construct additional facilities on the Leased Premises, all of which shall be in accordance with the terms and conditions of this Lease and any applicable City code or FAA requirements (the "Leasehold Improvements"). Any Leasehold Improvements shall be completed in strict accordance with the following:

- A. Lessee shall at no time permit a lien or claim against any part of the Leased Premises to exist or to come into being arising out of the Leasehold Improvements.
- B. All costs of Leasehold Improvements, labor, work, materials, and equipment installed or placed upon the Leased Premises shall be paid for solely by Lessee.
- C. Lessee understands and agrees that any damage to the Leased Premises caused by the construction and/or installation of the Leasehold Improvements shall be repaired at Lessee's sole cost and expense.

5. UTILITIES: Utilities will be provided for as follows:

- A. **WATER AND SEWER:** Water and sewer charges for the Leased Premises will be assessed at a \$5.00 per month minimum charge, regardless of occupancy. This minimum charge may be increased to \$7.00 per month during the last 6 years of this Lease.

6. TERMS: During the term of this Lease, the Lessee agrees to the following:

- A. To abide by all rules and regulations of the Federal Aviation Administration (the "FAA"), State of Texas, City of Lancaster, and any other duly constituted public authority having jurisdiction over the Airport.
- B. To accept the Leased Premises (as of the Commencement Date) in its "as is, where is" condition. City hereby disclaims and Lessee hereby accepts such disclaimer of any warranty (except a 12-month warranty), express or implied, of the conditions of fitness for use of the Leased Premises. Except for damage to the Leased Premises resulting from the negligence or willful misconduct of the City and/or their agents, officers or employees (for which the City shall have liability to repair and/or replace such damage), Lessee shall maintain and repair the Leased Premises during the term hereof.
- C. During the term of this Lease, Lessee shall, at its sole cost and expense, carry (i) commercial general liability insurance (in amounts determined by Lessee), which shall name the City as an additional insured and (ii) property insurance with respect to the improvements now or hereafter comprising a part of the Leased Premises, which shall be in the amount of 100% of the replacement cost of all such improvements now or hereafter comprising a part of the Project (as such replacement cost is reasonably determined by Lessee) and name City as an additional insured, loss payee. All property insurance proceeds will be payable by joint check to the City and the Lessee for the sole purpose of rebuilding the improvements to at least their condition prior to the date of the applicable damage or casualty.
- D. To furnish such equipment in and to the Leased Premises as may be necessary to properly secure Lessee's aircraft and hangar (office areas included). Lessee agrees to be solely responsible for setting brakes, placing chocks, tying down or otherwise securing Lessee's aircraft in the Leased Premises.
- E. Not to hold City or any of their agents or employees responsible for any loss occasioned by fire, theft, rain, windstorm, hail, or any other force majeure event, whether said cause be the direct, indirect, or merely a contributing factor in producing the loss to any airplane, automobile, personal property,

parts or surplus that may be located or stored in the Leased Premises, offices, aprons, field, or any other location at the Airport.

- F. Except as otherwise indicated below, to indemnify, defend, hold harmless the City and their agents, officers, and employees, from and against any and all liability or loss resulting from claims or court action arising directly out of the acts of Lessee, Lessee's agents, servants, guests, or business visitors, under this Lease or by reason of any act or omission of such person arising from any use of the Airport premises and/or facilities. This indemnification provision shall not be applicable, however, if the negligence or willful misconduct of the City and/or their agents, officers or employees was a contributing factor to such event resulting in liability or loss.
- G. To prohibit storage of any inflammable liquids, gases, signal flares, or other similar material on the Leased Premises, or in any building on the Airport; except that such materials may be kept in aircraft housed within the Leased Premises, or in rooms or areas specifically approved for such storage by the Airport Supervisor, or in underwriter-approved safety cans.
- H. To permit City to enter the Leased Premises with a prearranged appointment for inspection or repairs, of additions, or alterations necessary for the safety, improvement, or preservation of the Leased Premises.
- I. City shall have, at all times during normal business hours, the right to enter into the Leased Premises and inspect Lessee's facilities and operations for the purposes of determining Lessee's compliance with its obligations under this Lease. City shall provide at least 24 hours' notice before any inspection except in cases of emergency. Notice shall be sufficient if prominently posted on the building on the Leased Premises 24 hours prior to the inspection.

7. ASSIGNMENTS AND SUBLETTING: Lessee may sublet the Leased Premises or any part thereof provided Lessee delivers prior written notice thereof to the City. Lessee may assign its rights in this Lease to a third party provided the assignee shall agree in writing to assume all of the terms, covenants, and conditions of this Lease, and a duplicate original thereof shall be delivered to the City prior to the effective date of such assignment. Provided the immediately preceding sentence is satisfied, the assignor of this Lease shall be released from any further liabilities or obligations under this Lease from and after the effective date of such assignment.

8. DEFAULT: The following shall be deemed to be events of default by Lessee under this Lease:

- A. The making by Lessee of an assignment for the benefit of its creditors;

- B. The levying on or against any part of the Leased Premises of a writ of execution or attachment which is not released or discharged within thirty (30) days thereafter;
- C. In the event proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation, or involuntary dissolution of Lessee, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of Lessee, and proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the institution of said proceedings;
- D. Any act which creates a Mechanics Lien or claim therefor against any part of the Leased Premises which is not released or discharged within thirty (30) days thereafter; or
- E. The failure of Lessee to pay any installment of Ground Rent or other charge or money obligation herein required to be paid by Lessee within twenty (20) days after written notice is given by City to Lessee, or the failure of Lessee to perform any Lessee's other covenants under this Lease not involving the payment of money within thirty (30) days after written notice is given by City to Lessee.

Upon the occurrence of any of the above uncured defaults, City may terminate this Lease and re-enter the Leased Premises with or without process of law using such force as may be necessary, change the locks or otherwise lock out Lessee and remove all persons and property from the Leased Premises. City shall not be liable for damages or otherwise by reason of re-entry or termination of this Lease. It is further understood that Lessee will, in addition to the rent and other sums agreed to be paid hereunder, pay reasonable attorney's fees incurred by the City to enforce the provisions of this Lease, or the collection of the rent due to the City. Any property belonging to Lessee or to any persons holding by, through, or under Lessee, or otherwise found upon the Leased Premises, may be removed therefrom and stored in any public warehouse at the cost of and for the account of Lessee.

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improvements then comprising a part of the Leased Premises (including any Existing Improvements or Leasehold Improvements); or (2) any fixtures permanently or semi-permanently affixed in or to the Leased Premises, all of which are (and shall be) property of the City.

- ii. Any personal property remaining on the Leased Premises sixty (60) days after termination of this Lease for any reason shall be deemed as abandoned by Lessee and City may make any disposition of such personal property as it deems appropriate. City may charge Lessee for the reasonable costs incurred in disposing of such personal property.

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substances on, under, or adjacent to the Leased Premises. In the event Lessee fails to perform any of Lessee's obligations under this paragraph, City may, but shall not be required to, perform such obligations at Lessee's expense. In performing any such obligations of Lessee, City shall at all times be deemed the agent of Lessee and shall not, by reason of such performance, be deemed to be assuming any responsibility of Lessee under any environmental law or to any other third party. The City may from time to time during the term of this Lease exercise its inspection rights in accordance with Section 6. I above to ensure Lessee's compliance with this paragraph.

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[Remainder of Page Intentionally Blank]

LESSEE:

CITY OF LANCASTER:

David Pasahow

Owner

Address for Notice:

PO Box 1579

Fredericksburg, TX 78624

Opal Mauldin-Jones

City Manager

Address for Notice:

PO Box 940

Lancaster, TX 75146

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on _____ by _____.

[Seal]

Notary Public Signature

My Commission expires on _____

STATE OF TEXAS

COUNTY OF DALLAS

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EXHIBIT A

DESCRIPTION

BEING a tract of land situated in the JONES GREEN SURVEY, ABSTRACT NO. 504, in the City of Lancaster, Dallas County, Texas, and being part of a tract conveyed to the City of Lancaster, by Betty Edwards Smith Woodward, by Deed dated March 22, 1984, and recorded in Volume 84061, at Page 1039, in the Deed Records of Dallas County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point for corner, which is located South 12 degrees 19 minutes 00 seconds East, 143.70 feet and North 77 degrees 41 minutes 00 seconds East, 71.91 feet from the Southeast corner of the most Southerly five (5) existing hangars adjacent to Lancaster Ferris Road;

THENCE South 39 degrees 07 minutes 12 seconds East for a distance of 257.69 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 305.36 feet to the beginning of a curve to the right having a radius of 45.00 feet, a tangent distance of 22.98 feet, a chord distance of 40.98 feet;

THENCE in a Northwesterly direction along said curve to the right through a central angle of 54 degrees 06 minutes a 42 seconds for a distance of 42.50 feet to the beginning of a curve to the left having a radius of 100.00 feet, a tangent distance of 51.08 feet, a chord of 90.97 feet;

THENCE in a Northwesterly direction along said curve to the left through a central angle of 54 degrees 06 minutes 42 seconds for a distance of 94.44 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 90.53 feet to a point for corner;

THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 81.00 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 6.00 feet to a point for corner;

THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 57.00 feet to a point for corner;

THENCE North 77 degrees 41 minutes 00 seconds East for a distance of 20.00 feet to a point for corner;

THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 32.00 feet to a point for corner;

THENCE North 77 degrees 41 minutes 00 seconds East for a distance of 383.16 feet to the PLACE OF BEGINNING.

CONTAINING 95,111.64 square feet or 2.1835 acres of land.

ORIGINAL

25.00
SFCO GF# 89-81316-WW

COUNTY CLERK'S MEMO
PORTIONS OF THIS
DOCUMENT NOT
REPRODUCIBLE
WHEN RECORDED

LEASE AGREEMENT

5024

2

25.00 DEED
2 06/22/89

THE STATE OF TEXAS
COUNTY OF DALLAS

This Agreement of Lease is made and entered into on the 15th day of March, 1989, by and between the CITY OF LANCASTER, TEXAS, as Lessor, and AIRPORT PROPERTIES, INC., its heirs, successors, and assignees, as Lessee, and is to witness the following:

WHEREAS, Lessor is the owner of the premises known as the LANCASTER MUNICIPAL AIRPORT ("Airport"); and

WHEREAS, Lessor and Lessee are mutually desirous of entering into a lease for the use and occupancy of certain areas at the Airport;

NOW, THEREFORE, in consideration of the premises, the mutual promises of the parties hereto, and of the rents, covenants and conditions herein contained, Lessor does hereby grant to the Lessee the right to use and occupy the area of the Airport described in Exhibit "A" attached hereto and made a part hereof for all purposes during the term hereof, for the term and under the covenants and conditions hereinafter set forth. The City warrants to maintain the runways, roads, lighting, instruments approaches, and all common taxiways on the Airport throughout the term of this lease and any extensions.

SECTION 1
TERM

1.1. INITIAL TERM.

The initial term of this Lease shall be Thirty (30) years commencing on March 15, 1989, and ending on March 14, 2019, unless sooner terminated in accordance with the provisions hereof. This Lease shall become effective on March 15, 1989.

1.2. EXTENSION OF TERM.

A. Lessor hereby grants Lessee, its successors, heirs, and assigns, two successive options to extend this Lease on the Leased remises, as existing at the time(s) when either is exercised, as follows:

(1) First Option Period: Five (5) years, beginning at the expiration date of the initial term.

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(2) Second Option Period: Five (5) years beginning at March 15, 2024.

B. As a condition for the exercise of each option, Lessee shall give Lessor written notice of Lessee's intent to exercise its option at least six (6) months prior to the expiration date of the term of the Lease, as then in effect.

C. All conditions and covenants contained herein shall remain in force during any extension of term pursuant to said option(s) except the provision for rental, which shall be renegotiated by the parties in advance of any extension, using as a basis the standard airport ground rental rates then prevailing at Lancaster Municipal Airport. During any option period, no rental shall be charged for any leasehold improvements added or constructed by Lessee, or sublessee, or successor during the term of the Lease or any option period.

D. Lessee's right to exercise such option is conditional on proper notice, required in Paragraph B of this subsection 1.2, and is further conditional upon Lessee not being in default in the performance of its covenants undertaken by Lessee, at the beginning date of the extension of the term for which such notice is given.

E. Lessee shall not have the right to exercise such options if this Lease has been terminated under any termination rights provided for in the Lease, or if Lessee is in default as to any provision or condition of the Lease prior to the exercise of an option granted under this section.

F. At the end of forty (40) years, the Lessee, its heirs, successors, and assignees shall be given first right of refusal to again lease the ground at the going fair market value. Length of lease and price shall be mutually agreed upon, and negotiated directly with the City.

SECTION 2

USE

2.1. The Lessee shall occupy and use the leased premises for the purposes of:

A. Any General aviation related activities subject to the Airport Ordinance.

B. The Construction of steel hangars for lease or sale.

C. The construction of a steel and masonry terminal building.

2.2. Hangar and terminal construction shall be in accordance with all ordinances of the City of Lancaster with regard to construction on the Airport property as well as any other applicable City, State or Federal regulations with regard to the construction.

2.3. For the use and occupancy of the leased premises herein granted, Lessee agrees to pay Lessor the sum of eight cents (\$.08) per square foot per year for the first six years of the term hereof. At the beginning of the seventh year of the term hereof and every five years thereafter, the rental payments shall be adjusted, at the beginning of year seven from eight cents (\$.08) per square foot per year, upwards or downward in accordance with the increase or decrease in the Dallas-Fort Worth Standard Metropolitan Statistical Area Consumer Price Index as of the end of the sixth year of the term hereof. The rentals provided shall be payable in advance in equal monthly installments beginning March 15, 1989. The parties hereto agree that the premises leased hereby are approximately 95,112 square feet and that the initial rental sums due hereunder are Six Hundred Thirty-four Dollars and eight cents (\$634.08) per month or Seven Thousand Six Hundred Eight Dollars and Ninety-three cents (\$7,608.93) per year for the first six (6) years hereof. Lessor further agrees that, during the term of this lease, or any extensions, there will be no tie down fees or charges, other than normal utilities connection fees and service charges applied to the Lessee. Any taxiway improvements after completion become the property of the City of Lancaster.

SECTION 3 REPRESENTATIONS AND WARRANTIES

3.1. Lessee warrants that it has inspected the leased premises and accepts possession of the premises as is, and subject to all limitations imposed upon the use thereof by the rules and regulations of the Federal Aviation Administration and by the ordinances of the City of Lancaster.

3.2. Lessee agrees during the term of this agreement to assume the entire responsibility, cost and expense for repair and maintenance on the hangar buildings and slabs constructed under the terms hereof, and to maintain them in a good condition.

3.3. Lessee agrees to keep the premises in a clean and orderly condition and appearance.

3.4. Lessee agrees that any and all maintenance, repair or restoration activities on aircraft or otherwise shall be performed inside the hangar, screened from public view.

3.5. Lessee agrees to provide and maintain all obstruction lights and similar devices or safety equipment required by law, to keep in effect such insurance on the premises as may be required by law, to keep in effect such insurance on the premises as may be required by Lessor, and to submit plans and specifications for any major repairs, construction, alteration, modification, addition or replacement to the improvements on the premises, undertaken by Lessee, to and receive the written approval of Lessor, which shall not be unreasonably withheld. The Lessee and his successors and assigns, will not make or permit any use of the property which would interfere with landing or taking of aircraft at the Airport, or otherwise constitute an Airport hazard. This includes such items as electrical or electronic interference with communications, electrical or electronic equipment, creation or smoke or dust or glaring or misleading lights.

3.6. The Lessee and its successors and assigns will complete a Federal Aviation Administration (FAA) Form 7460-1, "Notice of Proposed Construction or Alteration", and receive a favorable determination from FAA prior to any construction on the property.

3.7. At the termination of the lease and all of its extensions, all improvements on the premises shall become the property of the Lessor. No improvements shall be commenced until written approval shall have been obtained from the City of Lancaster, Texas, which shall not unreasonably withheld such approval provided such plans and specifications comply with the rules and regulations described above.

3.8. Lessee shall have the right of ingress and egress to and from the leased premises by means of roadways from automobiles and taxiways for aircraft, including access during the construction phase of Airport improvements, unless otherwise agreed to in writing by both parties. Such rights

shall be consistent with the rules and regulations with respect to the occupancy and use of Airport premises as adopted from time to time by the City of Lancaster and by the Federal Aviation Administration or any other state, federal or local authority.

3.9. Lessee agrees that it will connect any sanitary appurtenances constructed within its improvements on the premises to the sanitary sewer system provided and maintained by the City.

3.10. Lessee understands and agrees that it is not granted the status of a fixed base operator by the provisions hereof and that should it desire to become a fixed base operator, that it shall follow the rules and regulations of the FAA and the City of Lancaster with regard to becoming such.

3.11. This Lease Agreement may be terminated in writing by Lessor on breach not cured within 30 days after written notification of any term hereof by the Lessee including the failure to pay rent. Prior to termination, Lessor shall inform Lessee of such breach by written notice, which notice shall describe the breach by stating the violation of a rule, regulation, ordinance, or other law of any government entity having authority over the premises, or term of this Lease, and shall provide that Lessee, owners and lenders shall have an additional 30 days after the giving of such notice in writing to cure any such breach or default. Lessee may terminate the Lease Agreement upon the giving of (90) days written notice to the City Manager of Lancaster at the address shown above or upon the failure of Lessor to furnish water and other utilities in accordance with city ordinances. Upon termination of lease because of default, all hangar owners and their lenders will be given an additional thirty (30) days written notice to cure any uncured defaults by Airport Properties, Inc., its heirs, successors and assignees. The City agrees to then recognize the hangar owners and lenders as the new lessees to assume the balance of the term of the lease under the same provision except adjusting the square footage of leased land to their individual pro rata shares. These pro rata land leases will be payable annually. It is understood that each and every sublessee and lender be given a copy of this main lease as a part of their sublease or purchase of the hangars.

3.12. It is expressly understood and agreed that this Lease is subject to and subordinate to and controlled by provisions, stipulations, covenants and agreements contained in those certain contracts, agreements, resolutions and

actions of the City of Lancaster, Texas, constituting agreements between the City and the United States of America and its agents including, but not limited to, the Federal Aviation Administration (FAA) and all regulations now and hereafter imposed upon the city and that the Lessor shall not be liable to Lessee on account of any of the foregoing matters and all of such contracts, agreements, resolutions and regulations are incorporated herein by reference, and if any provision of this Lease is determined to be at variance with the same.

3.13. Lessor reserves the right to further develop or improve the landing area of the Airport as it sees fit, without interference or hindrance, from or consultation with or agreement by Lessee.

3.14. Lessor reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent Lessee from erecting, or permitting to be erected, any building or other structure on or adjacent to the Airport which, in the opinion of the Lessor, would limit the usefulness of the Airport or constitute a hazard to aircraft.

3.15. Lessee agrees to hold the Lessor, the City's Airport Operator, officers, agents, employees of the City of Lancaster and the Airport Operator, harmless from any claim, demands or causes of action asserted by third persons arising directly or indirectly out of Lessee's use of the therewith.

3.16. The Lessee, his personal representatives, successors in interest, and assignees, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities; (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination; and (3) That the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said regulations may be amended. That in the event of breach of any of the preceding nondiscrimination covenant, Lessor shall have the right to terminate the Lease under the provisions in Section 10.

SECTION 4
GENERAL PROVISIONS

4.1. Time is of the essence in this Lease Agreement.

4.2. All notices to be given to either party shall be in writing and delivered to the addresses shown below.

4.3. Lessee shall not use, or permit the use of, the leased premises, or any part thereof, for any purpose or use other than those authorized by this Lease Agreement.

4.4. This Lease Agreement is performable and enforceable in Dallas county, Texas, and shall be construed in accordance with the laws of the State of Texas.

4.5. No part of the premises demised hereby may be assigned to any other party by Lessee without the express, prior written approval of the City of Lancaster. Approval will not be unreasonably or arbitrarily withheld. For lenders and purchasers, the City of Lancaster agrees to issue a satisfactory estoppel agreement recognizing the lender and purchaser for that hangar.

4.6. This Agreement shall not be construed to create a partnership or joint venture between Lessor and lessee or to constitute lessee an agent of Lessor.

4.7. This Lease Agreement is the entire agreement between the parties and no warranties or representations have been made by either party except as expressed herein.

4.8. None of the provisions hereof may be changed, modified, discharged, extended or amended except by an additional written instrument duly executed by the parties hereto.

4.9. The invalidity of any provision hereof shall have no effect on the validity of the remaining portions hereof which are declared to be severable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

LESSOR

CITY OF LANCASTER, TEXAS,

211 N. Henry Street
Lancaster, TX 75146

Margie Waldrop
Mayor Pro Tem
Margie Waldrop

ATTEST:

Frances H. Goodman
City Secretary

LESSEE

AIRPORT PROPERTIES, INC.,

5260 S. Collins
Arlington, TX 76018

Jack H Cox
Jack Cox, President

ATTEST:

Jack H Cox

[Signature]

STATE OF TEXAS)
COUNTY OF DALLAS)

This instrument was acknowledged before me on the 7th day of June, 1989 by Margie Waldrop, Mayor Pro Tem of the City of Lancaster, Texas, on behalf of said City.

My commission expires: 2-16-92

STATE OF TEXAS)
COUNTY OF DALLAS)



ALANA NELSON
Notary Public, State of Texas

This instrument was acknowledged before me on the 7th day of June, 1989 by Jack H. Cox, President of Airport Properties, Inc., on behalf of said Corporation.

My commission expires: 2-16-92



ALANA NELSON
Notary Public, State of Texas

89121 2743

EXHIBIT "A"

DESCRIPTION

BEING a tract of land situated in the JONES GREEN SURVEY, ABSTRACT NO. 504, in the City of Lancaster, Dallas County, Texas, and being part of a tract conveyed to the City of Lancaster, by Betty Edwards Smith Woodward, by Deed dated March 22, 1984, and recorded in Volume 84061, at Page 1039, in the Deed Records of Dallas County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point for corner, which is located South 12 degrees 19 minutes 00 seconds East, 143.70 feet and North 77 degrees 41 minutes 00 seconds East, 71.91 feet from the Southeast corner of the most Southerly five (5) existing hangars adjacent to Lancaster Ferris Road;

THENCE South 39 degrees 07 minutes 12 seconds East for a distance of 257.69 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 305.36 feet to the beginning of a curve to the right having a radius of 45.00 feet, a tangent distance of 22.98 feet, a chord distance of 40.98 feet;

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THENCE in a Northwesterly direction along said curve to the left through a central angle of 54 degrees 06 minutes 42 seconds for a distance of 94.44 feet to a point for corner;

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THENCE North 77 degrees 41 minutes 00 seconds East for a distance of 383.16 feet to the PLACE OF BEGINNING.

CONTAINING 95,111.64 square feet or 2.1835 acres of land.

RETURN TO:

CITY OF LANCASTER, TEXAS
211 N. HENRY STREET
LANCASTER, TX. 75146

FILED

Eugene Bullock
COUNTY CLERK
DALLAS COUNTY

89 JUN 22 AM 11:49

Any provision herein which restricts the sale, rental, or use of the described real property because of color or race is invalid and unenforceable under federal law.
STATE OF TEXAS
I hereby certify this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

JUN 22 1989



Eugene Bullock
COUNTY CLERK, Dallas County, Texas

ASSIGNMENT & ASSUMPTION OF LEASE

Assignment API - Lancaster2.wps

This agreement is made between Airport Properties, Inc., a Texas Corporation, hereafter called "ASSIGNOR" and the City of Lancaster, Texas, a Texas Municipal Corporation, hereinafter called "ASSIGNEE".

RECITALS

WHEREAS, a lease hereinafter called the "Master Lease" (Exhibit A) was executed March 15, 1989 between the City of Lancaster, Texas, a Texas Municipal Corporation and Airport Properties, Inc., for certain property described by the meets and bounds under the Master Lease and referred hereinafter as the "Leased Premises".

WHEREAS, the Assignor desires to assign to the Assignee all of its obligations, rights, title and interest arising under the "Master Lease" which is attached hereto and made a part hereof as Exhibit A, and Assignor desires to further assign to Assignee all of its obligations, rights, title and interest arising under (16) sixteen individual "Sublease Agreements", Exhibit B, attached hereto and made a part hereof and hereinafter referred to as the "Subleases". Exhibits A & B are hereinafter collectively referred to as the "Assigned Property".

Exhibit C, attached hereto is the Annual Billing Schedule, Utility Listing & Electric Meter Reading Schedule as of August 1st, 1998. This schedule lists each Sub-Tenant, their anniversary date, annual insurance and ground rental fees, annual common area maintenance fee, the next billing dates for ground rent and insurance by assignee, the beginning electrical meter readings, schedule of sub-meters and hangars due monthly and hangars due water & sewer charges. Exhibit D attached hereto is the leasehold plat.

NOW, THEREFORE, upon execution of this agreement and in consideration of the sum of six thousand dollars (\$6,000) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the mutual agreement set forth below, the Assignor hereby assigns and transfers to Assignee, its heirs, executors, administrators, and assigns, all of Assignor's obligations, rights, title and interest in and to the "Assigned Property".

The Assignee accepts the assignment of the "Master Lease" (Exhibit A), and an assignment of all of the "Subleases" (Exhibit B) and in addition, expressly assumes and agrees to perform and fulfill all of the terms, covenants, conditions, and obligations required to be kept, performed, and fulfilled by the Assignor under both the "Master Lease" (Exhibit A) and each of the "Subleases" (Exhibit B).

Assignee and Assignor understand and agree that the effective date of this Assignment and Assumption Agreement shall become effective when fully executed by Airport Properties, Inc. and the City of Lancaster. Upon the effective date of this agreement, Assignor agrees to immediately send written notice to all Subleasees advising them of the assignment of the Master Lease and Subleases to the City of Lancaster.

If any of the above parties fail to execute this Assignment and Assumption Agreement, on or before August 1, 1998, then this assignment shall become null and void and of no further force and effect.

This Agreement shall be binding on and inure to the benefit of the parties to this Agreement, their heirs, executors, administrators, successors in interest, and assigns.

Assignee to indemnify, defend and hold harmless Assignor, its officers, heirs and successors harmless of and from any and all costs, expenses, taxes, obligations, liabilities, demands, accidents and claims of every kind which may be asserted by any persons, firms or corporations related to the Master Lease, the Subleases or the use of the Leasehold Improvements.

Assignee further agrees to release and forever discharge Assignor of and from any and all past or present liabilities, lease obligations, monetary obligations, property taxes, ground rents, utilities, or maintenance related to any of the Subleases, the Master Lease and or any of the leasehold improvements.

Assignor agrees to release and forever discharge Assignee of and from any and all obligations, debts, property tax refunds, demands, ground rental refunds, legal actions or other causes of actions which the Assignor may now have or may have in the future as it may relate to the Subleases, the Master Lease and any leasehold improvements.

Assignee and Assignor agree that as of the effective date of this assignment all future costs of insurance coverage, utilities and ground rents will be for the account of Assignee.

This agreement shall be binding upon and inure to the benefits of the parties to this Agreement, their heirs, representatives, assigns, executors, administrators and successors in interests. This agreement shall be governed according to the laws of the State of Texas.

Time is of the essence.

This agreement along with Exhibits A, B, C & D constitute the entire agreement of the parties and any other representations, warranties, prior agreements, verbal or otherwise, that are not included herein have no effect on the agreement between the two undersigned parties.

IN WITNESS WHEREOF, the parties have executed this Agreement on this day of August 3, 1998.

ASSIGNOR: AIRPORT PROPERTIES, INC.

Jack H Cox, Pres.

by: Jack Cox, President

ASSIGNEE: CITY OF LANCASTER

Steve Norwood

Print Name: STEVE NORWOOD

by: Authorized Agent of the City

This instrument was executed before me on the 3rd day of Aug., 1998 by Jack Cox, President of Airport Properties, Inc.

Richard W. King
Witness Signature

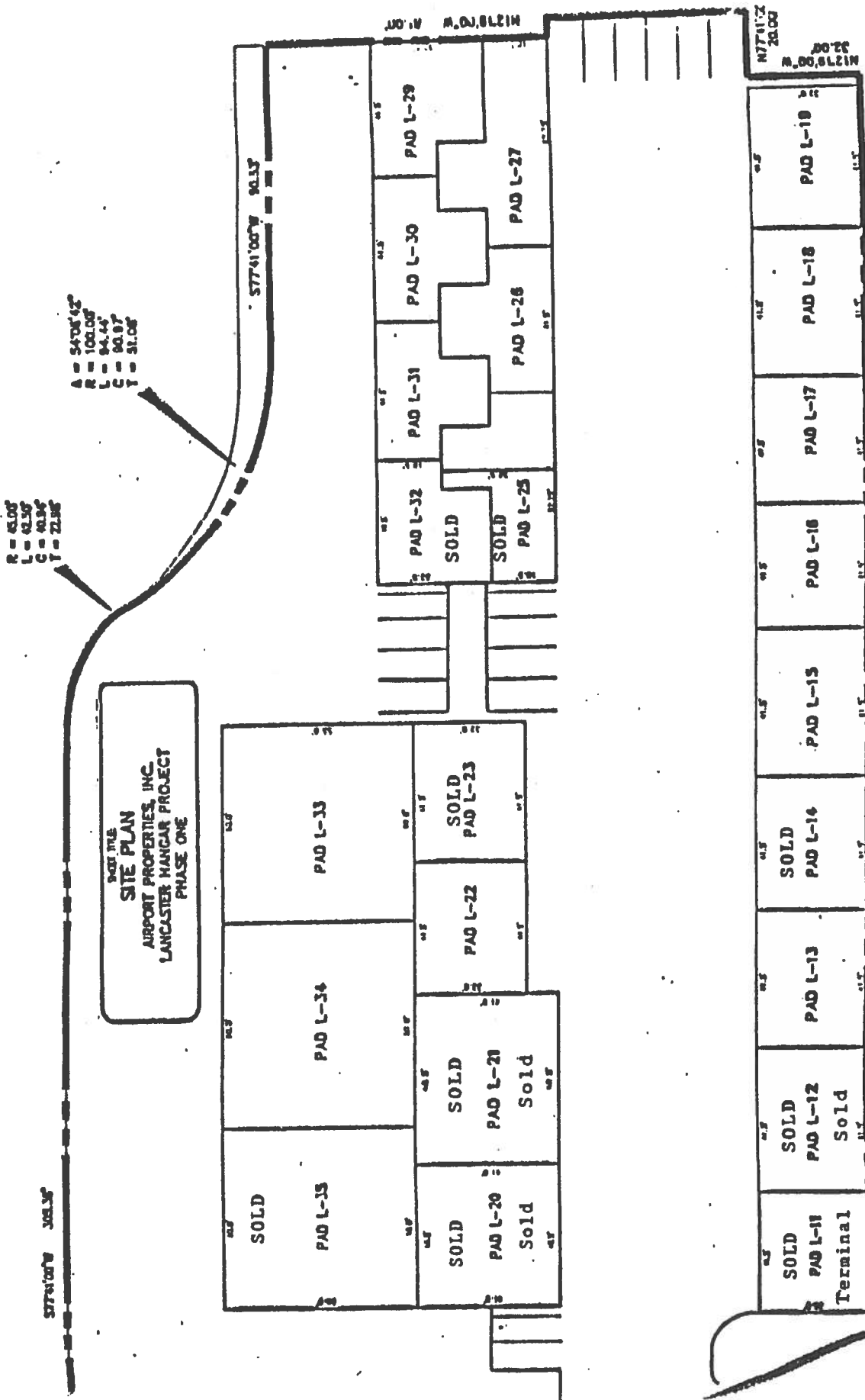
This instrument was acknowledged before me on the 3rd day of Aug., 1998 by City Manager the duly authorized agent of the City of Lancaster.

Richard W. King
Witness Signature

AIRPORT PROPERTIES INC.

Exhibit D

5260 S. COLLINS ARLINGTON, TEXAS 76018 METRO (817) 467-0519



ADDITIONAL INFORMATION ON BACK

LANCASTER CITY COUNCIL

City Council Regular Meeting

3.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Sound Infrastructure

Submitted by: Mark Divita, Airport Manager

Agenda Caption:

Consider a resolution authorizing the City Manager to authorize on behalf of the City of Lancaster commercial and non-commercial leases, ground leases, and assignments and assumptions of ground leases at the Lancaster Regional Airport from June 12, 2017 to June 12, 2018.

Background:

In 2015 the City Council authorized the City Manager to sign Airport T-hangar and T-spot leases and ground lease assignments and assumptions. This was renewed in 2016. The authorization has been working great to provide good and timely customer service for lease approvals with our tenants and future tenants. This renewal includes all the previous lease signing authorizations and adds commercial leases and ground leases to the authorization. Adding these will fully encompass all leases at the airport and afford the same customer service level to all tenants and future tenants aboard Lancaster Regional Airport. The authorization will be active for one year.

Operational Considerations:

City commercial and non-commercial leases, ground leases, and assignments and assumptions of ground leases are utilized at Lancaster Regional Airport for contractual control of the City owned ground and buildings.

Legal Considerations:

The standard lease agreements have been reviewed and approved as to form by the City Attorney.

Public Information Considerations:

This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meeting Act.

Fiscal Impact:

The improved customer service from this authorization aids the Airport in remaining competitive. There is no monetary expense from this authorization.

Options/Alternatives:

- 1) Approve the resolution as presented.
- 2) Deny the resolution.

Recommendation:

Staff recommends approval of the resolution.

Attachments

Resolution

Assignment and Assumption

City T Hangar Lease

City T-Spot Lease

Ground Lease

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, AUTHORIZING THE CITY MANAGER TO AUTHORIZE ON BEHALF OF THE CITY OF LANCASTER COMMERCIAL AND NON-COMMERCIAL LEASES, GROUND LEASES AND ASSIGNMENTS AND ASSUMPTIONS OF GROUND LEASES AT THE LANCASTER REGIONAL AIRPORT JUNE 12, 2017 TO JUNE 12, 2018.

WHEREAS, Lancaster Regional Airport has commercial and non-commercial spaces available for lease; and

WHEREAS, Lancaster Regional Airport has ground leases for private development and assignments and assumptions for the sale of the private property; and

WHEREAS, the City Council of Lancaster, Texas, desires to pre-authorize the City Manager to sign commercial and non-commercial leases, ground leases, and assignments and assumptions of ground leases sold between private parties on a form approved by the City Attorney; and

WHEREAS, the delegation to the City Manager will assist in expediting an efficient airport operation;

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

SECTION 1. That the City Manager is hereby authorized to utilize and execute commercial or non-commercial leases, ground leases, or assignments and assumptions of ground leases on behalf of the City of Lancaster, Texas for Lessees at the Lancaster Regional Airport, for the period of time from June 12, 2017 to June 11, 2018.

SECTION 2. This Resolution shall become effective immediately from and after its passage, as the law and charter in such cases provide and shall expire on June 11, 2018, unless extended by the City Council.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

ASSIGNMENT AND ASSUMPTION OF LEASE

This agreement is made on _____ between _____, hereafter referred to as "ASSIGNOR", and _____, hereafter referred to as "ASSIGNEE", AND THE City of Lancaster, hereafter referred to as "CITY".

RECITALS

WHEREAS, a Lease Agreement (the "Lease"), was executed on _____ between the City of Lancaster, Texas, a Texas Municipal Corporation (the "City"), as the Lessor, and _____ (the Lessee), in said Lease Agreement, which commenced on _____ (the "Lease") for the Lease of premises known as the Lancaster Regional Airport, which Lease Agreement is recorded in the real property records of Dallas County, Texas. The "Lease"

WHEREAS, the "Assignor" now desires to assign to the "Assignee" all of his rights and Interest arising under the "Lease", in and to the Lot #____ also identified as _____, and the "Assignee" desires to accept the assignment.

NOW THEREFORE, in consideration of the sum of _____ Dollars (\$____.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the agreement of the "Assignee" set forth below, the "Assignor" hereby assigns and transfers to the "Assignee" and the "Assignee's" heirs, executors, administrators, and assigns, all of "Assignor's" right, title and interest in and to Lot #____, and all the "Assignor's" rights, title, and interest arising under the "Lease" insofar as it relates to Lot #____.

The "Assignee" accepts the assignment and, in additions, expressly assumes and agrees to perform and fulfill all of the terms, covenants and conditions, and obligations required to be kept, performed, and fulfilled by the "Assignor" under the "Lease" insofar as such obligations relate to the Hanger,

including the making of all payment of ground rents due and payable to the "City" under the "Lease" with respect to the Lot, when due and payable.

The "City" hereby consents to this assignment of the "Lease" and the "Assignor" and the "City" agree that the "Assignee" may pay rent directly to the City for its pro rata portion of the promises covered by the Lease based on the number of square feet in the Secured Premises under by the "Lease".

"Assignee" further agrees with "Assignor" and the "City" to comply with all of the other terms and conditions of the "Lease" insofar as they apply to the Hanger.

"Assignee" will comply with the terms of the "Lease". "ASSIGNEE" HEREBY AGREES TO IDEMNIFY AND HOLD HARMLESS FROM ANY AND ALL EXPENSES, LIABILITIES, AND CLAIMS OF EVERY KIND, INCLUDING REASONABLE ATTORNEY'S FEES INCURRED BY "ASSIGNOR" AS A RESULT OF ANY BREACH BY "ASSIGNEE" OF ITS OBLIGATIONS HEREUNDER THE "LEASE", EITHER TO "ASSIGNOR", OR TO THE "CITY".

By signing below, "City" hereby releases "Assignor" from any further liability in connection with the "Lot" and the "Lease".

This agreement shall be binding on and inure to the benefit of the parties to this Agreement, their heirs, executors, administrators, successors in interest, and assigns,

ASSIGNOR:

ASSIGNEE:

LESSOR:

City of Lancaster

BY: _____

Name: Opal Mauldin-Jones

Title: City Manager

Date: _____



LANCASTER REGIONAL AIRPORT

Application for Lease of T-Hangar for Storage of Aircraft Non-Commercial Tenants

Tenant Fact Sheet PRIVATE INFORMATION

T-Hangar Tenant Name:

_____, _____ Hangar Number(s): _____ - _____
Last First

Date: ____/____/____

Combination Lock No. or Key No.: _____

Aircraft Registration Number: _____

Make: _____ Model: _____ Number of Engines: _____

Address: _____

Phone Numbers:

(____) _____ (Cell)
(____) _____ (Home)
(____) _____ (Work/Business)

Email: _____

Contact info is for tenant announcements and hangar access under normal conditions.

I acknowledge the Lancaster Airport Rules & Regulations and Minimum Standards are available for view in the terminal building and understand that they are provided on the airport web site (www.lancasterregionalairport.com) for my review.

Initials: _____

Emergency contact & phone number for closest relative or responsible party not living with you:

INTERNAL USE ONLY		
Taskee	Task	Initial
AOA	Submit to Airport Mgr	
AM	Draft Lease & Submit to CC	
AM	Submit to AOA for Tenant signature	
After Lease is Signed		
AOA	Submit to Airport Mgr	
AM	Notify Finance to Setup Acct	
AM	Submit Lease to City Secretary	
AM	Submit Lease to AOS	
AOS	Enter Tenant Info in Quick Books	
AOS	Update Hangar Diagram	
AOS	File Lease	



LANCASTER REGIONAL AIRPORT

Agreement for Lease of T-Hangar for Storage of Aircraft

Non-Commercial Tenants

This CONTRACT and AGREEMENT OF LEASE, made this _____ day of _____, 20 _____, between the City of Lancaster, Texas, a municipal corporation, ("LESSOR") and _____, (LESSEE"), evidences the following:

I.

LESSOR leases to LESSEE, and LESSEE takes from LESSOR, the following described premises located at the Lancaster Regional Airport ("Airport"), in the City of Lancaster, Dallas County, Texas, for and in consideration of the uses and for the terms and the rental hereinafter set forth, and subject and in accordance with the standard terms and provisions below.

1. **Premises:** Hangar Row and Suite _____ - _____, located at the Airport, and consisting of approximately _____ square feet ("Leased Premises").

2. **Uses:** The leased premises shall be used and occupied only for the storing of aircraft owned, leased, and/or legally operated by LESSEE and related equipment. The leased premises shall be used and occupied only for the personal, business, and/or private use of the LESSEE. LESSEE shall provide LESSOR with a copy of the FAA Certificate of Aircraft Registration for the aircraft to be stored under this agreement. If the registration is not in the name of LESSEE, a copy of a valid lease or other documentation showing a possessory interest in the aircraft shall be provided. LESSEE shall not store non-aviation items such as house hold goods in leased premises. LESSEE shall not use the leased premises for any on going business or commercial operations warehousing goods or services for sale to third parties.

3. **Term:** The term of this lease will be from month to month, beginning the _____ day of _____, 20 _____. Either party may cancel and terminate this agreement by serving thirty (30) days written notice of its election to do so.

4. **Rent:** LESSEE shall pay LESSOR as rent \$_____ per month, due and payable in advance on the first day of each month.

a. All rental payments shall be delivered to LESSOR at the following address:

City of Lancaster
Finance Department
P.O. Box 940
211 N. Henry Street
Lancaster, TX 75146

b. All payments not received by the 10th of each month shall constitute a default and breach of this Lease Agreement as set forth in paragraph 10 herein. All payments not

received by the 10th of each month shall be considered "past due" for purposes of incurring late charges as calculated in subsection (c) herein, and additional late charges will begin to accrue on the 11th day of each month.

c. In the event the payment is received after the 10th day of the month, there shall be added a late charge of ten percent (10%) of the amount due.

d. LESSEE'S agreement to make rental payments shall be a covenant independent of all other covenants herein.

e. LESSOR retains the right to review the monthly rental rates and to make adjustments to said rental rates to reflect the then current market rental rates charged for similar facilities.

5. **Utilities:** Utilities are included in LESSEE's rental payment.

II.

STANDARD TERMS AND PROVISIONS

1. **Prohibited Uses:** LESSEE shall not use or permit the use of the premises or any part thereof for any purpose or purposes other than those set forth herein. LESSEE shall not commit or cause to be committed any waste in or upon the premises or maintain any public or private nuisance or any other action which may interfere with or disturb the quiet enjoyment of any other tenant of the building or buildings, or permit the use of the premises for any improper or unlawful purposes. Hazardous activities such as, but not limited to: smoking, painting, doping or the other application of hazardous substances are expressly prohibited. Nothing contained in this Section 1 shall, however, prohibit or limit LESSEE's right to use any apparatus, machinery, equipment or devices necessary or useful to LESSEE in the conduct of its activities on or about the premises.

2. **Disabled Aircraft:** LESSEE shall store only the following aircraft on the lease premises under any of the following conditions:

- a. Aircraft in a current airworthy condition according to Federal Aviation Regulations with a current FAA airworthiness certificate and U.S. or foreign registration,
- b. Aircraft with a current FAA airworthiness certificate and registration in a continuing process of overhaul and/or repair showing monthly progress,
- c. Final assembly of amateur built aircraft in preparation to obtain airworthiness certification.

Restoration or construction of an aircraft shall be completed (and an airworthiness certificate issued for amateur built aircraft) within 5 yrs from the beginning of this lease.

Monthly progress is defined as a major component, subcomponent, major system or subsystem is completed or installed on the aircraft every 30 days with appropriate log entries made.

Upon request from the Airport Manager, LESSEE shall provide monthly evidence of progress. Evidence includes but is not limited to: visual inspection of aircraft, photographs

and log entries.

Should LESSEE sell the aircraft, LESSEE shall have ninety (90) days to acquire an aircraft to house upon the leased premises or LESSEE shall relinquish said premises to LESSOR.

Any exception to forgoing requirements must be approved by LESSOR'S Airport Manager.

3. **Compliance with Applicable Laws:** LESSEE shall comply with all applicable laws, ordinances, rules, regulations, and orders of any Federal, State, and City law governing the conduct of LESSEE'S activities on or about the premises.

4. **Alterations:** LESSEE shall make no structural or electrical changes or alterations, or construct any permanent additions or improvements, or do any work in connection therewith, on or about the premises without the prior written consent of the LESSOR'S Airport Manager, whose decision shall be final, and which consent shall not be unreasonably withheld. Any permanent improvements or additions to the leased premises shall be deemed to be fixtures and title to said improvements or additions shall vest in the LESSOR immediately upon completion of construction or attachment.

5. **Entry and Inspection:** LESSOR shall have the right to enter upon and inspect the premises from time to time during the term hereof, to make any repairs deemed necessary by the LESSOR for the safety, improvement, or preservation of the leased premises, without abatement of rent; provided however, that LESSOR shall not, during the course of any such inspection or repairs, unreasonably interfere with the LESSEE'S use and enjoyment of the premises. In lieu of an airport lock/key, LESSEE shall provide a copy of a key or lock combination to airport office.

6. **Services Furnished by LESSOR:** LESSOR shall furnish adequate utility power service for night time lighting. LESSOR assumes no liability to LESSEE for failures or interruptions of any and all services or utilities furnished to LESSEE when due to causes beyond the control of LESSOR, including but not limited to floods, fire, and power failures.

7. **Care of Premises by LESSEE:** LESSEE shall keep the leased premises in a safe, neat, clean, and presentable condition at all times and shall promptly repair any damage caused by LESSEE, its officers, agents, employees, or invitees.

8. **Indemnity and Hold Harmless:** LESSEE agrees to indemnify, defend, and hold LESSOR, its officers, agents, employees, or invitees harmless from and against all claims, demands, causes of actions, suits or judgments (including costs and expenses incurred in connection therewith) for injuries to persons or for loss or damage to property arising out of or in connection with the negligent or intentional act or omission of LESSEE, its officers, agents, employees, or invitees related to or association with the use and occupancy of the Leased Premises and airport facilities including, but not limited to, claims or damage related to or associated with the storage or maintenance of LESSEE's aircraft upon Airport, or from injury or damage caused to any person's property by reason of the operations of said aircraft. LESSEE

further covenants and agrees that LESSEE shall not hold LESSOR or any of its officers, agents, or employees responsible for any loss to LESSEE'S aircraft, automobile, personal property, parts, or supplies that may be located or stored in, on, or about the Leased Premises, where such loss is caused by Natural Disaster fire, rain, windstorm, hail.

9. **Disclaimer:** LESSEE agrees to accept all facilities and the leased premises in the condition in which they are found. LESSOR disclaims and LESSEE accepts LESSOR'S disclaimer of any warranty, express or implied, of the conditions or fitness for the use of the leased premises.

10. **Default:** The following events shall be deemed to be events of default by LESSEE under this Lease Agreement:

a. LESSEE shall fail to pay any installment of rent, and such failure shall continue for a period of ten (10) days following the due date of said installment.

b. LESSEE shall fail to comply with any term, provision or covenant of this Lease Agreement, other than the payment of rent, and shall not cure such failure within twenty (20) days after written notice thereof to LESSEE.

c. LESSEE shall fail to provide lock combination or key to lock on assigned hangar to airport administration.

d. LESSEE shall fail to provide accurate and correct contact information as set forth in paragraph 18 – "Notices".

Upon the occurrence of any event of default specified above, LESSOR shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

e. Terminate this Lease Agreement in which event LESSEE shall immediately surrender the premises to LESSOR; and if LESSEE fails to do so, LESSOR may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession and expel or remove LESSEE, any other person who may be occupying said premises or any part thereof, and contents therein, including LESSEE'S aircraft, by force if necessary, without being liable for prosecution or any claim of damages therefor; and LESSEE agrees to pay to LESSOR on demand the amount of all loss and damage which LESSOR may suffer by reason of such termination, whether through inability to re-let the premises on satisfactory terms or otherwise.

f. Enter upon and take possession of the premises and expel or remove LESSEE and any other person who may be occupying the premises or any part thereof, by force if necessary, without being liable for prosecution or any claim of damages therefor; and if LESSOR so elects, re-let the premises on such terms as LESSOR shall deem advisable and receive the rent thereof; and LESSEE agrees to pay to LESSOR on demand any deficiency that may arise by reason of such re-letting.

g. Enter upon the premises, by force if necessary, without being liable for prosecution or any claim of damages therefor and do whatever LESSEE is obligated to do under the terms of this Lease Agreement; and LESSEE agrees to reimburse LESSOR on demand for any expenses which LESSOR may incur in thus effecting compliance with

LESSEE's obligations under this Lease Agreement; and LESSEE further agrees that LESSOR shall not be liable for any damages resulting to LESSEE from such action.

No reentry or taking possession of the premises by LESSOR shall be construed as an election on its part to terminate this Lease Agreement, unless a written notice of such intention be given to LESSEE. Notwithstanding any such re-letting or reentry or taking possession, LESSOR may at any time thereafter elect to terminate this Lease Agreement for a previous default. Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall the pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to LESSOR hereunder or of any damages accruing to LESSOR by reason of the violation of any of the terms, provisions and covenants herein contained. LESSOR's acceptance of rent following an event of default hereunder shall not be construed as LESSOR's waiver of such event of default. No waiver by LESSOR of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained. Forbearance by LESSOR to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default. The loss or damage that LESSOR may suffer by reason of termination of this Lease Agreement or the deficiency from any re-letting as provided for above shall include the expense of repossession and any repairs or remodeling undertaken following possession. Should LESSOR at any time terminate this Lease Agreement for any default, in addition to any other remedy LESSOR may have, LESSOR may recover from LESSEE all damages LESSOR may incur by reason of such default, including cost of recovering the premises and reasonable attorney's fees expended by reason of default.

11. Assignment, Encumbrances, and Subletting: LESSEE shall not assign, pledge, or otherwise encumber this lease or the premises covered thereby. LESSEE shall not sublet the premises or any part thereof, or furnish to any other person any ground space, office space, aircraft storage space, or other right or privilege in or on any Airport property without the prior written consent of the LESSOR's Airport Manager. Said consent shall not be unreasonably withheld. The rental rate paid by the SUBLESSEE shall not be greater than that paid by LESSEE to LESSOR.

It is understood that consent of the LESSOR to any subletting in one instance shall not constitute consent of the LESSOR to any other subletting. Any assignment, sublease, or other such agreements consented to shall be in writing and shall be approved as to form by LESSOR'S City Attorney.

12. Surrender of Premises: Upon termination of this lease by either party, or by reason of default or otherwise, LESSEE shall remove itself, aircraft, and all other personal property, debris and equipment stored by LESSEE in and upon the premises. LESSEE shall, at its own expense, repair any damage cause by LESSEE'S use. LESSEE shall, upon termination of this lease, surrender the premises to LESSOR in the same condition as received, ordinary wear and tear excepted. LESSOR will charge a reasonable fee for cleaning and/or disposal of any items left behind upon the premises.

13. Rules and Regulations: LESSEE shall faithfully observe and comply with all rules and regulations of LESSOR, including any rules and regulations promulgated by LESSOR'S Airport Manager, not inconsistent with the provisions of this lease. Such rules and regulations shall be communicated by LESSOR'S Airport Manager, in writing, to LESSEE and necessary

for the reputation, safety, care, or appearance of the building, or preservation of good order, the operation or maintenance of equipment, or the comfort or safety of other Airport tenants.

14. **Successors and Assigns:** The terms, covenants, agreements, and conditions contained herein shall be binding upon LESSEE'S heirs, successors, executors, administrators, and assignees. This provision shall not in any way affect the requirements set forth in section II, paragraph 9.

15. **Signs:** LESSEE shall not erect, install, or place any signs on or about the leased premises without the prior written consent and approval of the LESSOR'S Airport Manager.

16. **Ingress and Egress:** LESSEE, its invitees, visitors, and suppliers of materials and services shall have full and free rights of ingress and egress to and from the premises and to and from other Airport buildings subject to rules and regulations of LESSOR and LESSOR'S Airport Manager.

17. **Chemicals and other Toxic Substances:** No chemicals or other toxic substances shall be stored unless in compliance with adopted Lancaster Regional Airport rules and regulations, as amended, which are incorporated herein as is set forth in full and on file with the City Manager or his/her designee.

18. **Notices:** All legal notices given or required in connection with this lease shall be in writing and shall be sent via Mail or E-Mail to the following persons(s):

LESSOR: City of Lancaster
Lancaster Regional Airport
P.O. Box 940
211 N. Henry Street Lancaster, TX 75146
Name: _____

LESSEE: Address 1: _____

Address 2: _____

Phone: _____

E-Mail: _____

19. **Insurance:** LESSEE shall, at its own option, carry its own insurance on its aircraft and other equipment which LESSEE stores in or on the leased premises.

20. **Waiver of Attorney Fees:** LESSOR and LESSEE covenant and agree that in the event of any litigation arising between the parties to this lease, LESSEE shall be solely responsible for payment of its attorney's fees. In no event shall LESSOR be responsible for LESSEE'S attorney's fees regardless of the outcome of the litigation.

21. **Entire Agreement:** This agreement constitutes the entire understanding between the parties, and, as of its effective date, supersedes all prior or independent agreements covering the LESSEE'S occupation of the leased premises. Any change or modification hereof shall be in writing, signed by both parties. The parties to this agreement hereby agree and acknowledge that they are the principals to the agreement and have the power, right, and authority to enter into this agreement and are not acting on behalf, or as an agent, of any third party.

22. **Severability:** If any provision of this agreement shall be finally declared void or illegal by a court having competent jurisdiction, the entire agreement shall not be void, but the remaining provisions shall continue in effect as nearly as possible in accordance with the original intent of the parties. Venue governed by Texas law except where exempted by Federal law and Rules and Regulations.

23. **Governing Law; Venue:** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. Venue for any disputes arising from or related to the performance of this Agreement shall be in a state district court in Dallas County, Texas.

24. **Captions:** The Captions to the various clauses of this agreement are for informational purposes only and in no way alter the substance of the terms and conditions of this agreement.

25. **Landlord's Lien:** Pursuant to Section 54.021 of the Texas Property Code, LESSOR has a preference lien on the property of the LESSEE or any SUBLESSEE in the building for rent that is due and for rent that is to become due during the current 12 month period succeeding the date of the beginning of the rental agreement or an anniversary of that date.

IN WITNESS HEREOF, the parties executed this lease as of the day and year first above written.

CITY OF LANCASTER, LESSOR

LESSEE:

By: _____

Opal Mauldin-Jones,
City Manager

ATTEST:

Sorangel O. Arenas, City Secretary



LANCASTER REGIONAL AIRPORT

Agreement for Lease of T-Spot for Storage of Aircraft

Non-Commercial Tenants

This CONTRACT and AGREEMENT OF LEASE, made this _____ day of _____, 20 _____, between the City of Lancaster, Texas, a municipal corporation, ("LESSOR") and _____, (LESSEE"), evidences the following:

I.

LESSOR leases to LESSEE, and LESSEE takes from LESSOR, the following described premises located at the Lancaster Regional Airport ("Airport"), in the City of Lancaster, Dallas County, Texas, for and in consideration of the uses and for the terms and the rental hereinafter set forth, and subject and in accordance with the standard terms and provisions below.

1. **Premises:** T-Spot_____, located at the Airport ("Leased Premises").
2. **Uses:** The leased premises shall be used and occupied only for the storing of aircraft owned, leased, and/or legally operated by LESSEE and related equipment. The leased premises shall be used and occupied only for the personal, business, and/or private use of the LESSEE. LESSEE shall provide LESSOR with a copy of the FAA Certificate of Aircraft Registration for the aircraft to be stored under this agreement. If the registration is not in the name of LESSEE, a copy of a valid lease or other documentation showing a possessory interest in the aircraft shall be provided. LESSEE shall not store non-aviation items such as house hold goods in leased premises. LESSEE shall not use the leased premises for any on going business or commercial operations warehousing goods or services for sale to third parties.
3. **Term:** The term of this lease will be from month to month, beginning the _____ day of _____, 20 _____. Either party may cancel and terminate this agreement by serving thirty (30) days written notice of its election to do so.
4. **Rent:** LESSEE shall pay LESSOR as rent \$30 per month, due and payable in advance on the first day of each month.
 - a. All rental payments shall be delivered to LESSOR at the following address:
City of Lancaster
Finance Department
P.O. Box 940
211 N. Henry Street
Lancaster, TX 75146
 - b. All payments not received by the 10th of each month shall constitute a default and breach of this Lease Agreement as set forth in paragraph 10 herein. All payments not received by the 10th of each month shall be considered "past due" for purposes of incurring late charges as calculated in subsection (c) herein, and additional late charges will begin to

accrue on the 11th day of each month.

c. In the event the payment is received after the 10th day of the month, there shall be added a late charge of ten percent (10%) of the amount due.

d. LESSEE'S agreement to make rental payments shall be a covenant independent of all other covenants herein.

e. LESSOR retains the right to review the monthly rental rates and to make adjustments to said rental rates to reflect the then current market rental rates charged for similar facilities.

5. **Utilities:** Utilities are included in LESSEE's rental payment.

II.

STANDARD TERMS AND PROVISIONS

1. **Prohibited Uses:** LESSEE shall not use or permit the use of the premises or any part thereof for any purpose or purposes other than those set forth herein. LESSEE shall not commit or cause to be committed any waste in or upon the premises or maintain any public or private nuisance or any other action which may interfere with or disturb the quiet enjoyment of any other tenant of the building or buildings, or permit the use of the premises for any improper or unlawful purposes. Hazardous activities such as, but not limited to: smoking, painting, doping or the other application of hazardous substances are expressly prohibited. Nothing contained in this Section 1 shall, however, prohibit or limit LESSEE's right to use any apparatus, machinery, equipment or devices necessary or useful to LESSEE in the conduct of its activities on or about the premises.

2. **Disabled Aircraft:** LESSEE shall store only the following aircraft on the lease premises under any of the following conditions:

- a. Aircraft in a current airworthy condition according to Federal Aviation Regulations with a current FAA airworthiness certificate and U.S. or foreign registration,
- b. Aircraft with a current FAA airworthiness certificate and registration in a continuing process of overhaul and/or repair showing monthly progress,
- c. Final assembly of amateur built aircraft in preparation to obtain airworthiness certification.

Restoration or construction of an aircraft shall be completed (and an airworthiness certificate issued for amateur built aircraft) within 5 yrs from the beginning of this lease.

Monthly progress is defined as a major component, subcomponent, major system or subsystem is completed or installed on the aircraft every 30 days with appropriate log entries made.

Upon request from the Airport Manager, LESSEE shall provide monthly evidence of progress. Evidence includes but is not limited to: visual inspection of aircraft, photographs and log entries.

Should LESSEE sell the aircraft, LESSEE shall have ninety (90) days to acquire an aircraft to house upon the leased premises or LESSEE shall relinquish said premises to LESSOR.

Any exception to forgoing requirements must be approved by LESSOR'S Airport Manager.

3. **Compliance with Applicable Laws:** LESSEE shall comply with all applicable laws, ordinances, rules, regulations, and orders of any Federal, State, and City law governing the conduct of LESSEE'S activities on or about the premises.

4. **Alterations.** LESSEE shall make no structural or electrical changes or alterations, or construct any permanent additions or improvements, or do any work in connection therewith, on or about the premises without the prior written consent of the LESSOR'S Airport Manager, whose decision shall be final, and which consent shall not be unreasonably withheld. Any permanent improvements or additions to the leased premises shall be deemed to be fixtures and title to said improvements or additions shall vest in the LESSOR immediately upon completion of construction or attachment.

5. **Entry and Inspection:** LESSOR shall have the right to enter upon and inspect the premises from time to time during the term hereof, to make any repairs deemed necessary by the LESSOR for the safety, improvement, or preservation of the leased premises, without abatement of rent; provided however, that LESSOR shall not, during the course of any such inspection or repairs, unreasonably interfere with the LESSEE'S use and enjoyment of the premises. In lieu of an airport lock/key, LESSEE shall provide a copy of a key or lock combination to airport office.

6. **Services Furnished by LESSOR:** LESSOR shall furnish adequate utility power service for night time lighting. LESSOR assumes no liability to LESSEE for failures or interruptions of any and all services or utilities furnished to LESSEE when due to causes beyond the control of LESSOR, including but not limited to floods, fire, and power failures.

7. **Care of Premises by LESSEE:** LESSEE shall keep the leased premises in a safe, neat, clean, and presentable condition at all times and shall promptly repair any damage caused by LESSEE, its officers, agents, employees, or invitees.

8. **Indemnity and Hold Harmless:** LESSEE agrees to indemnify, defend, and hold LESSOR, its officers, agents, employees, or invitees harmless from and against all claims, demands, causes of actions, suits or judgments (including costs and expenses incurred in connection therewith) for injuries to persons or for loss or damage to property arising out of or in connection with the negligent or intentional act or omission of LESSEE, its officers, agents, employees, or invitees related to or association with the use and occupancy of the Leased Premises and airport facilities including, but not limited to, claims or damage related to or associated with the storage or maintenance of LESSEE's aircraft upon Airport, or from injury or damage caused to any person's property by reason of the operations of said aircraft. LESSEE further covenants and agrees that LESSEE shall not hold LESSOR or any of its officers, agents, or employees responsible for any loss to LESSEE'S aircraft,

automobile, personal property, parts, or supplies that may be located or stored in, on, or about the Leased Premises, where such loss is caused by Natural Disaster fire, rain, windstorm, hail.

9. **Disclaimer:** LESSEE agrees to accept all facilities and the leased premises in the condition in which they are found. LESSOR disclaims and LESSEE accepts LESSOR'S disclaimer of any warranty, express or implied, of the conditions or fitness for the use of the leased premises.

10. **Default:** The following events shall be deemed to be events of default by LESSEE under this Lease Agreement:

a. LESSEE shall fail to pay any installment of rent, and such failure shall continue for a period of ten (10) days following the due date of said installment.

b. LESSEE shall fail to comply with any term, provision or covenant of this Lease Agreement, other than the payment of rent, and shall not cure such failure within twenty (20) days after written notice thereof to LESSEE.

c. LESSEE shall fail to provide accurate and correct contact information as set forth in paragraph 18 – “Notices”.

Upon the occurrence of any event of default specified above, LESSOR shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

d. Terminate this Lease Agreement in which event LESSEE shall immediately surrender the premises to LESSOR; and if LESSEE fails to do so, LESSOR may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession and expel or remove LESSEE, any other person who may be occupying said premises or any part thereof, and contents therein, including LESSEE'S aircraft, by force if necessary, without being liable for prosecution or any claim of damages therefor; and LESSEE agrees to pay to LESSOR on demand the amount of all loss and damage which LESSOR may suffer by reason of such termination, whether through inability to re-let the premises on satisfactory terms or otherwise.

e. Enter upon and take possession of the premises and expel or remove LESSEE and any other person who may be occupying the premises or any part thereof, by force if necessary, without being liable for prosecution or any claim of damages therefor; and if LESSOR so elects, re-let the premises on such terms as LESSOR shall deem advisable and receive the rent thereof; and LESSEE agrees to pay to LESSOR on demand any deficiency that may arise by reason of such re-letting.

f. Enter upon the premises, by force if necessary, without being liable for prosecution or any claim of damages therefor and do whatever LESSEE is obligated to do under the terms of this Lease Agreement; and LESSEE agrees to reimburse LESSOR on demand for any expenses which LESSOR may incur in thus effecting compliance with LESSEE's obligations under this Lease Agreement; and LESSEE further agrees that LESSOR shall not be liable for any damages resulting to LESSEE from such action.

No reentry or taking possession of the premises by LESSOR shall be construed as an election on its part to terminate this Lease Agreement, unless a written notice of such intention

be given to LESSEE. Notwithstanding any such re-letting or reentry or taking possession, LESSOR may at any time thereafter elect to terminate this Lease Agreement for a previous default. Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall the pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to LESSOR hereunder or of any damages accruing to LESSOR by reason of the violation of any of the terms, provisions and covenants herein contained. LESSOR's acceptance of rent following an event of default hereunder shall not be construed as LESSOR's waiver of such event of default. No waiver by LESSOR of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained. Forbearance by LESSOR to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default. The loss or damage that LESSOR may suffer by reason of termination of this Lease Agreement or the deficiency from any re-letting as provided for above shall include the expense of repossession and any repairs or remodeling undertaken following possession. Should LESSOR at any time terminate this Lease Agreement for any default, in addition to any other remedy LESSOR may have, LESSOR may recover from LESSEE all damages LESSOR may incur by reason of such default, including cost of recovering the premises and reasonable attorney's fees expended by reason of default.

11. **Assignment, Encumbrances, and Subletting:** LESSEE shall not assign, pledge, or otherwise encumber this lease or the premises covered thereby. LESSEE shall not sublet the premises or any part thereof, or furnish to any other person any ground space, office space, aircraft storage space, or other right or privilege in or on any Airport property without the prior written consent of the LESSOR's Airport Manager. Said consent shall not be unreasonably withheld. The rental rate paid by the SUBLESSEE shall not be greater than that paid by LESSEE to LESSOR.

It is understood that consent of the LESSOR to any subletting in one instance shall not constitute consent of the LESSOR to any other subletting. Any assignment, sublease, or other such agreements consented to shall be in writing and shall be approved as to form by LESSOR'S City Attorney.

12. **Surrender of Premises:** Upon termination of this lease by either party, or by reason of default or otherwise, LESSEE shall remove itself, aircraft, and all other personal property, debris and equipment stored by LESSEE in and upon the premises. LESSEE shall, at its own expense, repair any damage cause by LESSEE'S use. LESSEE shall, upon termination of this lease, surrender the premises to LESSOR in the same condition as received, ordinary wear and tear excepted. LESSOR will charge a reasonable fee for cleaning and/or disposal of any items left behind upon the premises.

13. **Rules and Regulations:** LESSEE shall faithfully observe and comply with all rules and regulations of LESSOR, including any rules and regulations promulgated by LESSOR'S Airport Manager, not inconsistent with the provisions of this lease. Such rules and regulations shall be communicated by LESSOR'S Airport Manager, in writing, to LESSEE and necessary for the reputation, safety, care, or appearance of the building, or preservation of good order, the operation or maintenance of equipment, or the comfort or safety of other Airport tenants.

14. **Successors and Assigns:** The terms, covenants, agreements, and conditions

contained herein shall be binding upon LESSEE'S heirs, successors, executors, administrators, and assignees. This provision shall not in any way affect the requirements set forth in section II, paragraph 9.

15. **Signs:** LESSEE shall not erect, install, or place any signs on or about the leased premises without the prior written consent and approval of the LESSOR'S Airport Manager.

16. **Ingress and Egress:** LESSEE, its invitees, visitors, and suppliers of materials and services shall have full and free rights of ingress and egress to and from the premises and to and from other Airport buildings subject to rules and regulations of LESSOR and LESSOR'S Airport Manager.

17. **Chemicals and other Toxic Substances:** No chemicals or other toxic substances shall be stored unless in compliance with adopted Lancaster Regional Airport rules and regulations, as amended, which are incorporated herein as is set forth in full and on file with the City Manager or his/her designee.

18. **Notices:** All legal notices given or required in connection with this lease shall be in writing and shall be sent via Mail or E-Mail to the following persons(s):

LESSOR: City of Lancaster
Lancaster Regional Airport
P.O. Box 940
211 N. Henry Street
Lancaster, TX 75146

LESSEE: Name: _____
Address 1: _____
Address 2: _____
Phone: _____
E-Mail: _____

19. **Insurance:** LESSEE shall, at its own option, carry its own insurance on its aircraft and other equipment which LESSEE stores in or on the leased premises.

20. **Waiver of Attorney Fees:** LESSOR and LESSEE covenant and agree that in the event of any litigation arising between the parties to this lease, LESSEE shall be solely responsible for payment of its attorney's fees. In no event shall LESSOR be responsible for LESSEE'S attorney's fees regardless of the outcome of the litigation.

21. **Entire Agreement:** This agreement constitutes the entire understanding between the parties, and, as of its effective date, supersedes all prior or independent agreements covering the LESSEE'S occupation of the leased premises. Any change or modification hereof shall be in writing, signed by both parties. The parties to this agreement hereby agree and acknowledge that they are the principals to the agreement and have the power, right, and

authority to enter into this agreement and are not acting on behalf, or as an agent, of any third party.

22. **Severability:** If any provision of this agreement shall be finally declared void or illegal by a court having competent jurisdiction, the entire agreement shall not be void, but the remaining provisions shall continue in effect as nearly as possible in accordance with the original intent of the parties. Venue governed by Texas law except where exempted by Federal law and Rules and Regulations.

23. **Governing Law; Venue:** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. Venue for any disputes arising from or related to the performance of this Agreement shall be in a state district court in Dallas County, Texas.

24. **Captions:** The Captions to the various clauses of this agreement are for informational purposes only and in no way alter the substance of the terms and conditions of this agreement.

25. **Landlord's Lien:** Pursuant to Section 54.021 of the Texas Property Code, LESSOR has a preference lien on the property of the LESSEE or any SUBLESSEE in the building for rent that is due and for rent that is to become due during the current 12 month period succeeding the date of the beginning of the rental agreement or an anniversary of that date.

IN WITNESS HEREOF, the parties executed this lease as of the day and year first above written.

CITY OF LANCASTER, LESSOR

LESSEE:

By: _____

Opal Mauldin-Jones,
City Manager

ATTEST:

Sorangel O. Arenas, City Secretary

GROUND LEASE

WHEREAS, the City of Lancaster (hereinafter called "City" or "Owner") is the owner of the Lancaster Regional Airport in Lancaster, Texas (the "Airport"); and

WHEREAS, the development of the Airport and its pad sites is important to the vitality of the Airport.

This Ground Lease (the "Lease") is made this **DDth** day of **MMM, 2017** (the "Commencement Date") between the City and **John Doe** (hereinafter called "Lessee"), which has entered into an agreement to acquire a ground lease for Hangar No. **L-XX** on the Airport property (said Hangar, together with the improvements now or hereafter located thereon or installed therein are collectively referred to herein as the "Leased Premises"), which is situated on Lot No. C of the land more particularly described on **Exhibit A** attached hereto and incorporated herein (said land comprising a portion of the Airport).

- 1. INITIAL TERM.** The term of this Lease shall be from the Commencement Date until **MMM DD, YYYY**.
- 2. GROUND RENT.** In consideration of this Lease, Lessee agrees during each year of the term of this Lease to pay to the City a yearly ground rental ("Ground Rent"). Ground Rent will be due in advance, with the first installment due on the Commencement Date and each subsequent installment due on each anniversary of the Commencement Date. The yearly Ground Rent shall be as follows:

Years 1-3
Years 4-6
Years 7-9
Years 10-15

Any Ground Rent or any other sums due and owing by Lessee to City hereunder which is/are not paid within ten (10) days after its/their due date shall bear interest at a rate of 10% per annum until said amount due is fully paid.

- 3. EXTENSION OF TERM.** Lessor hereby grants Lessee, its successors, heirs, and assigns, two successive options to extend this Lease on the Lease remises, as existing at the times(s) when either is exercised as follows:
 - a. **First Option Period:** Five (5) years, beginning at the expiration date of the initial term.
 - b. **Second Option Period:** Five (5) years beginning at the expiration date of the first option period.

- i. As a condition for the exercise of each option, Lessee shall give Lessor written notice of Lessee's intent to exercise its option at least six (6) months prior to the expiration date of the term of the Lease, as then in effect.
- ii. All conditions and covenants contained herein shall remain in force during any extension of term pursuant to said option(s) except the provision for rental, which shall be renegotiated by the parties in advance of any extension using as a basis the standard airport ground rental rates then prevailing at Lancaster Regional Airport. During any option period, no rental shall be charged for any lease hold improvements added or constructed by Lessee, or sublessee, or successor during the term of the Lease or any option period.
- iii. Lessee's right to exercise such option is conditional on proper notice, required in Paragraph "i." of this section and is further conditional upon Lessee not being in default in the performance of its covenants undertaken by Lessee at the beginning date of the extension of the term for which such notice is given.
- iv. Lessee shall not have the right to exercise such options if this Lease has been terminated under any termination rights provided for in the Lease, or if Lessee is in default as to any provision or condition of the Lease prior to the exercise of an option granted under this section.

4. LEASEHOLD IMPROVEMENTS: During the term of this Lease, Lessee shall have the right to construct additional facilities on the Leased Premises, all of which shall be in accordance with the terms and conditions of this Lease and any applicable City code or FAA requirements (the "Leasehold Improvements"). Any Leasehold Improvements shall be completed in strict accordance with the following:

- A. Lessee shall at no time permit a lien or claim against any part of the Leased Premises to exist or to come into being arising out of the Leasehold Improvements.
- B. All costs of Leasehold Improvements, labor, work, materials, and equipment installed or placed upon the Leased Premises shall be paid for solely by Lessee.
- C. Lessee understands and agrees that any damage to the Leased Premises caused by the construction and/or installation of the Leasehold Improvements shall be repaired at Lessee's sole cost and expense.

5. UTILITIES: Utilities will be provided for as follows:

- A. **ELECTRICITY:** All electrical usage for the Leased Premises is sub-metered, and Lessee will be responsible for all electricity charges incurred at the Leased Premises.
- B. **WATER AND SEWER:** Water and sewer charges for the Leased Premises will be assessed at a \$5.00 per month minimum charge, regardless of occupancy. This minimum charge may be increased to \$7.00 per month during the last 6 years of this Lease.

6. TERMS: During the term of this Lease, the Lessee agrees to the following:

- A. To abide by all rules and regulations of the Federal Aviation Administration (the "FAA"), State of Texas, City of Lancaster, and any other duly constituted public authority having jurisdiction over the Airport.
- B. To accept the Leased Premises (as of the Commencement Date) in its "as is, where is" condition. City hereby disclaims and Lessee hereby accepts such disclaimer of any warranty (except a 12-month warranty), express or implied, of the conditions of fitness for use of the Leased Premises. Except for damage to the Leased Premises resulting from the negligence or willful misconduct of the City and/or their agents, officers or employees (for which the City shall have liability to repair and/or replace such damage), Lessee shall maintain and repair the Leased Premises during the term hereof.
- C. During the term of this Lease, Lessee shall, at its sole cost and expense, carry (i) commercial general liability insurance (in amounts determined by Lessee), which shall name the City as an additional insured and (ii) property insurance with respect to the improvements now or hereafter comprising a part of the Leased Premises, which shall be in the amount of 100% of the replacement cost of all such improvements now or hereafter comprising a part of the Project (as such replacement cost is reasonably determined by Lessee) and name City as an additional insured, loss payee. All property insurance proceeds will be payable by joint check to the City and the Lessee for the sole purpose of rebuilding the improvements to at least their condition prior to the date of the applicable damage or casualty.
- D. To furnish such equipment in and to the Leased Premises as may be necessary to properly secure Lessee's aircraft and hangar (office areas included). Lessee agrees to be solely responsible for setting brakes, placing chocks, tying down or otherwise securing Lessee's aircraft in the Leased Premises.

- E. Not to hold City or any of their agents or employees responsible for any loss occasioned by fire, theft, rain, windstorm, hail, or any other force majeure event, whether said cause be the direct, indirect, or merely a contributing factor in producing the loss to any airplane, automobile, personal property, parts or surplus that may be located or stored in the Leased Premises, offices, aprons, field, or any other location at the Airport.
- F. Except as otherwise indicated below, to indemnify, defend, hold harmless the City and their agents, officers, and employees, from and against any and all liability or loss resulting from claims or court action arising directly out of the acts of Lessee, Lessee's agents, servants, guests, or business visitors, under this Lease or by reason of any act or omission of such person arising from any use of the Airport premises and/or facilities. This indemnification provision shall not be applicable, however, if the negligence or willful misconduct of the City and/or their agents, officers or employees was a contributing factor to such event resulting in liability or loss.
- G. To prohibit storage of any inflammable liquids, gases, signal flares, or other similar material on the Leased Premises, or in any building on the Airport; except that such materials may be kept in aircraft housed within the Leased Premises, or in rooms or areas specifically approved for such storage by the Airport Supervisor, or in underwriter-approved safety cans.
- H. To permit City to enter the Leased Premises with a prearranged appointment for inspection or repairs, of additions, or alterations necessary for the safety, improvement, or preservation of the Leased Premises.
- I. City shall have, at all times during normal business hours, the right to enter into the Leased Premises and inspect Lessee's facilities and operations for the purposes of determining Lessee's compliance with its obligations under this Lease. City shall provide at least 24 hours' notice before any inspection except in cases of emergency. Notice shall be sufficient if prominently posted on the building on the Leased Premises 24 hours prior to the inspection.

7. ASSIGNMENTS AND SUBLETTING: Lessee may sublet the Leased Premises or any part thereof provided Lessee delivers prior written notice thereof to the City. Lessee may assign its rights in this Lease to a third party provided the assignee shall agree in writing to assume all of the terms, covenants, and conditions of this Lease, and a duplicate original thereof shall be delivered to the City prior to the effective date of such assignment. Provided the immediately preceding sentence is satisfied, the assignor of this Lease shall be released from any further liabilities or obligations under this Lease from and after the effective date of such assignment.

8. DEFAULT: The following shall be deemed to be events of default by Lessee under this Lease:

- A. The making by Lessee of an assignment for the benefit of its creditors;
- B. The levying on or against any part of the Leased Premises of a writ of execution or attachment which is not released or discharged within thirty (30) days thereafter;
- C. In the event proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation, or involuntary dissolution of Lessee, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of Lessee, and proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the institution of said proceedings;
- D. Any act which creates a Mechanics Lien or claim therefor against any part of the Leased Premises which is not released or discharged within thirty (30) days thereafter; or
- E. The failure of Lessee to pay any installment of Ground Rent or other charge or money obligation herein required to be paid by Lessee within twenty (20) days after written notice is given by City to Lessee, or the failure of Lessee to perform any Lessee's other covenants under this Lease not involving the payment of money within thirty (30) days after written notice is given by City to Lessee.

Upon the occurrence of any of the above uncured defaults, City may terminate this Lease and re-enter the Leased Premises with or without process of law using such force as may be necessary, change the locks or otherwise lock out Lessee and remove all persons and property from the Leased Premises. City shall not be liable for damages or otherwise by reason of re-entry or termination of this Lease. It is further understood that Lessee will, in addition to the rent and other sums agreed to be paid hereunder, pay reasonable attorney's fees incurred by the City to enforce the provisions of this Lease, or the collection of the rent due to the City. Any property belonging to Lessee or to any persons holding by, through, or under Lessee, or otherwise found upon the Leased Premises, may be removed therefrom and stored in any public warehouse at the cost of and for the account of Lessee.

9. MISCELLANEOUS PROVISIONS:

A. REMOVAL OF PERSONAL PROPERTY AND FIXTURES.

- i. Upon the termination of this Lease, Lessee shall remove all personal property from the Leased Premises and return the Leased Premises to the City in broom clean and good condition, ordinary wear and tear excepted. Lessee shall not, however, remove or be required to remove: (1) any improvements then comprising a part of the Leased Premises (including any Existing Improvements or Leasehold Improvements); or (2) any fixtures permanently or semi-permanently affixed in or to the Leased Premises, all of which are (and shall be) property of the City.
- ii. Any personal property remaining on the Leased Premises sixty (60) days after termination of this Lease for any reason shall be deemed as abandoned by Lessee and City may make any disposition of such personal property as it deems appropriate. City may charge Lessee for the reasonable costs incurred in disposing of such personal property.

B. TAXES. Lessee shall be responsible for the payment of any taxes or assessments on its furniture, equipment and personal property now or hereafter located in or on the Leased Premises. However, Lessee shall not be responsible or liable for any ad valorem or similar taxes or assessments on the land, improvements and/or fixtures now or hereafter constituting a portion of the Leased Premises.

C. ENVIRONMENTAL LAWS. Lessee's obligations under this Lease specifically include, but are not limited to, strict and timely compliance with all environmental laws. Lessee shall ensure that all operations on the Leased Premises comply with all environmental laws and orders of any governmental authorities having jurisdiction under any environmental laws. Lessee shall exercise extreme care in handling hazardous substances and shall undertake any and all preventive, investigatory, or remedial action (including emergency response, removal, containment, and other remedial action) which is either required by and applicable environmental laws or orders of any governmental authorities having jurisdiction under any environmental laws. Lessee shall exercise extreme care in handling hazardous substances and shall undertake any and all preventive, investigatory, or remedial action (including emergency response, removal, containment, and other remedial action) which is either required by any applicable environmental laws or orders of any governmental authority having jurisdiction under such laws, or necessary to prevent or minimize

property damage, personal injury or damage to the environment or threat of any such damage or injury, by releases of, or exposure to, hazardous materials in connection with the Leased Premises or operations thereon. Lessee shall immediately notify the City upon becoming aware of any leak, spill, release or disposal of hazardous substances on, under, or adjacent to the Leased Premises. In the event Lessee fails to perform any of Lessee's obligations under this paragraph, City may, but shall not be required to, perform such obligations at Lessee's expense. In performing any such obligations of Lessee, City shall at all times be deemed the agent of Lessee and shall not, by reason of such performance, be deemed to be assuming any responsibility of Lessee under any environmental law or to any other third party. The City may from time to time during the term of this Lease exercise its inspection rights in accordance with Section 6. I above to ensure Lessee's compliance with this paragraph.

- i. As used in this Lease, the term "environmental laws" means all state, federal, and local statutes, regulations, and ordinances relating to the protection of human health and the environment.
- ii. In this Lease, the term "hazardous materials" is used in its very broadest sense and refers to materials that, because of their quantity, concentration or physical, chemical, or infectious characteristics, may cause or pose a present or potential hazard to human health and to the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported, or otherwise handled on the Leased Premises. The term includes, without limitation, petroleum products or crude oil or any fraction thereof, and any and all hazardous or toxic substances, materials, or wastes as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation, and Liability Act, and any other environmental laws.
- iii. If, prior to termination of this Lease, City informs Lessee in writing that Lessee is in breach of this paragraph (and such breach is not cured to the reasonable satisfaction of the City prior to the termination date of this Lease), Lessee's obligations to the City under this paragraph shall not be terminated upon the termination of the Lease, but shall continue as an ongoing obligation.

- D. **RIGHT OF FIRST REFUSAL.** At the end of the Lease term (if the Lease has not been terminated early due to a Lessee default hereunder), Lessee (or its heirs, successors, and assignees) shall be given a first right of refusal to again lease the Leased Premises on terms substantially similar to those set forth in this Lease. However, the length of such new lease and rental to be paid thereunder (which shall be based on the improved ground lease rate per the City's adopted fee schedule for the Airport) shall be mutually agreed upon, and negotiated directly with the City.
- E. **CITY'S COVENANTS.** During the term of this Lease, City covenants and agrees: (a) at City's sole cost and expense, to maintain all the Airport runways, roads, lighting, instrument approaches and all common taxiways; and (b) Lessee shall have the right of ingress and egress to and from the Leased Premises by means of roadways (for automobiles) and taxiways (for aircraft), all in conformity with the rules and regulations adopted from time to time by the City, the FAA or any other state, federal or local authority.
- F. **TEXAS LAW TO APPLY:** This Lease shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Dallas County, Texas.
- G. **PARTIES BOUND:** This Lease shall be binding on and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as otherwise expressly provided herein.
- H. **LEGAL CONSTRUCTION:** In case any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
- I. **PRIOR AGREEMENTS SUPERSEDED:** This Lease constitutes the only agreement of the parties hereto and supersedes and prior understandings or written or oral agreements between the parties.
- J. **ATTORNEY'S FEES:** If any action at law or in equity, including any action for declaratory relief, is brought to enforce or interpret the provisions of this Lease, the prevailing party shall be entitled to recover reasonable attorney's fees from the other party, which fees

may be set by the court in the trail of such action or may be enforced in a separate action brought for that purpose, and which fees shall be in addition to any other relief which may be awarded.

K. **NOTICE:** Unless otherwise provided herein, any notice, tender, or delivery to be given hereunder by either party to the other may be effected by personal delivery in writing or by registered or certified mail, postage prepaid, return receipt requested, addressed to the parties at the respective addresses set forth below or at such other address as they shall have theretofore specified by written notice to the other. Any notice shall be deemed delivered and effective if hand delivered on the date of delivery or if mailed when deposited in the U.S. Mails, postage prepaid and properly addressed.

L. **TIME OF ESSENCE:** Time is of the essence of this Lease.

M. **NATURE AND EXTENT OF AGREEMENT:** This instrument and its exhibits contains the complete agreement of the parties regarding the terms and conditions of the lease of the Leased Premises by the City to Lessee, and there are no oral or written conditions, terms, understandings, or other agreements pertaining thereto which have not been incorporated herein. This instrument creates only the relationship of City and Lessee between the parties hereto as to the Leased Premises. Nothing in this Lease shall be construed to create a partnership, joint venture or association between the City and Lessee, and, except as otherwise indicated herein, this Lease shall not be construed to authorize either City or Lessee to act as agent for the other.

N. **CAPTIONS AND HEADINGS:** The captions and headings in this Lease are for convenience and reference only, and the words contained therein shall be in no way be held or deemed to define, limit, describe, explain, modify, amplify or add to the interpretation, construction or meaning of any provision of or he scope or intent of this Lease or in any way affect this lease.

O. **AUTHORITY TO EXECUTE:** City and Lessee represent and warrant to each other that each is full authorized to enter into this Lease without the joinder of any other person, executing this lease on behalf of each, such party corporate, partnership or joint venture action required has been taken.

[Remainder of Page Intentionally Blank]

LESSEE:

CITY OF LANCASTER:

John Doe,

Owner

Address for Notice:

Opal Mauldin-Jones

City Manager

Address for Notice:

PO Box 940
Lancaster, TX 75146

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on _____ by _____.

[Seal]

Notary Public Signature

My Commission expires on _____

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on _____ by _____.

[Seal]

Notary Public Signature

My Commission expires on _____

EXHIBIT A

DESCRIPTION

BEING a tract of land situated in the JONES GREEN SURVEY, ABSTRACT NO. 504, in the City of Lancaster, Dallas County, Texas, and being part of a tract conveyed to the City of Lancaster, by Betty Edwards Smith Woodward, by Deed dated March 22, 1984, and recorded in Volume 84061, at Page 1039, in the Deed Records of Dallas County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point for corner, which is located South 12 degrees 19 minutes 00 seconds East, 143.70 feet and North 77 degrees 41 minutes 00 seconds East, 71.91 feet from the Southeast corner of the most Southerly five (5) existing hangars adjacent to Lancaster Ferris Road;

THENCE South 39 degrees 07 minutes 12 seconds East for a distance of 257.69 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 305.36 feet to the beginning of a curve to the right having a radius of 45.00 feet, a tangent distance of 22.98 feet, a chord distance of 40.98 feet;

THENCE in a Northwesterly direction along said curve to the right through a central angle of 54 degrees 06 minutes a 42 seconds for a distance of 42.50 feet to the beginning of a curve to the left having a radius of 100.00 feet, a tangent distance of 51.08 feet, a chord of 90.97 feet;

THENCE in a Northwesterly direction along said curve to the left through a central angle of 54 degrees 06 minutes 42 seconds for a distance of 94.44 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 90.53 feet to a point for corner;

THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 81.00 feet to a point for corner;

THENCE South 77 degrees 41 minutes 00 seconds West for a distance of 6.00 feet to a point for corner;

THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 57.00 feet to a point for corner;

THENCE North 77 degrees 41 minutes 00 seconds East for a distance of 20.00 feet to a point for corner;

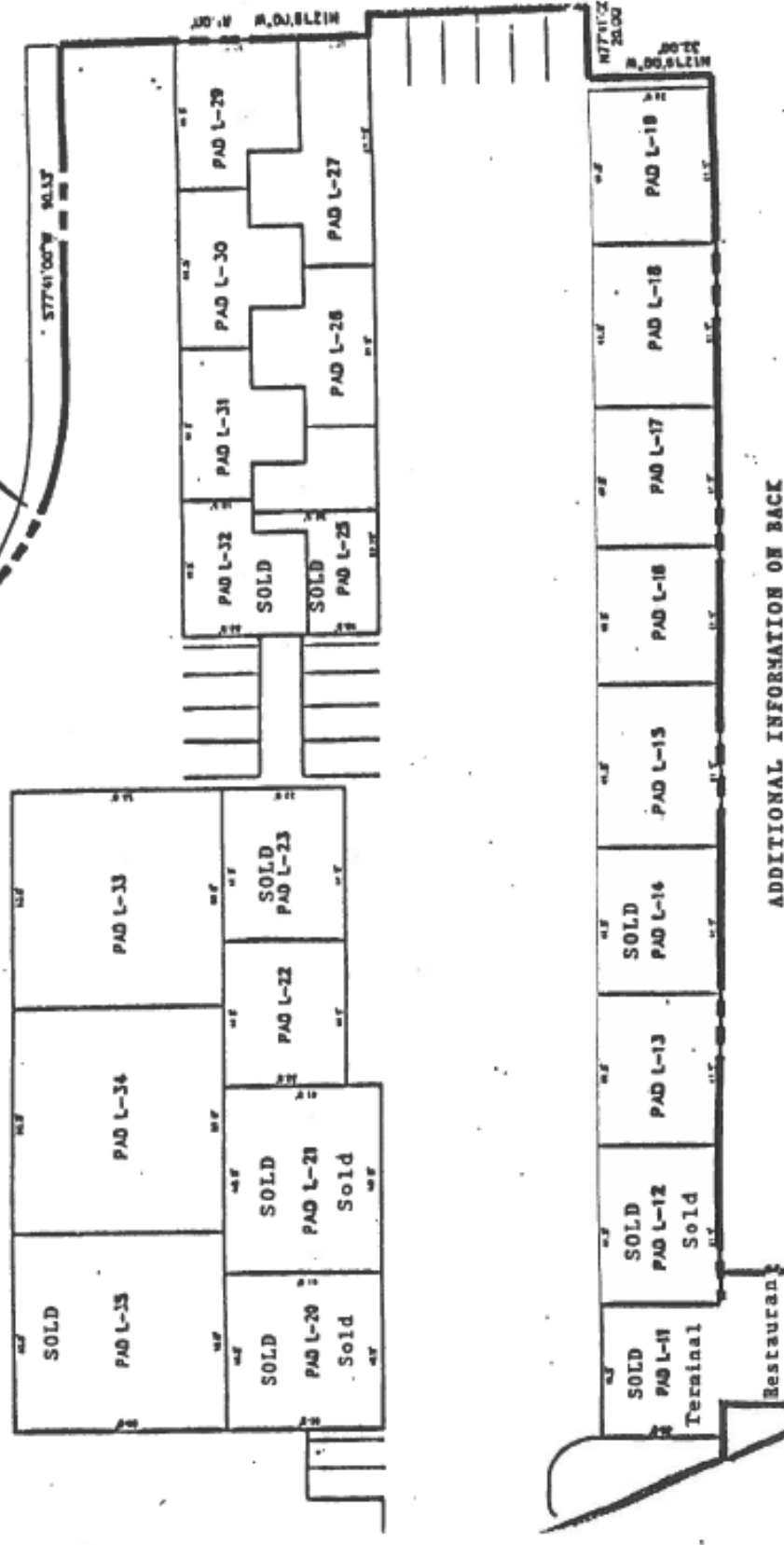
THENCE North 12 degrees 19 minutes 00 seconds West for a distance of 32.00 feet to a point for corner;

THENCE North 77 degrees 41 minutes 00 seconds East for a distance of 383.16 feet to the PLACE OF BEGINNING.

CONTAINING 95,111.64 square feet or 2.1835 acres of land.

$A = 54.06'42''$
 $R = 100.05'$
 $L = 94.44'$
 $C = 90.87'$
 $T = 51.06'$

Author's address:



ADDITIONAL INFORMATION ON BACK

LANCASTER CITY COUNCIL

City Council Regular Meeting

4.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Financially Sound Government

Submitted by: Fabrice Kabona, Assistant to the City Manager

Agenda Caption:

Consider a resolution approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the company's 2017 rate review mechanism RRM filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement.

Background:

The City, along with other similarly situated cities served by Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC"). The RRM Tariff was originally adopted by ACSC member cities in 2007 as an alternative to the Gas Reliability Infrastructure Program ("GRIP"), the statutory provision that allows Atmos to bypass the City's rate regulatory authority to increase its rates annually to recover capital investments. The RRM Tariff has been modified several times, most recently in 2013.

The 2017 RRM filing is the fifth RRM filing under the renewed RRM Tariff. On March 1, 2017, Atmos made a filing requesting \$57.4 million additional revenues on a system-wide basis. Because the City of Dallas has a separate rate review process, exclusion of Dallas results in the Company requesting \$46.4 million from other municipalities.

Environs customers (ratepayers outside municipal limits) remain under the Railroad Commission's exclusive original jurisdiction and have their rates set through the GRIP process. If the Company had used the GRIP process rather than the RRM process it would receive a \$52.4 million increase, or about \$4.4 million more than will be approved by the resolution. ACSC and the Company have reached an agreement, reflected in the resolution, to reduce the Company's request by \$9.4 million, such that the resolution approving new rates reflects an increase of \$48 million on a system-wide basis, or \$38.8 million for Mid-Tex Cities, exclusive of the City of Dallas.

The ACSC Executive Committee and its designated legal counsel and consultants recommend that all Cities adopt the resolution with its attachments approving the negotiated rate settlement resolving the 2017 RRM filing, and implementing the rate change.

Legal Considerations:

The resolution was provided by the legal counsel that represents the Atmos Cities Steering Committee (ACSC), of which Lancaster is a member.

Public Information Considerations:

This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

Fiscal Impact:

The tariffs attached to the resolution approve rates that will increase the Company's revenues by \$38.8 million for the Mid-Tex Rate Division, effective for bills rendered on or after June 1, 2017. The monthly residential customer charge will be \$19.60. The consumption charge will be \$0.14 per Ccf. The monthly bill impact for the typical residential customer consuming 46.8 Ccf will be an increase of \$2.04, or about 3.87%. The typical commercial customer will see an increase of \$6.27, or 2.37%.

Options/Alternatives:

1. The City Council may approve the resolution, as presented.
2. The City Council may deny the resolution.

Recommendation:

Staff recommends approval of the resolution as presented, and as recommended by ACSC.

Attachments

Resolution

RESOLUTION NO.

AN RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER TEXAS, APPROVING A NEGOTIATED SETTLEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE ("ACSC") AND ATMOS ENERGY CORP., MID- TEX DIVISION REGARDING THE COMPANY'S 2017 RATE REVIEW MECHANISM FILINGS; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT; FINDING THE RATES TO BE SET BY THE SETTLEMENT TARIFFS TO BE JUST AND REASONABLE AND IN THE PUBLIC INTEREST; REQUIRING RECONCILIATION AND RATE ADJUSTMENTS IF FEDERAL INCOME TAX RATES CHANGE; TERMINATING THE RRM PROCESS FOR 2018 PENDING RENEGOTIATION OF RRM TERMS AND CONDITIONS; REQUIRING THE COMPANY TO REIMBURSE ACSC'S REASONABLE RATEMAKING EXPENSES; DETERMINING THAT THIS RESOLUTION WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; ADOPTING A SAVINGS CLAUSE; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS RESOLUTION TO THE COMPANY AND THE ACSC'S LEGAL COUNSEL.

WHEREAS, the City of Lancaster, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of similarly-situated cities served by Atmos Mid-Tex ("ACSC Cities") that have joined together to facilitate the review of, and response to, natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, ACSC and the Company worked collaboratively to develop a new Rate Review Mechanism ("RRM") tariff that allows for an expedited rate review process by ACSC Cities as a substitute to the Gas Reliability Infrastructure Program ("GRIP") process instituted by the Legislature, and that will establish rates for the ACSC Cities based on the system-wide cost of serving the Atmos Mid-Tex Division; and

WHEREAS, on March 1, 2017, Atmos Mid-Tex filed its 2017 RRM rate request with ACSC Cities; and

WHEREAS, ACSC coordinated its review of the Atmos Mid-Tex 2017 RRM filing through its Executive Committee, assisted by ACSC's attorneys and consultants, to resolve issues identified in the Company's RRM filing; and

WHEREAS, the Executive Committee, as well as ACSC's counsel and consultants, recommend that ACSC Cities approve an increase in base rates for Atmos Mid-Tex of \$48 million on a system-wide basis; and

WHEREAS, the attached tariffs implementing new rates are consistent with the recommendation of the ACSC Executive Committee, are agreed to by the Company, and are just, reasonable, and in the public interest; and

WHEREAS, the RRM Tariff contemplates reimbursement of ACSC's reasonable expenses associated with RRM applications; and

WHEREAS, the Company and ACSC have agreed that rates should be adjusted if any change in federal income tax rates is implemented during the period that rates approved herein remain in place; and

WHEREAS, because ACSC believes that certain provisions of the current terms and conditions of the RRM tariff are inconsistent with market conditions, the City expects renegotiation of the current RRM tariff in the Summer of 2017.

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

SECTION 1. That the findings set forth in this Resolution are hereby in all things approved.

SECTION 2. That the City Council finds that the settled amount of an increase in revenues of \$48 million on a system-wide basis represents a comprehensive settlement of gas utility rate issues affecting the rates, operations, and services offered by Atmos Mid-Tex within the municipal limits arising from Atmos Mid-Tex's 2017 RRM filing, is in the public interest, and is consistent with the City's authority under Section 103.001 of the Texas Utilities Code.

SECTION 3. That the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable. The new tariffs attached hereto and incorporated herein as Attachment A, are just and reasonable, and are designed to allow Atmos Mid-Tex to recover annually an additional \$48 million in revenue over the amount allowed under currently approved rates, as shown in the Proof of Revenues attached hereto and incorporated herein as Attachment B; such tariffs are hereby adopted.

SECTION 4. That the ratemaking treatment for pensions and other post-employment benefits in Atmos Mid-Tex's next RRM filing shall be as set forth on Attachment C, attached hereto and incorporated herein.

SECTION 5. Consistent with Texas Utilities Code Section 104.0SS(c), Atmos Energy's recovery of federal income tax expense through the Rider RRM has been computed using the statutory income tax rate. In the event that a change in the statutory income tax rate is implemented during the Rider RRM Rate Effective Date, Atmos Energy shall reconcile the difference between the amount of federal income tax expense included in the Rider RRM calculation for the Rate Effective Date with the amount of federal income tax expense authorized under the new statutory income tax rate. The reconciliation period shall be from the date on which any new statutory income tax rate is implemented through the Rate Effective Date. An interest component calculated at the customer deposit interest rate then in effect as approved by the Railroad Commission of Texas shall be applied to the federal income tax expense reconciliation. Further, any required reconciliation of federal income tax expense shall be included as part of Atmos Mid-Tex's next annual RRM filing and shall be returned to or recovered from customers as a one-time credit or surcharge to the customer's bill.

SECTION 6. The City requires renegotiation of RRM tariff terms and conditions during the Summer of 20017. If an agreed renegotiated RRM tariff cannot be achieved, the City will terminate the RRM process and consider initiation of a traditional rate case to reduce the Company's authorized return on equity.

SECTION 7. That Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC in processing the Company's 2017 RRM filing.

SECTION 8. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Resolution, it is hereby repealed.

SECTION 9. That the meeting at which this Resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

SECTION 10. That if any one or more sections or clauses of this Resolution is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Resolution, and the remaining provisions of the Resolution shall be interpreted as if the offending section or clause never existed.

SECTION 11. That consistent with the City Resolution that established the RRM process, this Resolution shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after June 1, 2017.

SECTION 12. That a copy of this Resolution shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs Mid-Tex Division, Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas on this the 12th day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

LANCASTER CITY COUNCIL

City Council Regular Meeting

5.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Healthy, Safe & Vibrant Community
Sound Infrastructure
Quality Development

Submitted by: Opal Mauldin-Jones, City Manager
Jim Brewer, Public Works Director

Agenda Caption:

Consider a resolution approving the terms and conditions of a Cooperative Agreement by and between the City of Lancaster and Dallas County to provide the Community Development Block Grant Program.

Background:

Every three years Dallas County is required to confirm the city's participation in its Community Development Block Grant program. Lancaster has participated in the Dallas County program since 1988. In order for Dallas County to qualify, they must enter into agreements with local governments and have the collective population of the County's unincorporated area and the local governments total at least 100,000 people.

The City of Lancaster has utilized CDBG funds for demolition projects and infrastructure improvement projects.

Participation is for Fiscal Years 2018, 2019, and 2020.

Operational Considerations:

The current agreement between the City of Lancaster and Dallas County will expire on June 26, 2017, it is necessary to enter into a new agreement in order for the City of Lancaster to remain eligible for this program. Funds may only be utilized for qualifying projects that meet the criteria established by the U.S. Housing and Community Development Act of 1974.

Legal Considerations:

The City Attorney has reviewed the resolution and approved as to form.

Public Information Considerations:

This item is being considered at a regular meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

Fiscal Impact:

In order to receive this funding, the U. S. Department of Housing and Urban Development (HUD) requires the County and all interested cities with populations of less than 50,000 to enter into a cooperative agreement. It should be noted that if the City chooses to participate in the County's program, the City, per federal law, cannot seek to receive funding from the State's program. Dallas County allocates funding on a bi-annual formula for participating cities and exact allocation amounts vary.

Options/Alternatives:

1. City Council may approve the Resolution as presented.
2. City Council may reject the resolution. By rejecting the resolution.

Recommendation:

Staff recommends approval of the resolution as presented.

Attachments

Resolution

Exhibit "A"

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING THE TERMS AND CONDITIONS OF A COOPERATIVE AGREEMENT BY AND BETWEEN THE CITY OF LANCASTER, TEXAS AND DALLAS COUNTY DEPARTMENT OF PLANNING AND DEVELOPMENT TO PROVIDE FUNDING FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME PROGRAM; AUTHORIZING ITS EXECUTION BY THE MAYOR; REPEALING ALL RESOLUTIONS IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Dallas County Department of Planning and Development has been in existence since 1988 and has been able to provide more than \$60 million dollars in funding to the City of Lancaster, and other cities within Dallas County;and

WHEREAS, the City of Lancaster desires to enter a cooperative agreement with Dallas County to receive funding for its residents within low to moderate income areas; and

WHEREAS, Dallas County will provide CDBG and Home program funding to the City in order to assist with such projects as road reconstruction, water/sewer installation, park improvements, code enforcement, down-payment assistance, and housing reconstructions;

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

SECTION 1. That the Dallas County Department of Planning and Development Cooperative Agreement for Fiscal Year 2017, attached hereto and incorporated herein by reference as Exhibit "A", having been reviewed by the City Council of the City of Lancaster, Texas, and found to be acceptable and in the best intrest of the City and its citizens, be, and the same is hereby, in all things approved.

SECTION 2. That the Mayor of the City of Lancaster, Texas, is hereby authorized to execute said agreement.

SECTION 3. That any prior Resolution of the City Council in conflict with the provisions contained in this Resolution are hereby repealed and revoked.

SECTION 4. That should any part of this Resolution be held to be invailid for any reason, the remainder shall not be affected thereby, and such remaining portions are hereby declared to be severable.

SECTION 5. That this Resolution shall take effect immediately from and after its passage, and it is duly resolved.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

AGREEMENT of COOPERATION for CDBG/HOME/ESG PROGRAMS

WHEREAS, the 93rd Session of the Congress passed, and the President of the United States signed into law, the Housing and Community Development Act of 1974 (PL93-383) which created the Urban County Community Development Block Grant (CDBG) program; and

WHEREAS, Dallas County, Texas, is applying to the U.S. Department of Housing and Urban Development (HUD) for Urban County CDBG entitlement status; and

WHEREAS, in order to qualify for this status, Dallas County must enter into cooperation agreements with local governments and have the collective population of the County's unincorporated area and the participating local governments total at least 100,000 people; and

WHEREAS, Texas cities and counties are authorized under Chapter 373, Local Government Code, and Section 381.003, Local Government Code, to conduct essential Housing and Community Development activities; and

WHEREAS, Texas cities and counties are authorized under Chapter 791, Government Code, to enter into cooperation agreements with one another.

NOW, THEREFORE, BE IT RESOLVED THAT:

The City of Lancaster (hereinafter, "City") supports the efforts of Dallas County, Texas to qualify as an Urban County for the Urban County CDBG program and asks that its population be included in such a program beginning for Federal Fiscal Years 2018, 2019, and 2020.

This Cooperation Agreement covers the CDBG entitlement program and when applicable, the HOME Investment Partnership, and Emergency Solutions Grant (ESG) programs.

This Agreement remains in effect until the CDBG (and where applicable, HOME and ESG) funds and program income received with respect to the three-year qualification period are expended and the funded activities completed, and that the County and City may not terminate or withdraw from the Agreement while the Agreement remains in effect.

The City understands that by executing this CDBG Cooperation Agreement it:

1. May not apply for grants from under the Small Cities or State CDBG Program from appropriations for fiscal years during the period in which it is participating in the Urban County CDBG program; and

2. May receive a formula allocation under the HOME program only through the Urban County. May not participate in a HOME consortium except through the Urban County, and may not form a HOME consortium with other local governments regardless of whether the Urban County received a HOME formula allocation.
3. May receive a formula allocation under the ESG Program only through the Urban County.

Dallas County and the City agree to cooperate to undertake, or assist in undertaking, community renewal and lower income housing assistance activities, specifically urban renewal and publicly assisted housing.

Dallas County and the City shall take all actions necessary to assure compliance with the Urban County certification required by Section 104(b) of the Title I of the Housing and Community Development Act of 1974, as amended, regarding Title VI of the Civil Rights Act of 1964, the Fair Housing Act and affirmatively furthering fair housing Title VIII of the Civil Rights Act of 1968 and other applicable laws.

Dallas County and the City shall take all actions necessary to assure compliance with section 109 of Title I of the Housing and Community Development Act of 1974, Section 504 of the Rehabilitation Act of 1973 and the Age Discrimination Act of 1975.

Dallas County and the City understand and agree that Urban County funding will not be provided for activities, in or in support of any cooperating unit of general local government that does not affirmatively further fair housing within its own jurisdiction or that impedes the County's actions to comply with County fair housing certifications.

The City understands and agrees, that in accordance with 24 CFR 570.501(b) and 570.503 (which requires a written agreement), it shall be subject to the same administrative requirements as a sub-recipient should it receive funding under this program.

The City agrees to inform Dallas County of any income generated by the expenditure of CDBG/HOME and ESG funds received, and that any such program income must be paid to the county to be used for eligible activities in accordance with all ESG, HOME and Community Development Block Grant requirements.

Dallas County is responsible for monitoring and reporting to the U.S. Department of Housing and Urban Development on the use of any such program income, and that in the event of close-out or change in status of the City, any program income that is on hand or received subsequent to the close-out or change in status shall be paid to the County;

The City agrees to notify Dallas County of any modification or change in the use of the real property from that planned at the time of acquisition or improvement, including disposition, and further agrees to reimburse the county in an amount equal to the current fair market value (less any portion thereof attributable to expenditure of non-CDBG/HOME and ESG funds) for property acquired or improved with CDBG/HOME and ESG funds that is sold or transferred for a use which does not qualify under the CDBG/HOME and ESG regulations.

Any money generated from the disposition or transfer of property will be treated as program income and returned to the County prior to, or subsequent to, the close-out, change of status, or termination of this Agreement between Dallas County and the City.

The City understands that it may not sell, trade, or otherwise transfer all or any portion of such funds to another such metropolitan city, urban county, unit of general local government, or Indian tribe, or insular area that directly or indirectly receives CDBG funds in exchange for any other funds, credits or non-Federal considerations, but must use such funds for activities eligible under Title I of the Housing and Community Development Act of 1974.

Dallas County shall notify the City in writing, by the date specified in the HUD urban county qualification notice for the next qualification period, of its right not to participate.

The City has adopted and is enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within jurisdictions.

The City understands that Dallas County will have final responsibility for administering the CDBG/HOME and ESG programs, selecting CDBG/HOME and ESG projects, and filing annual grant requests.

The City's Mayor is authorized to sign any additional forms, on behalf of the City, that the U.S. Department of Housing and Urban Development may require.

[Remainder of Page Intentionally Left Blank]
[Signature page to Follow]

APPROVED AND ACCEPTED THIS THE _____ day of _____ 2017.

City of Lancaster:

Dallas County:

Marcus E. Knight, Mayor
City of Lancaster, Texas

Clay Lewis Jenkins, County Judge
Dallas County, Texas

Date

Date

Approved as to Form:*

Faith Johnson
District Attorney

By: _____
Randall Miller
Assistant District Attorney

*By law, the Dallas County District Attorney's Office may only advise or approve contracts or legal documents on behalf of its clients. It may not advise or approve a contract or legal document on behalf of other parties. Our review of this document was conducted solely from the legal perspective of our client. Our approval of this document was offered solely for the benefit of our client. Other parties should not rely on this approval and should seek review and approval by their own respective attorney(s).

LANCASTER CITY COUNCIL

City Council Regular Meeting

6.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Financially Sound Government
Healthy, Safe & Vibrant Community
Quality Development

Submitted by: Sean Johnson, Managing Director of Quality Life and Cultural Services

Agenda Caption:

Consider a resolution authorizing the City Manager to sign all documents regarding the submittal of an application for the KaBoom! Playground Build Grant to replace the playground at Kidsquare Park.

Background:

KaBoom! is the national non-profit dedicated to bringing balanced and active play into the daily lives of all kids. For over twenty years KaBoom! has supported community playground building in neighborhoods, towns, and cities across the country through their community-build model. At the heart of this model is a one-day playground build that represents an achievable win for a community on a defined time line.

Community-build play spaces engage the larger community: residents, parents, neighbors, youth, local business, and your municipality to design, plan, and execute your Build Day. This process creates an environment that enables people to share their strengths and helps communities identify assets, as well as identifying other local companies and community groups that have important resources to contribute.

The existing community build playground at Kidsquare Park was constructed in 1994. Due to the age of the antiquated wood, the integrity has declined and the playground possesses known and unknown hazards that do not pass National Playground Safety Institute (NPSI) Inspection Standards. The playground has been out of service since October of 2016 due to recent structural malfunction that poses a threat to public safety and has been deemed unsafe.

Operational Considerations:

Approval of this resolution will provide grant opportunity funding to purchase and install a new playground at Kidsquare Park.

Legal Considerations:

The resolution has been reviewed and approved as to form by the City Attorney.

Public Information Considerations:

There are no public information requirements other than the requisite 72 hour notification as prescribed by the Texas Open Meetings Act.

Fiscal Impact:

If the grant is awarded, The KaBoom! Foundation will provide \$40,000 and the City will be required to provide matching funds in an amount not to exceed \$9,000, as well as, engage 200 volunteers for this playground build.

Options/Alternatives:

1. City Council may approve the resolution, as presented.
2. City Council may deny the resolution.

Recommendation:

Staff recommends approval of the resolution, as presented.

Attachments

Resolution

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, AUTHORIZES SUBMITTAL OF AN APPLICATION BY THE CITY OF LANCASTER FOR THE KABOOM! PLAYGROUND BUILD GRANT TO REPLACE THE PLAYGROUND AT KIDSQUARE PARK, AND AUTHORIZE THE CITY MANAGER TO SIGN THE GRANT APPLICATION; PROVIDING FOR THE REPEAL OF ANY AND ALL RESOLUTIONS IN CONFLICT; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, The Mayor and City Council of the City of Lancaster understand the importance of parks, playgrounds and open space as a resource to the citizens of Lancaster and Lancaster ISD; and

WHEREAS, the City of Lancaster authorizes the submittal of a grant application to KaBoom! Foundation for the Community Playground Build grant, June 2017 through December 2017; and

WHEREAS, the City Manager is hereby authorized and empowered to execute in the name of the City of Lancaster all grant documents necessary to secure grant funds and implement the approved grant project.

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

SECTION 1. That the City Council, by approving submission on the application understand the requirement for two hundred (200) volunteers and nine thousand dollars (\$9,000) matching funds and authorizes the City Manager to sign and execute the application on behalf of the City of Lancaster.

SECTION 2. All resolutions of the City of Lancaster heretofore adopted which are in conflict with the provisions of this resolution be, and the same are hereby repealed, and all resolutions of the City of Lancaster not in conflict with the provisions hereof shall remain in full force and effect.

SECTION 3. If any article, paragraph, subdivision, clause or provision of this resolution, as hereby amended, be adjudged invalid or held unconstitutional for any reason, such judgement or holding shall not affect the validity of this resolution as a whole or any part or provision thereof, as amended hereby, other than the part so declared to be invalid or unconstitutional.

SECTION 4. This resolution shall take effect immediately from and after its passage, and it is accordingly so resolved.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th Day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

LANCASTER CITY COUNCIL

City Council Regular Meeting

7.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Financially Sound Government
Healthy, Safe & Vibrant Community
Professional & Committed City Workforce

Submitted by: Jermaine Sapp, Director of Equipment & Facilities

Agenda Caption:

Consider a resolution authorizing the purchase of (1) one 2016 Ford F450 AEV Type I demonstration ambulance from Professional Ambulance in an amount not to exceed one hundred and ninety thousand dollars (\$190,000).

Background:

In May 2016, Council received a presentation regarding the FY 2016 equipment replacement plan. The plan included the purchase of a brush truck and a replacement vehicle for the Fire Marshal. However, the purchase of these vehicles was delayed due to the increased number of idling hours and mileage of the ambulance.

The purchase of this equipment will allow for the replacement of a 2010 Ford F450 Horton ambulance with over 147,000 miles and 10,600 idling hours which is equivalent to approximately 450,000 miles.

Operational Considerations:

Approval of this purchase will improve efficiencies and operations in the fire department. With the purchase of a demonstration model, the City is able to place an ambulance in service within 45 days in comparison to a 9-12 month build. The demonstration model has low miles and minimum idling hours; however, it meets all of the current safety and operational standards and has manufacturer warranty and coverage. This purchase also realizes a substantial financial savings of approximately \$50,000.

Legal Considerations:

The resolution has been reviewed and approved as to form by the City Attorney.

Public Information Considerations:

This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

Options/Alternatives:

1. Council may approve the resolution as presented.
2. Council may reject the resolution.

Recommendation:

Staff recommends approval of the resolution as presented.

Attachments

Resolution

Exhibit "A"

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS AUTHORIZING THE PURCHASE OF ONE (1) 2016 FORD F450 TYPE I-DEMONSTRATION AMBULANCE FROM PROFESSIONAL AMBULANCE IN AN AMOUNT NOT TO EXCEED ONE HUNDRED NINETY THOUSAND DOLLARS (\$190,000). PROVIDING A REPEALING CLAUSE A SEVERABILITY CLAUSE AND AN EFFECTIVE DATE.

WHEREAS, the City of Lancaster, Texas desires to authorize the purchase of one (1) 2016 Ford F450 ambulance from Professional Ambulance; and

WHEREAS, the City of Lancaster has an agreement with Professional Ambulance.

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

SECTION 1. The City Council hereby authorizes, approves and accepts the purchase of one (1) 2016 Ford F450 ambulance from professional ambulance in an amount not to exceed one hundred and ninety thousand dollars (\$190,000) as set forth in the attached sales agreement attached herein as Exhibit "A"; and

SECTION 2. The City Manager or her designee of the City of Lancaster, Texas is hereby authorized to issue an appropriate purchase order in conformity herewith.

SECTION 3. Any prior Resolution of the Lancaster City Council in conflict with the provisions contained in this Resolution are hereby repealed and revoked.

SECTION 4. Should any part of this Resolution be held to be invalid for any reason, the remainder shall not be affected thereby, and such remaining portions are hereby declared to be severable.

SECTION 5. This Resolution shall become effective immediately from and after its passage, and it is duly resolved.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney



309 FM 3381
Comanche, Texas 76442
(866) 356-2236 WATTS
(325)356-3360 FAX
natalie.carroll@proambulance.net

Sales Agreement

PLEASE ENTER MY ORDER FOR THE FOLLOWING:

☒ NEW ☐ PREOWNED ☐ REMOUNT ☐ OTHER
YEAR 2016 MAKE/MODEL Ford F450 TYPE I - DEMO COLOR White
TO BE DELIVERED APPROX. 30-45 Days after receipt of VIN TBD
signed sales agreement

2016 Ford F450 AEV Type I	\$180,000.00
Demo Ambulance	
Includes:	
Custom Paint	
Limited Graphics	
Arctic Wedge AC Condenser	
TOTAL	\$180,000.00
Tax	EXEMPT
Title Application Fee	EXEMPT
Registration	EXEMPT
State Inspection Fee	\$14.50
Delivery F.O.B.	
<input type="checkbox"/> Factory	
<input checked="" type="checkbox"/> Delivery	
Total:	\$180,014.50
Down Payment/Trade-In	
Grand Total	\$180,014.50

DATE:	05/12/17
PURCHASER:	Lancaste Fire Department
ADDRESS:	521 E. Third Street
CITY/ST/ZIP:	Lancaster, TX
	75146
CONTACT:	Mr. Sapp / Fleet Services
PHONE:	
FAX:	
EMAIL:	
TRADE-IN:	
The front of this order comprises the entire agreement affecting this purchase and no other agreement or understanding of any other nature has been made or entered into, or will be recognized. I have read the matter printed and agree to it as part of this order the same as if it were printed above my signature. I certify that I am 18 years or older and hereby acknowledge receipt of a copy of this order. I authorize Professional Ambulance hereby expressly. Disclaims all warranties either express or implied, including any implied warranty or merchantability or fitness for a particular purpose, and Professional Ambulance Sales and Service neither assumes nor authorizes any other person to assume for it any liability in connection with the sale of the vehicle.	

Date: _____

Purchaser: _____

Sales Rep: *Randy Overton*

TERMS: Payment due upon delivery & acceptance of unit.

LANCASTER CITY COUNCIL

City Council Regular Meeting

8.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Financially Sound Government

Submitted by: Baron Sauls, Finance Director

Agenda Caption:

Discuss and consider a resolution accepting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016.

Background:

At the Council work session held on May 15, 2017, Council received a presentation from BKD LLP, CPAs & Advisors, the independent certified public accounting firm that performed the annual audit of the City of Lancaster's general government and its component units.

This item is to formally accept the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016. The City engaged the independent certified public accounting firm BKD LLP, CPAs & Advisors, to perform the annual audit of the City of Lancaster and its component units for the fifth consecutive year. The audit field work began in November and concluded in March, 2017. The City staff and BKD worked closely to ensure all requests and deadlines were met to accomplish this goal.

Operational Considerations:

The CAFR is distributed to numerous financial institutions, bond rating agencies, the City's financial advisors, and grantors to comply with financial disclosure requirements. This report is designed to provide readers with an understanding of the financial status of the City and its results of operations.

Legal Considerations:

The City Attorney has reviewed and approved the resolution as to form.

Public Information Considerations:

This item is being considered at a regular meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

Fiscal Impact:

The annual audit is prepared in compliance with generally accepted accounting principles accepted in the United States (GAAP). The information is fairly stated in all material respects in relation to the basic financial statements.

Options/Alternatives:

1. City Council may approve the resolution as presented.
2. City Council may deny the resolution.

Recommendation:

Staff recommends approval of the resolution, as presented.

Attachments

Resolution

Exhibit "A"

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, ACCEPTING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016; WHICH IS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE AS EXHIBIT "A"; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council has received said report; and

WHEREAS, the City Council desires to accept the 2016 Comprehensive Annual Financial Report (CAFR) and the Management Letter Comments;

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

SECTION 1. That the 2016 Comprehensive Annual Financial Report (CAFR), which is attached hereto and incorporated herein by reference as Exhibit "A", is hereby, in all things accepted by the City Council of the City of Lancaster, Texas.

SECTION 2. This resolution shall take effect immediately from and after its passage as the law in such cases provides, and it is accordingly so resolved.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

City of Lancaster

Comprehensive
Annual
Financial
Report

2016



EXHIBIT "A"



City of Lancaster, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended

September 30, 2016

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2016
Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement	vi
Organizational Chart	vii
List of Principal Officers	viii
Department Directors	ix

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	11
Statement of Activities	12

Fund Financial Statements

Governmental Funds

Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16

Proprietary Funds

Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2016
Table of Contents

Notes to Basic Financial Statements	20
--	----

Required Supplementary Information

Texas Municipal Retirement System:

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)	50
Schedule of Contributions	51
Schedule of Proportionate Share of Net Pension Liability and Contributions	52
Employees' Other Post-employment Benefits Plan – Analysis of Funding Progress (Unaudited)..	53
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	54
Notes to Required Supplementary Information – Budgetary	55

Combining and Individual Fund Statements and Schedules

Non-major Governmental Funds

Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57

Non-major Enterprise Funds

Combining Statement of Net Position	58
Combining Statement of Revenues, Expenses and Changes in Net Position	59
Combining Statement of Cash Flows	60

Discretely Presented Component Units

Balance Sheet – Economic Development Corporation	61
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Economic Development Corporation	62
Statement of Revenues, Expenditures and Changes in Fund Balance – Economic Development Corporation	63

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2016
Table of Contents

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – Economic Development Corporation	64
Balance Sheet – Recreational Development Corporation	65
Reconciliation of the Balance Sheet to the Statement of Net Position – Recreational Development Corporation	66
Statement of Revenues, Expenditures and Changes in Fund Balance – Recreational Development Corporation	67
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – Recreational Development Corporation	68

STATISTICAL SECTION (UNAUDITED)

Table A: Net Position by Component.....	69
Table B: Changes in Net Position.....	70
Table C: Fund Balances of Governmental Funds.....	72
Table D: Changes in Fund Balances of Governmental Funds.....	74
Table E: Assessed and Estimated Market Value of Taxable Property	75
Table F: Direct and Overlapping Property Tax Rates	76
Table G: Principal Property Taxpayers	77
Table H: Property Tax Levies and Collections.....	78
Table I: Ratio of Outstanding Debt by Type	79
Table J: Ratio of General Bonded Debt Outstanding	80
Table K: Legal Debt Margin Information	81
Table L: Direct and Overlapping Debt.....	82
Table M: Secured Revenue Bond Coverage.....	83
Table N: Demographic and Economic Statistics	84
Table O: Major Employers	85
Table P: Budgeted Full-time Equivalent City Government Employees by Function/Program.....	86
Table Q: Operating Indicators by Function/Program	87
Table R: Capital Asset Statistics by Function/Program	88
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	89



City of Lancaster
CITY MANAGER'S OFFICE

211 N. Henry St. * Lancaster, TX 75146 * 972.218.1302 * 972.275.0917 FAX
www.lancaster-tx.com



March 31, 2017

To the Honorable Mayor, Members of City Council, and Citizens of the City of Lancaster, Texas:

We hereby issue the comprehensive annual financial report of the City of Lancaster, Texas (the City) for the fiscal year ended September 30, 2016. State law requires that every municipality publish within six months of the close of each year a complete set of audited financial statements, to include the auditor's opinion on the statements, and this report fulfills that requirement.

This report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by BKD, LLP, independent auditors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the City's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile

Located in Southwest Dallas County, the City of Lancaster is situated just minutes from downtown Dallas. Adjacent to I-35 on its western border and I-20 on its northern boundary, the City covers approximately 34 square miles, and serves an estimated 2016 population of 39,380. The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, and is a home-rule city operating under a Council/Manager form of government. The Council is comprised of the Mayor and six Council members, who enact local legislation, adopt budgets, determine policies, and appoint the City secretary, City attorney and Judge of the municipal court. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency ambulance services, construction and maintenance of streets, water and sewer services, parks and recreation, library services and general administrative services.

Accounting System and Budgetary Control

One of the objectives of the City's financial accounting system is to provide adequate internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred.

Accounting records for the City's enterprise activities are maintained on the accrual basis.

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net position and statement of activities.

Budgetary Controls – The budgetary process begins each year with the preparation of both current and proposed revenue estimates by the City's administrative and financial management staff and expenditure estimates provided by each City department. Budgets are reviewed by the administrative and management staff which consists of the City Manager's office, and Department Managers. The City Manager makes final decisions and submits a recommended budget to the City Council. The proposed budget is reviewed by the City Council, a process

which includes a Charter-mandated public hearing, in addition to work sessions which are open to the public. The City Charter requires adoption of the City budget at least 10 days prior to the beginning of the fiscal year.

The objective of the budgetary controls maintained by the City is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, water and sewer fund, and all other funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by departments within the individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Monthly departmental expenditure reports are generated by an automated accounting system and provide expenditure totals and encumbrances at the line-item level for the most recently completed month as well as the year-to-date total, and an actual versus budgeted rate of expenditure. Major expenditure requests are approved by the City Manager prior to the encumbrance of funds.

Relevant Financial Policies

The City has established a policy to have a balanced budget and to maintain a reserve account. In fiscal year 2016, the General Fund accomplished this by having a fund balance of \$6,974,910 which exceeds reserve requirements of 15%.

The City also has a long range planning policy to identify major issues when developing its fiscal year budget. A five-year budget analysis of all City funds is developed to provide an understanding of the long term impact of budget decisions. The fiscal year 2016 budget was prepared along with a planning budget for fiscal years 2017-20.

Cash management policies and practices: The City's current bank depository contract is with JP Morgan Chase and will be in effect through 2016. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investment strategies include using cash flow analysis to purchase securities; however, cash temporarily idle during the year was invested in two public funds investment pools – TexPool and LOGIC. This practice lessens the impact which rising interest rates have on the valuation changes of the portfolio. Investments in the deferred compensation plans are held by the third-party plan administrators. The investment policy is annually updated and approved by the Council in compliance with the Texas Public Funds Investment Act.

Pension and other post-employment benefit: The City participates in the Texas Municipal Retirement System (TMRS), an agency authorized by the State of Texas. Employees of the City contribute a fixed percentage of their gross pay, currently 7% in 2016. TMRS participants are immediately vested in those funds they contribute plus allocated interest. Participants are vested in employer contributions after five years of credited participation. If participants withdraw from TMRS prior to five years of credited participation, they may withdraw from TMRS those funds they contributed plus interest earnings. The City also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the current fiscal year, there were 7 retired employees receiving these benefits. Additional information on the City's pension

arrangements and post-employment benefits can be found in the notes to the basic financial statements.

Local Economy

Lancaster's growing economy continues to be greatly influenced by the attraction of the logistics industry to the community. Lancaster's premier industrial park, CSHV 20/35, has experienced the location of many well-known national corporations like AT&T Corporation, Oncor Electric Delivery, Swift Transportation Inc., United Natural Foods, Inc., Mobis Parts America, Walmart Stores Inc., Quaker PepsiCo, just to mention a few. The interest of the development industry that specializes in logistics is strong and recently a new player in Lancaster's industrial development, The Pauls Corporation of Denver, Colorado, purchased land to construct a new industrial park. New industrial development in Lancaster is expected to continue.

The City's unemployment rate for 2016 was an average of 5.5%, which is slightly above the average unemployment rate for Dallas County of 4.2% for 2016. The City of Lancaster benefits from its proximity to the Dallas-Fort-Worth Motorplex and major transportation corridors with its location fifteen (15) miles south of Dallas. Lancaster is a part of the Best Southwest area, which includes Lancaster, Cedar Hill, DeSoto, and Duncanville. The close proximity to job opportunities in Dallas, Fort Worth and the Mid-Cities continues to contribute to growth in the City. Its estimated population of 39,380 has grown a notable over 45% since 2000, with a corresponding increase in the number of households during the same time. There is room for further development within the City's 34 square miles, since the City is only 45-47% built out.

In fiscal year 2016, The City experienced an increase in taxable assessed valuation and a slight increase in residential values, much like other cities in the Dallas-Fort Worth area. The City also experienced an increase in building permits as well as a slight increase in sales tax for fiscal year 2016, and anticipates a significant increase for 2017.

Long-term Financial Planning

The City has a long-range financial plan and has prudent fiscal policies and processes in place. It has met or exceeded all fund reserve goals, has funds available to address the needs of the community, and responsibly manages its debt. The community continues to move toward a more competitive tax rate.

Unassigned fund balance in the general fund at year-end was 29.1 percent of total general fund revenues. This amount was above the policy guidelines set by the Council for budgetary and planning purposes. The year-end amount was above the minimum target set by the policy guidelines due to a net change in fund balance in the amount of \$306,617 for the year ended September 30, 2016.

Rising costs have been a challenge to the City; however, conservative revenue estimates and efforts to reduce expenditures have contributed to the City's strong financial position. Overall, revenues for the City have remained fairly stable, and we have incorporated several strategies to decrease the expenses over the next several years. The City is projecting a significant increase in property tax revenues and sales tax revenues also continue to increase allowing us to effectively meet operational objectives and comply with current fiscal policies.

The City has historically maintained solid General Fund balances, and continues to respond proactively to the volatile economy by implementing budget cuts sufficient to offset the revenue loss and does not expect to utilize reserves for recurring operating expenditures.

The City is also utilizing extensive planning and maintaining tight budgetary measures to balance its operations. With Economic Development a major priority, sales tax receipts are expected to continue to increase as the City continues to provide incentives for business operations that come to the City.

Because of the City's proximity to Interstate 35 East and Interstate 20, businesses are recognizing Lancaster as one of the region's hot spots for growth, and the City is committed to supporting new and expanding companies.

Major Initiatives

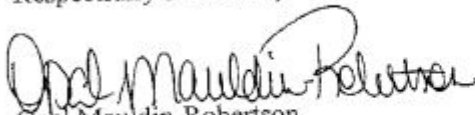
Annually, the City Council has adopted goals aimed at guiding Lancaster's future growth and development. For fiscal year 2015-2016, included initiatives are:


- Quality Development;
- Sound Infrastructure;
- Professional and committed workforce;
- Health, safe and vibrant neighborhoods;
- Civic engagement; and
- Financially Sound City government.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City's staff. In particular, we would like to recognize and express our heartfelt appreciation to all members of the Finance Department, who all worked diligently to assist and contribute to the preparation of this report. The Mayor and the City Council are to be commended for their willingness to participate in the strategic planning process for financial operations, and for their commitment to maintaining the highest standards of professionalism in the management of the City of Lancaster's finances.

Respectfully submitted,


Opal Mauldin-Robertson
City Manager


Baron A. Sauls
Interim Finance Director



Government Finance Officers Association

**Certificate of
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for Excellence
in Financial
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Presented to

**City of Lancaster
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

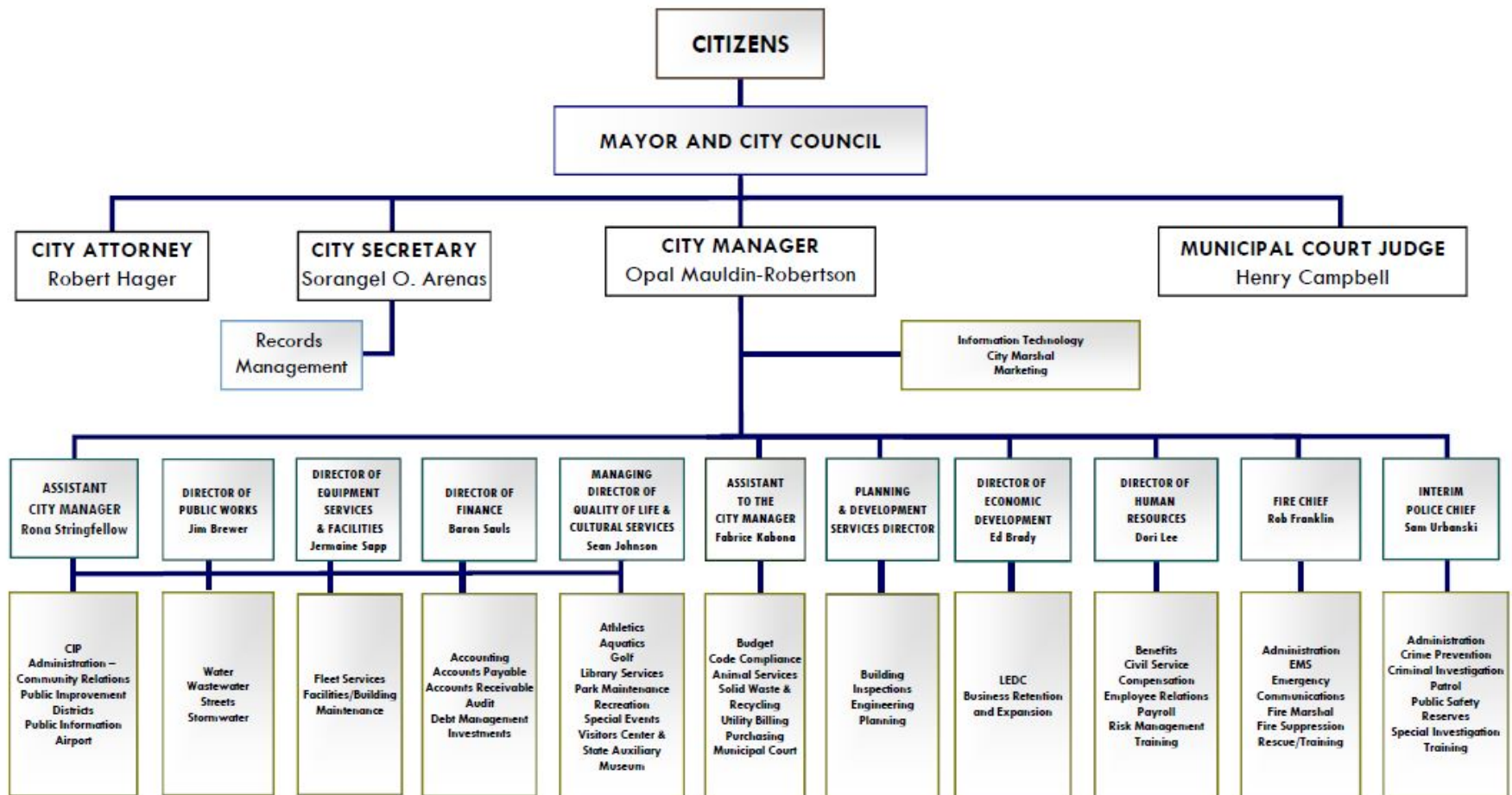
September 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

City of Lancaster, Texas

Organizational Chart



City of Lancaster, Texas
List of Principal Officers

City Council

Marcus E. Knight	Mayor	Term Expires May 2018
Carol Strain-Burk.....	Mayor Pro Tem, District 1	Term Expires May 2019
Stanley Jaglowski	Dep. Mayor Pro Tem, District 2	Term Expires May 2017
Marco Mejia.....	Council Member, District 3.....	Term Expires May 2019
Spencer Hervey, Jr.	Council Member, District 4.....	Term Expires May 2017
Clyde Hairston.....	Council Member, District 5.....	Term Expires May 2019
Nina Morris.....	Council Member, District 6.....	Term Expires May 2017

City of Lancaster, Texas
Department Directors

City Executive Staff

Opal Mauldin-Robertson	City Manager
Rona Stringfellow	Assistant City Manager
Sorangel O. Arenas	City Secretary
Ed Brady	Director of Economic Development
Baron Sauls	Director of Finance
Rob Franklin	Fire Chief
Dori Lee	Director of Human Resources
Sam Urbanski	Interim Police Chief
Jim Brewer	Director of Public Works
Sean Johnson	Managing Director of Quality of Life & Cultural Services
Jermaine Sapp	Director of Equipment Services & Facilities

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Lancaster, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lancaster, Texas (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other post-employment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements, financial statements of the discretely presented component units and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and financial statements of the discretely presented component units are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and financial statements of the discretely presented component units are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
March 31, 2017

City of Lancaster, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2016

Introduction

The Management's Discussion and Analysis (MD&A) section presents a narrative overview and analysis of the financial activities of the City of Lancaster, Texas (the City) for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the end of fiscal year 2016, resulting in \$111,647,235 of net position. Net position associated with governmental activities is approximately \$45 million, or 41% of the total net position of the City. Net position associated with business-type activities is approximately \$66 million, or 59% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately \$84 million.
- Unrestricted net position, which may be used to meet the City's future obligations, consists of approximately \$25 million, or 22% of the City's total net position. Unrestricted net position for governmental activities is approximately \$1 million, or 3% of total net position for governmental activities. Unrestricted net position for business-type activities is approximately \$24 million or 36% of total net position for business-type activities.
- As of the close of fiscal year 2016, the City's Governmental Funds reported a combined ending fund balance of \$27,844,362, an increase of \$4,481,221 from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$6,974,910. This represents approximately 29% of General Fund expenditures, which is more than the 15% required by the City's adopted fund balance policy.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Lancaster, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2016

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example uncollected taxes and earned, but not used, vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, public works, drainage systems, library, human resources and finance. The business-type activities of the City include water and sewer, airport operations, refuse and golf course operations.

The government-wide financial statements include the Economic Development Corporation and the Recreational Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The Lancaster Economic Development Corporation and the Lancaster Recreational Development Corporation are legally separate entities.

Fund Financial Statements – A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Some funds are required to be established by state law and by bond covenants. The City Council also establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities when using certain taxes, grants or other money. The City's two kinds of funds – Governmental and Proprietary – utilize different accounting approaches.

Governmental Funds – The majority of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near term financing decisions. The relationships, or differences between governmental activities (reported in the accompanying Statement of Net Position and the Statement of Activities) and Governmental Funds, are detailed in a reconciliation following the fund financial statements.

City of Lancaster, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2016

Information is presented separately in the accompanying Governmental Funds balance sheet and in the accompanying Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Non-major Governmental Funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the accompanying Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Funds (a component of Proprietary Funds) are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for Proprietary Funds.

The City maintains an Enterprise Fund to account for: (1) water and sewer services provided to the City's retail and wholesale customers, (2) trash collection and disposal services, (3) operation of the City's airport and (4) operation of the City's golf course. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that the cost of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private-sector business enterprise.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations. Required supplementary information immediately follows the notes to the financial statements. Combining statements for Non-major Governmental Funds, Enterprise Funds and component units fund financial statements follow the section of required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2016, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$111,647,235 of net position.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2016

Statement of Net Position for Governmental and Business-type Activities

	Governmental Activities 2016	Business-type Activities 2016	Total 2016	Governmental Activities 2015	Business-type Activities 2015	Total 2015
Current and other assets	\$ 40,373,516	\$ 30,990,099	\$ 71,363,615	\$ 36,173,939	\$ 31,956,328	\$ 68,130,267
Capital assets	97,269,901	48,531,739	145,801,640	101,296,512	44,326,339	145,622,851
Total assets	<u>137,643,417</u>	<u>79,521,838</u>	<u>217,165,255</u>	<u>137,470,451</u>	<u>76,282,667</u>	<u>213,753,118</u>
Deferred outflows of resources	6,693,077	619,139	7,312,216	3,490,977	306,506	3,797,483
Long-term liabilities	92,712,333	9,825,214	102,537,547	87,472,193	14,922,865	102,395,058
Other liabilities	6,136,616	3,950,898	10,087,514	5,958,621	4,175,660	10,134,281
Total liabilities	<u>98,848,949</u>	<u>13,776,112</u>	<u>112,625,061</u>	<u>93,430,814</u>	<u>19,098,525</u>	<u>112,529,339</u>
Deferred inflows of resources	184,133	21,042	205,175	294,825	29,979	324,804
Net position:						
Net investment in capital assets	40,966,495	42,715,806	83,682,301	43,186,713	33,117,792	76,304,505
Restricted	2,989,045	-	2,989,045	2,303,805	-	2,303,805
Unrestricted	1,347,872	23,628,017	24,975,889	1,745,271	24,342,877	26,088,148
Total net position	<u>\$ 45,303,412</u>	<u>\$ 66,343,823</u>	<u>\$ 111,647,235</u>	<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>

By far, the largest portion of the City's net position (75%) reflects its investment in capital assets (*e.g.*, land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,975,889 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Analysis of City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2016. Overall, the City had an increase in net position of \$6,950,777.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2016

Revenues and Expenses for Governmental and Business-type Activities

	Governmental Activities 2016	Business-type Activities 2016	Total 2016	Governmental Activities 2015	Business-type Activities 2015	Total 2015
Revenues						
Program Revenues:						
Charges for services	\$ 5,649,792	\$ 18,927,898	\$ 24,577,690	\$ 3,275,363	\$ 18,909,149	\$ 22,184,512
Operating grant and contribution	894,947	-	894,947	1,351,379	-	1,351,379
Capital grant and contribution	-	3,612,835	3,612,835	-	-	-
General Revenues:						
Taxes and fees	25,390,599	-	25,390,599	24,215,602	-	24,215,602
Other	404,480	1,382,953	1,787,433	505,390	802,270	1,307,660
Total revenues	<u>32,339,818</u>	<u>23,923,686</u>	<u>56,263,504</u>	<u>29,347,734</u>	<u>19,711,419</u>	<u>49,059,153</u>
Expenses						
General government	7,337,257	-	7,337,257	3,891,404	-	3,891,404
Public safety	18,522,908	-	18,522,908	16,540,660	-	16,540,660
Public works	3,651,258	-	3,651,258	5,987,362	-	5,987,362
Community development and recreation	1,366,830	-	1,366,830	1,225,730	-	1,225,730
Interest and fiscal charges	3,200,431	-	3,200,431	3,379,380	-	3,379,380
Water and sewer	-	12,960,201	12,960,201	-	12,185,162	12,185,162
Refuse	-	1,470,074	1,470,074	-	2,134,898	2,134,898
Airport	-	724,101	724,101	-	909,428	909,428
Golf course	-	79,667	79,667	-	82,234	82,234
Total expenses	<u>34,078,684</u>	<u>15,234,043</u>	<u>49,312,727</u>	<u>31,024,536</u>	<u>15,311,722</u>	<u>46,336,258</u>
Increase (Decrease) in Net Position						
Before Transfers	(1,738,866)	8,689,643	6,950,777	(1,676,802)	4,399,697	2,722,895
Transfers	<u>(193,511)</u>	<u>193,511</u>	<u>-</u>	<u>1,635,572</u>	<u>(1,635,572)</u>	<u>-</u>
Change in Net Position	<u>(1,932,377)</u>	<u>8,883,154</u>	<u>6,950,777</u>	<u>(41,230)</u>	<u>2,764,125</u>	<u>2,722,895</u>
Net Position, Beginning of Year	47,235,789	57,460,669	104,696,458	47,277,019	54,696,544	101,973,563
Net Position, Ending of Year	<u>\$ 45,303,412</u>	<u>\$ 66,343,823</u>	<u>\$ 111,647,235</u>	<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>

Governmental Activities. Governmental activities decreased the City's net position by \$1,932,377. Total revenue for the governmental activities (excluding transfers) increased from the previous year by \$2,992,084. General revenue had a net increase of \$1,074,087. Property tax collections increased \$1,648,708 as a result of new business openings and continued growth in the local economy. Program revenues, which consist of charges for services, operating and capital grants and contributions increased \$1,917,997 due to an overall increase in the continued growth in the community.

Business-type Activities. Net position from business-type activities increased by \$8,883,154. Total revenue for the business-type activities increased from the previous year by \$4,212,267 primarily due to a capital contribution to the Airport from TXDOT.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2016

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's Governmental Funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$27,844,362, an increase of \$4,481,221 from the prior year. This amount includes fund balance restricted for Public Improvement Districts of \$613,074, restricted for Capital Projects of \$15,924,564, restricted for Public Works of \$2,067,582, Police Grants, Law Enforcement Purposes and Tourism of \$1,455,408. The net unassigned fund balance was \$6,803,069, an increase of approximately \$419,105 from prior year. Components of the net increase of the total fund balance are:

- In the General Fund, the original budget projected a \$847,289 decrease in fund balance this fiscal year; however, the actual increase was \$306,617. Total revenues were \$3,823,058 over budget and total expenditures were over budget by \$1,631,314, for a total excess of revenues over expenditures of \$2,191,744 under the budget. The increase in expense from the budget is majority related to Public Safety.
- Capital Projects Fund recorded a net increase in fund balance of \$3,142,071, primarily due to a transfer of debt from the Water and Sewer Fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$24,203,389 and the Airport Fund reported an unrestricted net position of \$(979,790).

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2016, amount to \$145,801,640 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, park facilities, roads, bridges and water and sewer lines.

Additional information on capital asset activity can be found in *Note 6* of this report.

City of Lancaster, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2016

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 13,214,268	\$ 13,214,268	\$ 4,971,266	\$ 4,971,266	\$ 18,185,534	\$ 18,185,534
Buildings	24,487,196	24,487,196	4,950,436	4,950,436	29,437,632	29,437,632
Equipment	18,479,939	18,282,038	3,316,510	2,972,683	21,796,449	21,254,721
Construction in progress	9,015,471	8,224,067	1,156,566	70,379	10,172,037	8,294,446
Other structures	-	-	951,622	951,622	951,622	951,622
Improvements	1,697,940	3,538,774	65,830,044	65,830,044	67,527,984	69,368,818
Streets and bridges	99,045,749	97,301,007	-	-	99,045,749	97,301,007
Drainage	7,433,204	7,332,619	-	-	7,433,204	7,332,619
Runways and taxiways	-	-	7,663,689	3,422,564	7,663,689	3,422,564
Accumulated depreciation	(76,103,866)	(71,083,457)	(40,308,394)	(38,842,655)	(116,412,260)	(109,926,112)
Total	<u>\$ 97,269,901</u>	<u>\$ 101,296,512</u>	<u>\$ 48,531,739</u>	<u>\$ 44,326,339</u>	<u>\$ 145,801,640</u>	<u>\$ 145,622,851</u>

Long-term Debt

At the end of the current fiscal year, the City had total bonds outstanding of \$82,110,001, all being tax supported. The City also has approximately \$5,091,849 of additional debt through notes payable and capital leases.

Additional information on long-term debt activity can be found in *Note 7* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 55,260,017	\$ 57,025,017	\$ 2,844,983	\$ 3,619,983	\$ 58,105,000	\$ 60,645,000
Certificates of obligation	17,360,105	14,075,105	6,644,896	11,129,896	24,005,001	25,205,001
Notes payable	4,151,493	4,710,033	-	-	4,151,493	4,710,033
Capital leases	940,356	1,167,654	-	-	940,356	1,167,654
Total	<u>\$ 77,711,971</u>	<u>\$ 76,977,809</u>	<u>\$ 9,489,879</u>	<u>\$ 14,749,879</u>	<u>\$ 87,201,850</u>	<u>\$ 91,727,688</u>

The City has an A2 rating from Moody's Investors Service and an A rating from Standard and Poor's.

Economic Factor and Next Year's Budgets and Rates

In the fiscal year 2017 budget, General Fund revenues are budgeted to increase by 10% from the 2016 budget year. This increase is mostly attributed to an increase in property tax revenue due to an expanding residential sector as well as from charges of services.

Property taxes make up about 53% of budgeted revenues and sales tax make up about 22% of budgeted revenues.

Request for Information

For additional information please contact Director of Finance, Baron Sauls, at 972-218-1333 or Finance Department, City of Lancaster, Texas, P.O. Box 940, Lancaster, Texas, 75146, email bsauls@lanaster-tx.com.

Basic Financial Statements

City of Lancaster, Texas

Statement of Net Position

September 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Assets					
Cash and cash equivalents	\$ 27,044,477	\$ 24,069,536	\$ 51,114,013	\$ 4,457,568	\$ 1,203,491
Receivables (net of allowance)					
Notes	8,541,950	-	8,541,950	-	-
Delinquent taxes	731,549	-	731,549	-	-
Accounts	1,473,050	2,142,928	3,615,978	-	-
Sales tax	1,028,751	-	1,028,751	205,750	411,495
Fines	960,489	-	960,489	-	-
Due from other governments	4,395	-	4,395	-	-
Due from component unit	528,753	-	528,753	-	-
Prepaid items	51,874	-	51,874	-	15,707
Inventory	8,228	14,056	22,284	-	-
Restricted assets					
Cash and cash equivalents	-	4,763,579	4,763,579	-	-
Capital assets					
Land and construction in progress	22,229,739	6,127,832	28,357,571	100,378	989,118
Other capital assets, net of accumulated depreciation	75,040,162	42,403,907	117,444,069	-	9,460,168
Total assets	137,643,417	79,521,838	217,165,255	4,763,696	12,079,979
Deferred Outflows of Resources					
Deferred charges on refunding	1,579,517	109,702	1,689,219	-	-
Deferred outflows on pensions - contributions	1,242,354	126,444	1,368,798	12,773	60,957
Deferred outflows on pensions - assumption changes	589,344	57,735	647,079	6,171	30,845
Deferred outflows on pensions - experience	116,944	13,364	130,308	1,133	4,484
Deferred outflows on pensions - difference in earnings	3,164,918	311,894	3,476,812	33,048	164,061
Total deferred outflows of resources	6,693,077	619,139	7,312,216	53,125	260,347
Liabilities					
Accounts payable and contracts payable	597,822	1,501,471	2,099,293	1,708	66,679
Accrued liabilities	1,159,730	144,587	1,304,317	34	194,819
Accrued interest	457,449	38,272	495,721	10,194	31,088
Due to primary government	-	-	-	-	528,753
Deposits	189,839	1,083,133	1,272,972	-	-
General obligation bonds	1,895,000	770,000	2,665,000	-	-
Certificates of obligation	834,507	405,493	1,240,000	-	-
Notes payable	539,828	-	539,828	145,000	480,000
Compensated absences	293,683	7,942	301,625	-	-
Capital leases	168,758	-	168,758	-	-
Noncurrent liabilities					
General obligation bonds	56,018,264	2,191,185	58,209,449	-	-
Certificates of obligation	16,490,725	6,239,403	22,730,128	-	-
Notes payable	3,611,665	-	3,611,665	1,631,950	6,285,000
Compensated absences	2,643,147	71,479	2,714,626	-	-
OPEB liability	214,307	-	214,307	-	-
Capital leases	771,598	-	771,598	-	-
Net pension liability	12,962,627	1,323,147	14,285,774	140,994	672,090
Total liabilities	98,848,949	13,776,112	112,625,061	1,929,880	8,258,429
Deferred Inflows of Resources					
Deferred inflows on pensions - experience	184,133	21,042	205,175	1,784	7,060
Total deferred inflows of resources	184,133	21,042	205,175	1,784	7,060
Net Position					
Net investment in capital assets	40,966,495	42,715,806	83,682,301	100,378	3,684,286
Restricted for					
Court Security	29,106	-	29,106	-	-
Court Technology	82,633	-	82,633	-	-
Debt service	808,824	-	808,824	-	-
Public improvement districts	613,074	-	613,074	-	-
Tourism, convention centers, arts	621,137	-	621,137	-	-
Law enforcement purposes	834,271	-	834,271	-	-
Unrestricted	1,347,872	23,628,017	24,975,889	2,784,779	390,551
Total net position	\$ 45,303,412	\$ 66,343,823	\$ 111,647,235	\$ 2,885,157	\$ 4,074,837

City of Lancaster, Texas

Statement of Activities

For the Year Ended September 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Functions/program									
Primary government									
Governmental activities:									
General government	\$ 7,337,257	\$ -	\$ -	\$ -	\$ (7,337,257)	\$ -	\$ (7,337,257)	\$ -	\$ -
Public safety	18,522,908	2,303,526	300,054	-	(15,919,328)	-	(15,919,328)	-	-
Public works	3,651,258	3,346,266	-	-	(304,992)	-	(304,992)	-	-
Community development and recreation	1,366,830	-	594,893	-	(771,937)	-	(771,937)	-	-
Interest and fiscal charges	3,200,431	-	-	-	(3,200,431)	-	(3,200,431)	-	-
Total governmental activities	<u>34,078,684</u>	<u>5,649,792</u>	<u>894,947</u>	<u>-</u>	<u>(27,533,945)</u>	<u>-</u>	<u>(27,533,945)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	12,960,201	15,708,146	-	-	-	2,747,945	2,747,945	-	-
Refuse	1,470,074	2,374,754	-	-	-	904,680	904,680	-	-
Airport	724,101	775,416	-	3,612,835	-	3,664,150	3,664,150	-	-
Golf course	79,667	69,582	-	-	-	(10,085)	(10,085)	-	-
Total business-type activities	<u>15,234,043</u>	<u>18,927,898</u>	<u>-</u>	<u>3,612,835</u>	<u>-</u>	<u>7,306,690</u>	<u>7,306,690</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 49,312,727</u>	<u>\$ 24,577,690</u>	<u>\$ 894,947</u>	<u>\$ 3,612,835</u>	<u>\$ (27,533,945)</u>	<u>\$ 7,306,690</u>	<u>\$ (20,227,255)</u>	<u>\$ -</u>	<u>\$ -</u>
Component units:									
Lancaster Economic Development Corporation	\$ 624,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (624,205)	\$ -
Lancaster Recreational Development Corporation	2,728,490	603,664	12,792	-	-	-	-	-	(2,112,034)
Total component units	<u>\$ 3,352,695</u>	<u>\$ 603,664</u>	<u>\$ 12,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (624,205)</u>	<u>\$ (2,112,034)</u>
General revenues									
Taxes									
Property taxes					\$ 15,696,270	\$ -	\$ 15,696,270	\$ -	\$ -
Sales taxes					5,633,760	-	5,633,760	1,126,752	2,253,504
Franchise taxes					2,041,390	-	2,041,390	-	-
Other local taxes					2,019,179	-	2,019,179	-	-
Interest on investments					111,569	89,948	201,517	12,870	2,832
Miscellaneous					292,911	1,293,005	1,585,916	-	31,569
Transfers					(193,511)	193,511	-	-	-
Total general revenues and transfers					<u>25,601,568</u>	<u>1,576,464</u>	<u>27,178,032</u>	<u>1,139,622</u>	<u>2,287,905</u>
Change in net position					(1,932,377)	8,883,154	6,950,777	515,417	175,871
Net Position, Beginning of Year					<u>47,235,789</u>	<u>57,460,669</u>	<u>104,696,458</u>	<u>2,369,740</u>	<u>3,898,966</u>
Net position, End of Year					<u>\$ 45,303,412</u>	<u>\$ 66,343,823</u>	<u>\$ 111,647,235</u>	<u>\$ 2,885,157</u>	<u>\$ 4,074,837</u>

City of Lancaster, Texas
Balance Sheet – Governmental Funds
September 30, 2016

	General Fund	Capital Projects Fund	General Obligation Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,054,404	\$ 16,194,031	\$ 798,110	\$ 3,997,932	\$ 27,044,477
Receivables (net of allowance for uncollectibles):					
Notes	-	-	8,541,950	-	8,541,950
Delinquent taxes	505,350	-	223,844	2,355	731,549
Accounts	1,215,332	-	-	257,718	1,473,050
Sales tax	1,028,751	-	-	-	1,028,751
Fines	960,489	-	-	-	960,489
Due from:					
Other governments	4,395	-	-	-	4,395
Component unit	528,753	-	-	-	528,753
Inventory, at cost	8,228	-	-	-	8,228
Prepaid items	51,874	-	-	-	51,874
Total assets	<u>\$ 10,357,576</u>	<u>\$ 16,194,031</u>	<u>\$ 9,563,904</u>	<u>\$ 4,258,005</u>	<u>\$ 40,373,516</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts and contracts payable	\$ 271,394	\$ 269,467	\$ -	\$ 56,961	\$ 597,822
Accrued liabilities	1,096,786	-	-	62,944	1,159,730
Deposits	189,839	-	-	-	189,839
Total liabilities	<u>1,558,019</u>	<u>269,467</u>	<u>-</u>	<u>119,905</u>	<u>1,947,391</u>
Deferred inflows of resources	<u>1,824,647</u>	<u>-</u>	<u>8,755,080</u>	<u>2,036</u>	<u>10,581,763</u>
Fund balances					
Nonspendable for inventory and prepaid items	60,102	-	-	-	60,102
Restricted for					
Court security	29,106	-	-	-	29,106
Court technology	82,633	-	-	-	82,633
Capital projects	-	15,924,564	-	-	15,924,564
Debt service	-	-	808,824	-	808,824
Public works	-	-	-	2,067,582	2,067,582
Public improvement districts	-	-	-	613,074	613,074
Police grants	-	-	-	57,184	57,184
Tourism, convention centers, arts	-	-	-	621,137	621,137
Law enforcement purposes	-	-	-	777,087	777,087
Unassigned	6,803,069	-	-	-	6,803,069
Total fund balances	<u>6,974,910</u>	<u>15,924,564</u>	<u>808,824</u>	<u>4,136,064</u>	<u>27,844,362</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,357,576</u>	<u>\$ 16,194,031</u>	<u>\$ 9,563,904</u>	<u>\$ 4,258,005</u>	<u>\$ 40,373,516</u>

City of Lancaster, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2016

Total fund balances – governmental funds	\$ 27,844,362
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	97,269,901
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Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(457,451)
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Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	2,039,813
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Notes receivable are not measurable and available within 60 days of year-end, and therefore are entirely deferred in the fund financial statements.	8,541,950
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Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:

Deferred charges on refunding	1,579,517	
Employer contributions	1,242,354	
Investment return difference (GASB 68)	3,164,918	
Assumption changes (GASB 68)	589,344	
Experience difference (GASB 68)	(67,189)	6,508,944

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:

General obligation bonds	(55,260,017)	
Certificates of obligation	(17,360,105)	
Note payable	(4,151,493)	
Premiums on bond debt	(2,618,372)	
Net pension liability	(12,962,627)	
Compensated absences	(2,936,830)	
OPEB liability	(214,307)	
Capital leases	(940,356)	(96,444,107)

Total net position of governmental activities	\$ 45,303,412
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City of Lancaster, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Capital Projects Fund	General Obligation Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and fees	\$ 18,439,703	\$ -	\$ 4,816,509	\$ 2,013,804	\$ 25,270,016
Licenses and permits	1,522,638	-	-	307,441	1,830,079
Intergovernmental	369,534	-	1,135,413	-	1,504,947
Charges for services	1,516,187	-	-	-	1,516,187
Fines and forfeits	1,257,743	1,045,783	-	-	2,303,526
Interest	26,187	71,700	2,764	10,918	111,569
Miscellaneous	261,553	6,471	-	24,887	292,911
Total revenues	<u>23,393,545</u>	<u>1,123,954</u>	<u>5,954,686</u>	<u>2,357,050</u>	<u>32,829,235</u>
Expenditures					
Current:					
General government	4,171,215	-	-	-	4,171,215
Public safety	16,110,529	-	-	4,461	16,114,990
Public works	1,191,225	-	-	1,052,649	2,243,874
Community development and recreation	889,728	-	-	244,858	1,134,586
Capital outlay	481,788	1,149,422	-	137,988	1,769,198
Debt service:					
Principal retirement	558,540	-	2,757,298	30,000	3,345,838
Interest and fiscal charges	388,853	-	3,047,191	18,758	3,454,802
Total expenditures	<u>23,791,878</u>	<u>1,149,422</u>	<u>5,804,489</u>	<u>1,488,714</u>	<u>32,234,503</u>
Excess (deficiency) of revenues over expenditures	<u>(398,333)</u>	<u>(25,468)</u>	<u>150,197</u>	<u>868,336</u>	<u>594,732</u>
Other financing sources (uses):					
Transfers in	1,673,308	-	56,000	-	1,729,308
Transfers out	(968,358)	(912,461)	-	(42,000)	(1,922,819)
Issuance of bonds	-	4,080,000	-	-	4,080,000
Total other financing sources (uses)	<u>704,950</u>	<u>3,167,539</u>	<u>56,000</u>	<u>(42,000)</u>	<u>3,886,489</u>
Net Change in Fund Balances	<u>306,617</u>	<u>3,142,071</u>	<u>206,197</u>	<u>826,336</u>	<u>4,481,221</u>
Fund Balances, Beginning of Year	<u>6,668,293</u>	<u>12,782,493</u>	<u>602,627</u>	<u>3,309,728</u>	<u>23,363,141</u>
Fund Balances, End of Year	<u>\$ 6,974,910</u>	<u>\$ 15,924,564</u>	<u>\$ 808,824</u>	<u>\$ 4,136,064</u>	<u>\$ 27,844,362</u>

City of Lancaster, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2016

Net change in fund balances – total governmental funds \$ 4,481,221

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period. 1,813,329

Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (5,170,409)

Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:

General and certificates of obligation bonds	2,560,000	
Notes payable	558,540	
Capital leases	<u>227,298</u>	3,345,838

The issuance of long-term debt, such as bonds and capital leases, are shown as “Other Sources” and “Other Uses” in the governmental funds, but are shown on the statement of net assets with related costs amortized over the life of the bonds. Differences consist of the following:

Certificate of obligations bonds	(4,080,000)	
Amortization of deferred loss	(142,262)	
Amortization of bond premium/discount	<u>448,061</u>	(3,774,201)

Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances. (901,519)

Current year change in long-term liability for compensated absences and OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (516,269)

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (51,430)

The effect of transfers involving capital assets that decreased net assets (669,531)

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year. (489,406)

Change in net position of governmental activities \$ (1,932,377)

City of Lancaster, Texas
Statement of Net Position
Proprietary Funds
September 30, 2016

Assets and Deferred Outflows of Resources

	Water and Sewer	Airport Fund	Non-major Enterprise Funds	Total Proprietary Funds
Current Assets				
Cash and cash equivalents	\$ 23,753,708	\$ 190	\$ 315,638	\$ 24,069,536
Receivables (net of allowance for uncollectibles):				
Accounts	1,107,895	14,022	148,260	1,270,177
Unbilled	763,600	-	109,151	872,751
Inventory	-	14,056	-	14,056
Total current assets	25,625,203	28,268	573,049	26,226,520
Non-current Assets				
Restricted assets:				
Cash and cash equivalents	4,763,579	-	-	4,763,579
Capital Assets				
Nondepreciable	497,142	5,281,136	349,554	6,127,832
Depreciable (net of accumulated depreciation)	35,077,200	5,575,778	1,750,929	42,403,907
Total non-current assets	40,337,921	10,856,914	2,100,483	53,295,318
Total assets	65,963,124	10,885,182	2,673,532	79,521,838

Deferred Outflows of Resources

Deferred charges on refunding	107,100	2,602	-	109,702
Deferred outflows on pensions - contributions	111,460	14,984	-	126,444
Deferred outflows on pensions - assumption changes	50,817	6,918	-	57,735
Deferred outflows on pensions - experience	11,829	1,535	-	13,364
Deferred outflows on pensions - difference in earnings	274,587	37,307	-	311,894
Total deferred outflows of resources	555,793	63,346	-	619,139

Liabilities, Deferred Inflows or Resources and Net Position

Current Liabilities

Accounts and contracts payable	484,303	886,972	130,196	1,501,471
Accrued liabilities	91,075	15,949	37,563	144,587
Accrued interest	37,756	516	-	38,272
Deposits	1,083,133	-	-	1,083,133
General obligation bonds	765,000	5,000	-	770,000
Certificates of obligation	405,493	-	-	405,493
Compensated absences	7,129	595	218	7,942
Total current liabilities	2,873,889	909,032	167,977	3,950,898

Non-current Liabilities

General obligation bonds	2,116,958	74,227	-	2,191,185
Certificates of obligation	6,239,403	-	-	6,239,403
Compensated absences	67,453	3,372	654	71,479
Net pension liability	1,164,166	158,981	-	1,323,147
Total non-current liabilities	9,587,980	236,580	654	9,825,214
Total liabilities	12,461,869	1,145,612	168,631	13,776,112

Deferred Inflows of Resources

Deferred inflows on pensions - experience	18,625	2,417	-	21,042
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Net Position

Net investment in capital assets	29,835,034	10,780,289	2,100,483	42,715,806
Unrestricted	24,203,389	(979,790)	404,418	23,628,017
Total net position	\$ 54,038,423	\$ 9,800,499	\$ 2,504,901	\$ 66,343,823

City of Lancaster, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Water and Sewer	Airport Fund	Non-major Enterprise Funds	Total Proprietary Funds
Operating Revenues				
Charges for services	\$ 15,708,146	\$ 775,416	\$ 2,444,336	\$ 18,927,898
Intergovernmental	-	13,424	-	13,424
Miscellaneous	613,780	-	-	613,780
Impact fee revenue	1,026,782	-	-	1,026,782
Total operating revenues	17,348,708	788,840	2,444,336	20,581,884
Operating Expenses				
Personnel services and benefits	1,642,615	259,785	-	1,902,400
Maintenance	1,171,687	60,994	77,253	1,309,934
Purchase of water	2,673,492	-	-	2,673,492
Materials and supplies	69,438	285,834	-	355,272
Heat, light and power	203,299	44,250	3,992	251,541
Sewage treatment	5,396,431	-	-	5,396,431
Special services	404,352	22,462	1,420,960	1,847,774
Equipment rental	11,386	20,074	-	31,460
Depreciation	1,387,501	30,702	47,536	1,465,739
Total operating expenses	12,960,201	724,101	1,549,741	15,234,043
Operating Income	4,388,507	64,739	894,595	5,347,841
Non-operating Revenues (Expenses)				
Interest revenue	89,313	-	635	89,948
Interest and fiscal charges	(358,248)	(2,733)	-	(360,981)
Total non-operating revenues (expenses)	(268,935)	(2,733)	635	(271,033)
Income Before Transfers and Capital Contributions	4,119,572	62,006	895,230	5,076,808
Transfers and Capital Contributions				
Transfers in	343,827	1,461,001	-	1,804,828
Transfers out	(1,398,317)	-	(213,000)	(1,611,317)
Capital Contributions	-	3,612,835	-	3,612,835
Total transfers and capital contributions	(1,054,490)	5,073,836	(213,000)	3,806,346
Change in Net Position	3,065,082	5,135,842	682,230	8,883,154
Net Position, Beginning of Year	50,973,341	4,664,657	1,822,671	57,460,669
Net Position, End of Year	\$ 54,038,423	\$ 9,800,499	\$ 2,504,901	\$ 66,343,823

City of Lancaster, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Water and Sewer Fund	Airport Fund	Non-major Enterprise Funds	Total
Operating Activities				
Receipts from customers and users	\$ 16,305,446	\$ 789,016	\$ 2,445,212	\$ 19,539,674
Payments to employees	(1,639,887)	(259,414)	-	(1,899,301)
Payments to suppliers	(9,678,147)	(520,274)	(2,125,105)	(12,323,526)
Impact fees collected	1,026,782	-	-	1,026,782
Net cash provided by operating activities	6,014,194	9,328	320,107	6,343,629
Noncapital and Related Financing Activities				
Transfers in	343,827	1,461,001	-	1,804,828
Transfers out	(1,398,317)	-	(213,000)	(1,611,317)
Net cash provided by (used in) noncapital financing activities	(1,054,490)	1,461,001	(213,000)	193,511
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(607,034)	(1,461,001)	-	(2,068,035)
Principal payments on debt	(1,155,524)	(16,336)	-	(1,171,860)
Interest payments on debt	(349,720)	(2,733)	-	(352,453)
Transfer of unspent bond proceeds	(4,080,000)	-	-	(4,080,000)
Utility deposits collected	68,795	-	-	68,795
Net cash used in capital and financing activities	(6,123,483)	(1,480,070)	-	(7,603,553)
Investing Activities				
Interest on investments	89,313	-	635	89,948
Proceeds from other nonoperating revenue	-	9,741	-	9,741
Net cash provided by investing activities	89,313	9,741	635	99,689
Increase in Cash and Cash Equivalents	(1,074,466)	-	107,742	(966,724)
Cash and Cash Equivalents, Beginning of Year	29,591,753	190	207,896	29,799,839
Cash and Cash Equivalents, End of Year	<u>\$ 28,517,287</u>	<u>\$ 190</u>	<u>\$ 315,638</u>	<u>\$ 28,833,115</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 4,388,507	\$ 64,739	\$ 894,595	\$ 5,347,841
Item not requiring cash				
Depreciation	1,387,501	30,702	47,536	1,465,739
Amortization	9,043	-	-	9,043
Changes in				
Accounts receivable	(16,480)	176	(13,041)	(29,345)
Inventories	-	8,102	-	8,102
Prepays	19,080	1,668	-	20,748
Accounts payable	170,793	(101,818)	(621,737)	(552,762)
Accrued expenses	(7,643)	(4,824)	12,754	287
Net pension liability, net of related deferred resources	77,735	15,503	-	93,238
Compensated absences	(14,342)	(4,921)	-	(19,263)
Net cash provided by operating activities	<u>\$ 6,014,194</u>	<u>\$ 9,327</u>	<u>\$ 320,107</u>	<u>\$ 6,343,628</u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities				
Capital contributions	<u>\$ -</u>	<u>\$ 3,603,094</u>	<u>\$ -</u>	<u>\$ 3,603,094</u>

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Note 1: Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Lancaster conform to the generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

The City of Lancaster (the City) was incorporated in 1853. The City operates as a home-rule city, under a Council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer utilities, sanitation, health and social services, parks and recreation, public improvements, airport, golf course, planning and zoning and general administrative services.

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*. GASB Statement 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (1) the primary government must be able to impose its will or (2) the primary government may potentially benefit financially or be financially responsible for the component unit. The Lancaster Economic Development Corporation (Economic) and the Lancaster Recreational Development Corporation (Recreational) are nonprofit industrial development corporations formed in July and October 1995, respectively, under the Development Corporation Act of 1979. Both Economic and Recreational are organized exclusively for the purposes of benefiting and accomplishing public purposes and to act on behalf of the City. This includes the construction and renovation of municipal buildings, the acquisition, improvement and operation of parks, as well as, other economic development purposes. The affairs of these corporations are managed by two separate Boards of Directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. Economic and Recreational have been discretely presented in the accompanying financial statements. Separate financial statements of the individual component units are not available.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

The statement of net position presents information on all the City's assets, deferred outflows, and liabilities, with the difference reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program of City government. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental Funds and Proprietary Funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of Governmental Funds is on the sources, uses and balances of current financial resources. The City has presented the following major Governmental Funds:

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund – The Capital Projects Fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Obligation Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and for the payment of general long-term debt principal, interest and related costs, as well as the payment of lease/purchase items. The revenue source is principally ad-valorem taxes levied by the City and transfers in for the payment of lease/purchases.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets, deferred outflows of resources and liabilities are included on the Statement of Net Position. The City has presented the following major Proprietary Funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Airport Fund – The Airport Fund is used to account for the operation of the City's regional airport.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for the Proprietary Funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

The governmental fund financial statements are reported using the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, fines and forfeits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, charges for services (except for sanitation services), and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be cash, external investment pools and certificates of deposit with an original maturity date of three months or less.

Investments

Investments in external investment pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, no readily determinable fair value is deemed available.

Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest and water and sewer billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2016, were \$763,378 for uncollectible taxes, \$2,507,819 for water and sewer billings, \$882,865 for court fees and fines and \$728,954 for ambulance fees.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Inventory

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out) for Governmental Funds. Inventories in the General Fund consist of expendable supplies.

Prepaid Items

Prepaid balances are for payments made by the City in the current year for services occurring in the subsequent year.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized on Proprietary Fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expenses incurred from the date of the borrowing unit until completion of the project with interest earned on invested proceeds over the same period.

All items purchased with a price of \$5,000 or greater and a useful life exceeding one year is placed on the capital asset list. Each department is required to monitor their inventory and is accountable for the location of the asset. Asset tags are issued after payment has been processed. The Purchasing Agent conducts a yearly inventory to verify the inventory.

Assets capitalized have a useful life of over one year. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. Estimated useful lives of major categories of property are:

Plants and buildings	40 years
Improvements	5 – 50 years
Machinery and equipment	5 – 10 years

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- **Deferred loss on refunding** – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- **Employer Contributions – Pensions** – These contributions are those made after the measurement date through the fiscal year end (January 1st – September 30th) resulting in a cash outlay not yet recognized in GASB 68. This amount is deferred and recognized in the following fiscal year.
- **Investment difference – Pensions** – These amounts represent the difference in projected and actual earnings on pension plan assets. These differences are deferred and amortized over a closed five year period.
- **Experience difference – Pensions** – These amounts represent the difference in expected and actual pension experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- **Assumption changes – Pensions** – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension liability. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has the following items that qualify for reporting in this category.

- **Unavailable revenue** – This amount represents uncollected property taxes, municipal court fees, ambulance fees, and notes receivables. This amount is deferred and recognized once payments are made in the follow fiscal year.
- **Experience difference – Pensions** – These amounts represent the difference in expected and actual pension experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Compensated Absences

Sick leave is recorded on governmental activities for the Fire and Police Departments. All other employees are not compensated for unused sick leave. Vacation is earned in varying amounts up to a maximum of 20 days per year for employees with 10 or more years of service. Unused vacation leave carried forward from one year to the next is limited to 260 hours.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

The liability for unused vested vacation leave as of September 30, 2016, is shown as a liability for compensated absences in the applicable governmental or business-type activities columns in the government-wide statements and in the fund financial statements for the Proprietary Funds. The amount to be paid from current available financial resources is not considered significant.

Defined Benefit Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Fund allocation of related balances is determined by individual employee assignment. This assignment is uniform with regard to liquidation of the liability.

New Pronouncements

The City has adopted (early adopted GASB 82) and implemented the following GASB statements which have become effective for the fiscal year 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*.

- This Statement requires disclosures to be made about fair value measurements of certain applicable assets and liabilities, the level of fair value hierarchy and valuation techniques.
- This Statement also added clarification to the term *investment*, to be defined as a security or other asset a government holds primarily for the purpose of income or profit, and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. No financial statement reclassifications were made as a result of implementation.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

- This statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and modifies GAAP hierarchy to include GASB Implementation Guides as authoritative guidance. Additionally, this statement emphasizes considerations under situations not specified in authoritative guidance and requires consideration of consistency with the GASB Concept Statements with nonauthoritative literature.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*.

- This statement clarifies that a *deviation*, as defined by the Actuarial Standards of Practice, issued by the Actuarial Standards Board, is not considered to be in conformity with the requirements of GASB Statements No. 67, No. 68 and No. 73 for the selection of assumptions used to measure the total pension liability and related measures. Additionally, this statement requires member contributions paid by the employer, to be excluded from employer contributions and from corresponding pension related deferred resources. GASB 82 also requires presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, to be included in RSI.

Note 2: Deposits and Investments

The deposit and investment policies of the City are governed by State Statutes and the adopted City Investment Policy. City policies governing bank deposits require depositories to be FDIC-insured institutions, and depositories must fully collateralize all deposits in excess of FDIC insurance limits.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agency securities, repurchase agreements and municipal pools.

The City utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

During the year ended September 30, 2016, the City invested in Texas CLASS, TexPool, and LOGIC, which are investment pools authorized by the Texas Legislature.

Texas CLASS Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS was created specifically for the use of Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. The marketing and operation functions of the portfolio are also performed by Public Trust Advisors, LLC. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS Participants. Wells Fargo Bank, N.A. serves as custodian for the pool. The investment objective and strategy of the pool is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques. Texas CLASS limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. Texas CLASS is rated AAAm by Standard & Poor's.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company.

LOGIC was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument (the "Agreement") between participating Government Entities. Participation in the Pool is limited to those eligible Government Entities which have become parties to the Agreement ("Participants"). Participants' assets in the Pool are represented by units of beneficial interest ("Units"), which are issued in discrete series (each a "Portfolio"), as authorized from time to time by the Board. Assets invested in any Portfolio will be managed separately, and segregated from, the assets of every other Portfolio. Since September 2005, J.P. Morgan Investment Management Inc. (JPMIM) has served as investment adviser to LOGIC. FirstSouthwest, a Division of Hilltop Securities (FirstSouthwest) and JPMIM serve as coadministrators to LOGIC, and FirstSouthwest provides administrative, participant support, and marketing services. JPMorgan Chase Bank N.A. provides custodial services. The investment objective and strategy of the pool is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds. LOGIC is rated AAAM by Standard & Poor's.

TexPool is carried at amortized cost. Texas CLASS and LOGIC are carried at net asset value. Accordingly, the fair value of the position in the pools is the same as the value of the pools shares.

As of September 30, 2016, the City held the following investments:

	Carring Value	Weighted- Average Maturity (Days)
Primary Government		
TexPool	\$ 28,487,030	1
LOGIC	20,368,353	1
Texas Class	<u>4,087,514</u>	1
Total primary government	<u>52,942,897</u>	
Component Units		
TexPool	3,034,787	1
LOGIC	2,169,887	1
Texas Class	<u>435,452</u>	1
Total component units	<u>5,640,126</u>	
Total investments	<u><u>\$ 58,583,023</u></u>	

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Interest Rate Risk

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Custodial Credit Risk

Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases and contracts with a third-party safekeeping agent.

Credit Risk

It is the City's policy to follow statutes, which authorize the City to invest in obligations of the U. S. Treasury agencies and instrumentalities, obligations of the state of Texas and related agencies, obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by Standard & Poor's Corporation or Moody's, repurchase agreements and designated investment pools. The City's assets in investment pools meet this requirement as noted above.

Note 3: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2016:

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Investments measured at net asset value				
LOGIC	\$ 22,538,240			
TexCLASS	4,522,966			
	<u>27,061,206</u>			
Investments measured at amortized cost				
TexPool	31,521,817			
	<u>31,521,817</u>			
Total investments	<u>\$ 58,583,023</u>			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Note 4: Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2016, were 98% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days is recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources in governmental funds. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the *Texas Constitution* applicable to cities with populations greater than 5,000 limits the ad-valorem tax rate to \$2.50 per \$100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2016, the City had a tax rate of \$.8675 per \$100.00 assessed valuation, of which \$.6012 was allocated for general government and \$.2663 was allocated for the payment of principal and interest on general obligation debt.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

Note 5: Interfund Transactions

Interfund Transfers

For the year ended September 30, 2016, interfund transactions, excluding discretely presented component units were as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,673,308	\$ 968,358
Capital Projects Fund	-	912,461
General Obligation Debt Service Fund	56,000	-
Nonmajor Governmental Funds	-	42,000
Water and Sewer Fund	343,827	1,398,317
Airport Fund	1,461,001	-
Nonmajor Enterprise Funds	-	213,000
	<u>\$ 3,534,136</u>	<u>\$ 3,534,136</u>

The interfund transfer to the General Fund from the Non-major Governmental Funds, Water and Sewer Funds, Refuse Fund and Golf Course Fund is for indirect services provided by central service departments accounted for in the General Fund. The interfund transfer to the General Obligation Debt Service Fund from the Golf Course Fund is for debt repayment. The interfund transfer to the Water and Sewer Fund from the General Fund is contributions of capital assets. The interfund transfer to the Airport Fund from the General Fund and Capital Projects Fund is contributions of capital assets.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Note 6: Capital Assets

Governmental Activities

Capital assets of the Governmental Activities are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 13,214,268	\$ -	\$ -	\$ -	\$ 13,214,268
Construction in progress	8,224,067	1,460,935	-	(669,531)	9,015,471
		-	-	-	
Total capital assets not being depreciated	21,438,335	1,460,935	-	(669,531)	22,229,739
Capital assets being depreciated					
Buildings	24,487,196	-	-	-	24,487,196
Infrastructure, improvements, equipment, and furniture	126,454,438	352,394	(150,000)	-	126,656,832
Total capital assets being depreciated	150,941,634	352,394	(150,000)	-	151,144,028
Less accumulated depreciation for:					
Buildings	6,788,838	616,141	-	-	7,404,979
Infrastructure, improvements, equipment and furniture	64,294,619	4,554,268	(150,000)	-	68,698,887
Total accumulated depreciation	71,083,457	5,170,409	(150,000)	-	76,103,866
Total capital assets being depreciated, net	79,858,177	(4,818,015)	-	-	75,040,162
Governmental activities capital assets, net	<u>\$ 101,296,512</u>	<u>\$ (3,357,080)</u>	<u>\$ -</u>	<u>\$ (669,531)</u>	<u>\$ 97,269,901</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General and administrative	\$ 1,747,394
Public safety	2,407,918
Public works	782,853
Community development and recreation	<u>232,244</u>
Total depreciation expense – governmental activities	<u>\$ 5,170,409</u>

During fiscal year 2016, the City transferred \$669,531 of capital assets from Governmental Activities to Airport Fund (Business-type Activities). The capital assets were put into service and are being used by the Airport Fund as of September 30, 2016.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Business-type Activities

Capital assets of the Business-type Activities are as follows:

	Beginning Balance	Increases	Transfers	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 4,971,266	\$ -	\$ -	\$ 4,971,266
Construction in progress	70,379	4,657,781	(3,571,594)	1,156,566
	<u>5,041,645</u>	<u>4,657,781</u>	<u>(3,571,594)</u>	<u>6,127,832</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Plants and buildings	4,950,436	-	-	4,950,436
Other improvements	65,830,044	-	-	65,830,044
Runways and taxiways	3,422,564	-	4,241,125	7,663,689
Other structures	951,622	-	-	951,622
Machinery and equipment	2,972,683	343,827	-	3,316,510
	<u>78,127,349</u>	<u>343,827</u>	<u>4,241,125</u>	<u>82,712,301</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Plants and buildings	2,987,051	22,274	-	3,009,325
Other improvements	29,931,735	1,264,485	-	31,196,220
Runways and taxiways	2,484,709	52,867	-	2,537,576
Other structures	814,337	5,832	-	820,169
Machinery and equipment	2,624,823	120,281	-	2,745,104
	<u>38,842,655</u>	<u>1,465,739</u>	<u>-</u>	<u>40,308,394</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>39,284,694</u>	<u>(1,121,912)</u>	<u>4,241,125</u>	<u>42,403,907</u>
Business-type activities capital assets, net	<u>\$ 44,326,339</u>	<u>\$ 3,535,869</u>	<u>\$ 669,531</u>	<u>\$ 48,531,739</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Water and Sewer	\$ 1,387,501
Airport	30,702
Golf	47,536
	<u>1,465,739</u>
Total depreciation expense – business-type activities	<u>\$ 1,465,739</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Discretely Presented Component Units

Capital assets of the Lancaster Economic Development Corporation are as follows:

	Beginning Balance	Increases	Ending Balance
Lancaster Economic Development Corporation Capital assets not being depreciated			
Land	\$ 100,378	\$ -	\$ 100,378
Total capital assets not being depreciated	<u>\$ 100,378</u>	<u>\$ -</u>	<u>\$ 100,378</u>

Capital assets of the Lancaster Recreational Development Corporation are as follows:

	Beginning Balance	Increases	Ending Balance
Lancaster Recreational Development Corporation Capital assets not being depreciated			
Land	\$ 989,118	\$ -	\$ 989,118
Total capital assets not being depreciated	<u>989,118</u>	<u>-</u>	<u>989,118</u>
Capital assets being depreciated			
Buildings	15,797,360	-	15,797,360
Park structures	3,965,809	-	3,965,809
Equipment and furniture	<u>600,687</u>	<u>12,792</u>	<u>613,479</u>
Total capital assets being depreciated	20,363,856	12,792	20,376,648
Less accumulated depreciation for:			
Buildings	6,168,484	320,141	6,488,625
Park structures	3,965,809	-	3,965,809
Equipment and furniture	<u>417,079</u>	<u>44,967</u>	<u>462,046</u>
Total accumulated depreciation	<u>10,551,372</u>	<u>365,108</u>	<u>10,916,480</u>
Total capital assets being depreciated, net	<u>9,812,484</u>	<u>(352,316)</u>	<u>9,460,168</u>
Lancaster Recreational Development Corporation capital assets, net	<u>\$ 10,801,602</u>	<u>\$ (352,316)</u>	<u>\$ 10,449,286</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Note 7: Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 57,025,017	\$ -	\$ (1,765,000)	55,260,017	\$ 1,895,000
Certificates of obligation	14,075,105	4,080,000	(795,000)	17,360,105	834,507
Notes payable	4,710,033	-	(558,540)	4,151,493	539,828
Premiums on bond debt	3,066,433	-	(448,061)	2,618,372	-
Compensated absences	2,459,408	2,936,830	(2,459,408)	2,936,830	293,683
OPEB liability	175,460	38,847	-	214,307	-
Net pension liability	8,606,055	4,356,572	-	12,962,627	-
Capital leases	1,167,654	-	(227,298)	940,356	168,758
Total governmental activities	<u>\$ 91,285,165</u>	<u>\$ 11,412,249</u>	<u>\$ (6,253,307)</u>	<u>\$ 96,444,107</u>	<u>\$ 3,731,776</u>
Business-type Activities					
General obligation bonds	\$ 3,619,983	\$ -	\$ (775,000)	\$ 2,844,983	\$ 770,000
Certificates of obligation	11,129,896	-	(4,485,000)	6,644,896	405,493
Premiums on bond debt	124,708	-	(8,506)	116,202	-
Net pension liability	896,352	426,795	-	1,323,147	-
Compensated absences	71,461	79,421	(71,461)	79,421	7,942
Total business-type activities	<u>\$ 15,842,400</u>	<u>\$ 506,216</u>	<u>\$ (5,339,967)</u>	<u>\$ 11,008,649</u>	<u>\$ 1,183,435</u>
Discretely Presented Component Units					
Notes payable to primary government	\$ 9,151,950	\$ -	\$ (610,000)	\$ 8,541,950	\$ 625,000
Net pension liability	539,460	273,624	-	813,084	-
Total discretely presented component units	<u>\$ 9,691,410</u>	<u>\$ 273,624</u>	<u>\$ (610,000)</u>	<u>\$ 9,355,034</u>	<u>\$ 625,000</u>

General long-term debt consists of capital leases, liabilities for accrued vacation leave, general obligation bonds and certificates of obligation, which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds and certificates of obligation are secured by ad-valorem taxes levied on all taxable property within the City, and surplus revenues of the Water and Sewer Fund and Airport Fund. A portion of the general obligation bonds has been issued on behalf of the Water and Sewer Fund. Although these bonds are secured by the full faith and credit of the City and have no specific claim against Water and Sewer Fund assets, debt service requirements are provided by the Water and Sewer Fund. Accordingly, this debt is reflected as an obligation of the Water and Sewer Fund.

During fiscal year 2015, the City recorded the Series 2015 Tax and Waterworks and Sewer System Revenue Certificates of Obligation in the amount of \$4,080,000 in the Water and Sewer Fund. In fiscal year 2016, the City decided the certificate of obligation will be paid from the Capital Projects Fund (Governmental Activities) instead of the Water and Sewer Fund. A transfer was made to remove the debt from the Water and Sewer Fund and add to Governmental Activities.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

For the governmental activities, compensated absences and net pension liabilities are generally liquidated in the General Fund and Stormwater Fund. The net OPEB obligation is generally liquidated in the General Fund.

General obligation bonds, revenue bonds, certificates of obligation, notes payable and capital leases outstanding at September 30, 2016, consist of the following:

	Governmental Activities	Water and Sewer	Airport	Total Primary Government
<u>General Obligation Bonds</u>				
\$24,300,000, 2007 General Obligation Refunding Bonds, due in annual installments through February 15, 2032, 4.00% – 5.00%	\$ 3,890,000	\$ 1,510,000	\$ -	\$ 5,400,000
\$22,995,000, 2010 General Obligation Build America Bonds, due in annual installments through February 15, 2040, 1.82% – 6.53%	20,485,000	-	-	20,485,000
\$12,240,000, 2012 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 2.00% – 5.00%	9,470,000	250,000	70,000	9,790,000
\$22,530,000, 2015 General Obligation Refunding Bonds, due in annual installments through February 15, 2035, 2.00% – 3.75%	21,415,017	1,014,983	-	22,430,000
	<u>\$ 55,260,017</u>	<u>\$ 2,774,983</u>	<u>\$ 70,000</u>	<u>\$ 58,105,000</u>
<u>Certificates of Obligation</u>				
\$14,565,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2032, 4.00% – 4.375%	\$ 2,660,104	\$ 519,896	\$ -	\$ 3,180,000
\$12,000,000, 2010 Certificate of Obligation Build America Bonds, due in annual installments through February 15, 2040, 1.82% – 6.53%	10,700,000	-	-	10,700,000
\$7,585,000, 2011 Certificate of Obligation Bonds, due in annual installments through August 15, 2031, 2.00% – 3.50%	-	6,125,000	-	6,125,000
\$4,080,000, 2015 Certificate of Obligation Bonds, due in annual installments through February 15, 2035, 2.00% – 3.75%	4,000,000	-	-	4,000,000
	<u>\$ 17,360,104</u>	<u>\$ 6,644,896</u>	<u>\$ -</u>	<u>\$ 24,005,000</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

The city has pledged future water customer revenues, net of specified operating expenses, to repay \$3.1 million and \$7.6 million in water system revenue bonds issued in 2007 and 2011, respectively. Proceeds from the bonds provided financing for the improvement to the Airport. The bonds are payable solely from water customer net revenues and are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,402,863. Principal and interest paid for the current year and total customer net revenues were \$609,987 and \$3,340,512, respectively.

	Governmental Activities	Total Primary Government	Discretely Presented Component Units
<u>Note Payable</u>			
\$11,650,000 note payable, due in annual installments through February 15, 2024; 3.00% – 4.50%	\$ -	\$ -	\$ 6,765,000
\$3,035,000 note payable, due in annual installments through February 15, 2027; 4.00% – 4.375%	-	-	1,776,950
\$5,690,000 note payable, due in annual installments beginning October 2013 through October 2022; 7.00%	<u>4,151,493</u>	<u>4,151,493</u>	<u>-</u>
	<u><u>\$ 4,151,493</u></u>	<u><u>\$ 4,151,493</u></u>	<u><u>\$ 8,541,950</u></u>

Capital Leases

\$366,345 Lease Purchase Agreement due in monthly installments through November 4, 2016; 2.15%	\$ 12,856	\$ 12,856	\$ -
\$1,250,000 Lease Purchase Agreement due due in monthly installments through January 15, 2024; 2.08%	<u>927,500</u>	<u>927,500</u>	<u>-</u>
	<u><u>\$ 940,356</u></u>	<u><u>\$ 940,356</u></u>	<u><u>\$ -</u></u>

Capital leases represent the remaining principal amounts payable under lease purchase agreements for the acquisition of equipment through the General and Water and Sewer Funds.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

As of September 30, 2016, property and equipment under capital leases is carried at \$2,573,129, with \$1,106,406 in accumulated depreciation, included in fixed assets. Amortization of these assets is included with depreciation expense.

The annual requirements to amortize the long-term debt as of September 30, 2016, are as follows:

General Obligation Bonds						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,895,000	\$ 2,768,769	\$ 4,663,769	\$ 770,000	\$ 111,025	\$ 881,025
2018	2,220,000	2,684,356	4,904,356	815,000	71,975	886,975
2019	2,380,000	2,590,334	4,970,334	35,000	51,300	86,300
2020	2,810,000	2,470,380	5,280,380	125,000	47,475	172,475
2021	2,975,000	2,326,325	5,301,325	130,000	41,100	171,100
2022-2026	14,670,000	9,367,147	24,037,147	655,000	106,325	761,325
2027-2031	13,290,017	5,934,829	19,224,846	314,983	17,768	332,751
2032-2036	10,060,000	2,816,715	12,876,715	-	-	-
2037-2040	4,960,000	664,876	5,624,876	-	-	-
Total	<u>\$ 55,260,017</u>	<u>\$ 31,623,731</u>	<u>\$ 86,883,748</u>	<u>\$ 2,844,983</u>	<u>\$ 446,968</u>	<u>\$ 3,291,951</u>

Certificates of Obligation						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 834,507	\$ 890,825	\$ 1,725,332	\$ 405,493	\$ 193,922	\$ 599,415
2018	860,318	856,748	1,717,066	419,682	183,818	603,500
2019	891,130	820,420	1,711,550	433,870	173,347	607,217
2020	472,409	791,409	1,263,818	357,591	164,307	521,898
2021	486,571	769,002	1,255,573	373,429	156,764	530,193
2022-2026	2,915,292	3,445,748	6,361,040	2,104,708	620,097	2,724,805
2027-2031	3,617,097	2,590,314	6,207,411	2,547,903	265,711	2,813,614
2032-2036	4,687,780	1,466,397	6,154,177	2,220	-	2,220
2037-2040	2,595,001	347,453	2,942,454	-	-	-
Total	<u>\$ 17,360,105</u>	<u>\$ 11,978,316</u>	<u>\$ 29,338,421</u>	<u>\$ 6,644,896</u>	<u>\$ 1,757,966</u>	<u>\$ 8,402,862</u>

Note Payable						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 539,828	\$ 270,308	\$ 810,136	\$ -	\$ -	\$ -
2018	577,616	232,520	810,136	-	-	-
2019	618,049	192,087	810,136	-	-	-
2020	661,313	148,824	810,137	-	-	-
2021	707,605	102,532	810,137	-	-	-
2022 - 2023	1,047,082	53,000	1,100,082	-	-	-
Total	<u>\$ 4,151,493</u>	<u>\$ 999,271</u>	<u>\$ 5,150,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Note Payable			
Fiscal Year	Discretely Presented Component Units		
	Principal	Interest	Total
2017	\$ 625,000	\$ 330,250	\$ 955,250
2018	840,000	304,375	1,144,375
2019	880,000	273,400	1,153,400
2020	915,000	223,647	1,138,647
2021	960,000	188,238	1,148,238
2022-2026	3,595,000	323,169	3,918,169
2027	<u>726,950</u>	<u>4,923</u>	<u>731,873</u>
Total	<u>\$ 8,541,950</u>	<u>\$ 1,648,001</u>	<u>\$ 10,189,951</u>

Capital Leases			
Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2017	\$ 168,758	\$ 19,327	\$ 188,085
2018	159,144	16,049	175,193
2019	162,454	12,739	175,193
2020	90,000	9,360	99,360
2021	90,000	7,488	97,488
2022-2025	<u>270,000</u>	<u>11,232</u>	<u>281,232</u>
Total	<u>\$ 940,356</u>	<u>\$ 76,195</u>	<u>\$ 1,016,551</u>

Note 8: Employee Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within options available in the governing state statutes of TMRS. Lancaster Economic Development Corporation and Lancaster Recreational Development Corporation contribute to the plan with a cost share of 0.93% and 4.45%, respectively. There were no significant changes in the component unit's proportion to the plan during fiscal year 2016.

TMRS issues a publicly available comprehensive financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to Texas Municipal Retirement System (TMRS), P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit rate	7.00%
Matching ratio (City to employee)	2 – 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating

At the December 31, 2015, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	170
Inactive employees entitled to but not yet receiving benefits	198
Active employees	243
	<hr/>
	611
	<hr/>

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal actuarial cost method beginning with the 2013 valuations. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City's contributions to TMRS for the year ended September 30, 2016, were \$2,002,110, and were equal to the required contributions.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (*i.e.*, December 31, 2012, valuation is effective for the rates beginning January 1, 2014).

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Net Pension Liability

Actuarial Assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per yer
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a *Mortality Experience Investigation Study* covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% and the inflation rate from 3% to 2.5% for the 2015 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	30.00%	1.00%
Non-Core Fixed Income	10.00%	3.65%
Real Return	5.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	5.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will remain at the current 7.00% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of 9/30/15	\$ 69,193,640	\$ 59,151,774	\$ 10,041,866
Changes for the year:			
Service cost	2,193,202	-	2,193,202
Interest on total pension liability	4,801,518	-	4,801,518
Effect of plan changes	-	-	-
Effect of difference in expected and actual experience	190,955	-	190,955
Effect of assumptions changes or inputs	961,057	-	961,057
Benefit payments	(3,394,263)	(3,394,263)	-
Administrative expenses	-	(53,164)	53,164
Member contributions	-	1,019,417	(1,019,417)
Net investment income	-	87,279	(87,279)
Employer contributions	-	2,038,833	(2,038,833)
Other	-	(2,625)	2,625
Net changes	4,752,469	(304,523)	5,056,992
Balances as of 9/30/16	\$ 73,946,109	\$ 58,847,251	\$ 15,098,858

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Proportionate share and net pension liability reported in:

Primary Government	94.61%	\$ 14,285,030
Lancaster Economic Development Corporation	0.93%	140,419
Lancaster Recreational Development Corporation	4.45%	671,899
	99.99%	\$ 15,097,348

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of the City, by primary government and discretely presented component units, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
Primary government	\$ 25,144,568	\$ 14,285,030	\$ 5,523,503
Lancaster Economic Development Corporation	247,167	140,419	54,295
Lancaster Recreational Development Corporation	1,182,680	671,899	259,799
Plan's net pension liability	\$ 26,574,415	\$ 15,097,348	\$ 5,837,597

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the primary government recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$2,883,617.

At September 30, 2016, the primary government reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,308	\$ 205,175
Change of assumptions	647,079	-
Difference between projected and actual investment earnings		
plan investments	3,476,812	-
Contributions subsequent to the measurement date	1,368,798	-
	\$ 5,622,997	\$ 205,175

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

For the year ended September 30, 2016, the primary government reported \$1,368,798 as deferred outflows of resources related to pensions resulting from primary government contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2017.

For the year ended September 30, 2016, Lancaster Economic Development Corporation recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$27,500.

At September 30, 2016, Lancaster Economic Development Corporation reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,133	\$ 1,784
Change of assumptions	6,171	-
Difference between projected and actual investment earnings		
plan investments	33,048	-
Contributions subsequent to the measurement date	12,773	-
	<u>\$ 53,125</u>	<u>\$ 1,784</u>

For the year ended September 30, 2016, Lancaster Economic Development Corporation reported \$12,773 as deferred outflows of resources related to pensions resulting from Lancaster Economic Development Corporation contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2017.

For the year ended September 30, 2016, Lancaster Recreational Development Corporation recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$137,453.

At September 30, 2016, Lancaster Recreational Development Corporation reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,484	\$ 7,060
Change of assumptions	30,845	-
Difference between projected and actual investment earnings		
plan investments	164,061	-
Contributions subsequent to the measurement date	60,957	-
	<u>\$ 260,347</u>	<u>\$ 7,060</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

For the year ended September 30, 2016, Lancaster Recreational Development Corporation reported \$60,957 as deferred outflows of resources related to pensions resulting from Lancaster Recreational Development Corporation contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the primary government will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	
2017	\$ 1,095,622
2018	1,135,921
2019	1,050,546
2020	766,935
	<u>\$ 4,049,024</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Lancaster Economic Development Corporation will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	
2017	\$ 10,436
2018	10,820
2019	10,007
2020	7,305
	<u>\$ 38,568</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Lancaster Recreational Development Corporation will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	
2017	\$ 52,042
2018	53,957
2019	49,901
2020	36,430
	<u>\$ 192,330</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Supplemental Death Benefit Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the TMRS known as the Supplemental Death Benefits fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1, of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit" or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. This rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree life insurance during employees' entire careers.

The City's contributions to SDBF for the fiscal years ended September 30, 2016, 2015 and 2014, were \$21,157, \$21,234 and \$19,176, respectively, which equaled the required contributions each year.

Note 9: Other Post-employment Benefits

Plan Description

The City provides post-employment medical care (OPEB) for employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which cover both active and retired members. The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process.

Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical and dental care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for coverage an employee must qualify under all three of the following:

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
2. Apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than 90 days from termination of employment; and
3. Enroll for retiree Health coverage within 31 days of the date of termination.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2016

Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. Members receiving HMO medical benefits contribute \$518 per month for retiree-only coverage, \$1,140 per month for retiree and spouse, and \$1,765 per month for retiree and family. Members receiving PPO medical benefits contribute \$574 per month for retiree-only coverage, \$1,264 per month for retiree and spouse, and \$1,956 per month for retiree and family. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

Annual OPEB Costs

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost and the related information are as follows at September 30, 2016, 2015 and 2014:

	September 30,		
	2016	2015	2014
Annual required contribution	\$ 76,437	\$ 74,211	\$ 82,341
Interest on prior year net OPEB obligation	7,896	5,883	5,478
Adjustment to annual required contribution	<u>(7,315)</u>	<u>(5,450)</u>	<u>(5,075)</u>
Annual OPEB cost	77,018	74,644	82,744
Contributions made	<u>(38,171)</u>	<u>(29,908)</u>	<u>(73,754)</u>
 Increase in net OPEB obligation	 38,847	 44,736	 8,990
 Net obligation, beginning of year	 <u>175,460</u>	 <u>130,724</u>	 <u>121,734</u>
 Net obligation, end of year	 <u><u>\$ 214,307</u></u>	 <u><u>\$ 175,460</u></u>	 <u><u>\$ 130,724</u></u>
 Percentage of OPEB costs contributed	 49.6%	 40.1%	 89.1%

Funded Status and Funding Progress

The funded status of the plan as of actuarial measurement date of December 31, 2015, was as follows:

Actuarial accrued liability	\$ 876,821
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u><u>\$ 876,821</u></u>
 Funded ratio	 0.00%
Covered payroll	\$ 13,863,623
Unfunded actuarial accrued liability as a percentage of covered payroll	6.3%

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members), and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 4.5% after eight years. The rate of inflation is assumed to be 3%.

Note 10: Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe the amount is probable.

The City is involved in a litigation case with White Rock Commercial, LLC (White Rock). The case involves the City repaying the cost of infrastructure improvements placed by White Rock. To date, an amount to repay is indeterminable due to the imposition of impact fees and other considerations. This case has an initial verdict for the City to repay, but appeals are pending.

Note 11: Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (the Pool). Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Trinity River Authority of Texas

The City contracts with Trinity River Authority of Texas (TRA), a conservation and reclamation district, whereby TRA finances, constructs, operates and maintains sewage transportation and treatment facilities for the benefit of the City. The current contract is extended through the date until which all bonds have been paid. The City makes payments monthly, which are based on an estimate of its share of costs. The City's share of costs for the fiscal year ended September 30, 2016, was \$5,058,228, for the Ten Mile Creek Regional Wastewater System and \$75,863, for the Red Oak Creek Regional Wastewater System. This estimate is calculated by TRA who makes adjustments for over/under charges in the City's next fiscal year. There were no adjustments to the amounts as calculated by the TRA for the year ended September 30, 2016.

Federal and State Programs

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that if the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2016, may be impaired.

Other Contingencies

There are other claims and pending actions incidental to normal operations of the City. In the opinion of the City administration, the City's potential liability in these matters will not have a material impact in the accompanying financial statements.

Note 12: Subsequent events

On October 24, 2016, the City issued \$6,575,000 in general and refunding obligation bonds. The reissued bond is a variable rate. The average interest rate on the bond is 3.25% and matures in February 2032.

Required Supplementary Information

City of Lancaster, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System

	Measurement Year 2014	Measurement Year 2015
Total Pension Liability:		
Service cost	\$ 1,754,296	\$ 2,193,202
Interest (on the Total Pension Liability)	4,600,938	4,801,518
Changes in benefit terms	-	-
Differences between expected and actual experience	(470,634)	190,955
Changes in assumptions	-	961,057
Benefit payments, including refunds of employee contributions	(3,082,997)	(3,394,263)
Net change in total pension liability	<u>2,801,603</u>	<u>4,752,469</u>
 Total pension liability – Beginning	 <u>66,392,037</u>	 <u>69,193,640</u>
 Total pension liability – Ending (a)	 <u><u>\$ 69,193,640</u></u>	 <u><u>\$ 73,946,109</u></u>
Plan Fiduciary Net Position:		
Contributions – employer	\$ 1,950,250	\$ 2,038,833
Contributions – employee	943,452	1,019,417
Net investment income	3,212,784	87,279
Benefit payments, including refunds of employee contributions	(3,082,997)	(3,394,263)
Administrative expense	(33,545)	(53,164)
Other	(2,758)	(2,625)
Net change in plan fiduciary net position	<u>2,987,186</u>	<u>(304,523)</u>
 Plan fiduciary net position – Beginning	 <u>56,164,588</u>	 <u>59,151,774</u>
 Plan fiduciary net position – Ending (b)	 <u><u>\$ 59,151,774</u></u>	 <u><u>\$ 58,847,251</u></u>
 City’s net pension liability – Ending (a) – (b)	 <u><u>\$ 10,041,866</u></u>	 <u><u>\$ 15,098,858</u></u>
Plan fiduciary net position as a percentage of the total pension liability	85.49%	79.58%
 Covered payroll	 \$ 13,477,886	 \$ 14,563,096
City’s net pension liability as a percentage of covered payroll	74.51%	103.68%

Changes in assumptions: In the 2015 valuation the investment rate decreased from 7.0% to 6.75%; the inflation rate was lowered from 3.0% to 2.5%; the experience study for retirement age was updated

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City’s measurement date (December 31).

City of Lancaster, Texas
Required Supplementary Information
Schedule of Contributions
Texas Municipal Retirement System

	Fiscal Year 2015	Fiscal Year 2016
Actuarially determined contribution	\$ 2,012,259	\$ 2,002,110
Contributions in relation to the actuarially determined contribution	<u>2,012,259</u>	<u>2,002,110</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,156,179	\$ 14,839,963
Contributions as a percentage of covered payroll	14.21%	13.49%

Notes to Schedule Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the the City's most recent fiscal year-end (September 30).

City of Lancaster, Texas
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability and Contributions
Texas Municipal Retirement System

	Primary Government		Lancaster Economic Development Corporation		Lancaster Recreational Development Corporation	
	2015	2016	2015	2016	2015	2016
Proportionate share of net pension liability	94.63%	94.61%	0.95%	0.93%	4.42%	4.45%
Net pension liability	\$ 9,502,407	\$ 14,285,030	\$ 95,378	\$ 140,419	\$ 444,082	\$ 671,899
Actuarially determined contribution	\$ 1,904,158	\$ 1,894,295	\$ 19,113	\$ 18,696	\$ 88,988	\$ 89,119
Covered payroll	\$ 13,395,694	\$ 14,040,821	\$ 134,456	\$ 138,576	\$ 626,029	\$ 660,566
Proportionate share of net pension liability as a percentage of covered payroll	70.94%	101.74%	70.94%	101.33%	70.94%	101.72%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the the City's most recent fiscal year-end (September 30).

City of Lancaster, Texas
Required Supplementary Information
Employees' Other Post-employment Benefits Plan
Schedule of Funding Progress
September 30, 2016

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
		[1]	[2]	[3] [1]/[2]	[4] [2]-[1]	[5]	[6] [4]/[5]
2011	12/31/2010	\$ -	\$ 1,138,842	0.0%	\$ 1,138,842	\$ 13,835,321	8.2%
2013	12/31/2012	\$ -	\$ 886,334	0.0%	\$ 886,334	\$ 12,440,548	7.1%
2015	12/31/2014	\$ -	\$ 876,821	0.0%	\$ 876,821	\$ 13,863,623	6.3%

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
Revenues				
Taxes and fees	\$ 17,032,447	\$ 17,032,447	\$ 18,439,703	\$ 1,407,256
Licenses and permits	764,800	764,800	1,522,638	757,838
Intergovernmental	-	-	369,534	369,534
Charges for services	740,250	740,250	1,516,187	775,937
Fines and forfeits	720,000	720,000	1,257,743	537,743
Interest	2,000	2,000	26,187	24,187
Grant and other income	254,940	254,940	-	(254,940)
Miscellaneous	56,050	56,050	261,553	205,503
Total revenues	19,570,487	19,570,487	23,393,545	3,823,058
Expenditures				
Current				
General government	4,153,576	4,153,576	4,171,215	(17,639)
Public safety	14,250,167	14,250,167	16,110,529	(1,860,362)
Public works	465,478	465,478	1,191,225	(725,747)
Community development and recreation	1,687,588	1,687,588	889,728	797,860
Capital outlay	1,603,755	1,603,755	481,788	1,121,967
Debt service				
Principal retirement	-	-	558,540	(558,540)
Interest and fiscal charges	-	-	388,853	(388,853)
Total expenditures	22,160,564	22,160,564	23,791,878	(1,631,314)
Excess (deficiency) of revenues over (under) expenditures	(2,590,077)	(2,590,077)	(398,333)	2,191,744
Other financing sources (uses)				
Transfers in	1,742,788	1,742,788	1,673,308	(69,480)
Transfers out	-	-	(968,358)	(968,358)
Total other financing sources (uses)	1,742,788	1,742,788	704,950	(1,037,838)
Net Change in Fund Balances	(847,289)	(847,289)	306,617	1,153,906
Fund Balance, Beginning of Year	6,668,293	6,668,293	6,668,293	-
Fund Balance, End of Year	\$ 5,821,004	\$ 5,821,004	\$ 6,974,910	\$ 1,153,906

City of Lancaster, Texas
Notes to Required Supplementary Information
September 30, 2016

Budgets and Budgetary Accounting

The City adopts an “appropriated budget” of Governmental Fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

An operating budget for the General Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the City Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1 the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse.

Combining and Individual Fund Statements and Schedules

City of Lancaster, Texas
Non-major Governmental Funds
September 30, 2016

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Stormwater Drainage Fund – to account for revenues received from a fee charged for the development of the City's storm sewer drainage system.

Public Improvement Districts Fund – to account for the activities of the public improvement districts of the City.

Police State Seized Fund – to account for the activities of related funds awarded to the City by the Courts.

Police Federal Seized Fund – to account for the activities of related funds awarded to the City by the Courts.

Hotel/Motel Fund – to account for the revenues received from a hotel and motel tax.

Emergency 911 Fund – to account for revenues received from a fee charged for emergency services.

City of Lancaster, Texas
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2016

	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund	Hotel/ Motel Fund	Emergency 911 Fund	Total Non-major Governmental Funds
Assets							
Cash and cash equivalents	\$ 1,967,030	\$ 618,929	\$ 25,805	\$ 31,379	\$ 590,313	\$ 764,476	\$ 3,997,932
Receivables (net of allowance for uncollectibles)							
Delinquent taxes	-	2,355	-	-	-	-	2,355
Accounts receivable	211,298	-	-	-	33,004	13,416	257,718
Total assets	<u>\$ 2,178,328</u>	<u>\$ 621,284</u>	<u>\$ 25,805</u>	<u>\$ 31,379</u>	<u>\$ 623,317</u>	<u>\$ 777,892</u>	<u>\$ 4,258,005</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 48,607	\$ 6,174	\$ -	\$ -	\$ 2,180	\$ -	\$ 56,961
Accrued liabilities	62,139	-	-	-	-	805	62,944
Total liabilities	<u>110,746</u>	<u>6,174</u>	<u>-</u>	<u>-</u>	<u>2,180</u>	<u>805</u>	<u>119,905</u>
Deferred inflows of resources	<u>-</u>	<u>2,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,036</u>
Fund balances							
Restricted for							
Public works	2,067,582	-	-	-	-	-	2,067,582
Public improvement districts	-	613,074	-	-	-	-	613,074
Police grants	-	-	25,805	31,379	-	-	57,184
Tourism, convention centers, arts	-	-	-	-	621,137	-	621,137
Law enforcement purposes	-	-	-	-	-	777,087	777,087
Total fund balances	<u>2,067,582</u>	<u>613,074</u>	<u>25,805</u>	<u>31,379</u>	<u>621,137</u>	<u>777,087</u>	<u>4,136,064</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,178,328</u>	<u>\$ 621,284</u>	<u>\$ 25,805</u>	<u>\$ 31,379</u>	<u>\$ 623,317</u>	<u>\$ 777,892</u>	<u>\$ 4,258,005</u>

City of Lancaster, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2016

	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund	Hotel/ Motel Fund	Emergency 911 Fund	Total Non-major Governmental Funds
Revenues							
Taxes and fees	\$ 1,517,536	\$ 367,875	\$ -	\$ -	\$ 128,393	\$ -	\$ 2,013,804
Licenses and permits	-	-	-	-	-	307,441	307,441
Miscellaneous	-	-	24,477	-	410	-	24,887
Interest	5,224	1,952	69	93	1,564	2,016	10,918
	<u>1,522,760</u>	<u>369,827</u>	<u>24,546</u>	<u>93</u>	<u>130,367</u>	<u>309,457</u>	<u>2,357,050</u>
Total revenues	1,522,760	369,827	24,546	93	130,367	309,457	2,357,050
Expenditures							
Current							
Public safety	-	-	2,260	-	-	2,201	4,461
Public works	1,052,649	-	-	-	-	-	1,052,649
Community development and recreation	-	200,460	-	-	44,398	-	244,858
Capital outlay	23,426	-	-	-	-	114,562	137,988
Debt service							
Principal retirement	30,000	-	-	-	-	-	30,000
Interest and fiscal charges	18,758	-	-	-	-	-	18,758
	<u>1,124,833</u>	<u>200,460</u>	<u>2,260</u>	<u>-</u>	<u>44,398</u>	<u>116,763</u>	<u>1,488,714</u>
Total expenditures	1,124,833	200,460	2,260	-	44,398	116,763	1,488,714
Excess (deficiency) of revenues over (under) expenditures	<u>397,927</u>	<u>169,367</u>	<u>22,286</u>	<u>93</u>	<u>85,969</u>	<u>192,694</u>	<u>868,336</u>
Other Financing Uses							
Transfers out	(42,000)	-	-	-	-	-	(42,000)
	<u>(42,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,000)</u>
Total other financing uses	(42,000)	-	-	-	-	-	(42,000)
Net Change in Fund Balances	355,927	169,367	22,286	93	85,969	192,694	826,336
Fund Balances, Beginning of Year	<u>1,711,655</u>	<u>443,707</u>	<u>3,519</u>	<u>31,286</u>	<u>535,168</u>	<u>584,393</u>	<u>3,309,728</u>
Fund Balances, End of Year	<u>\$ 2,067,582</u>	<u>\$ 613,074</u>	<u>\$ 25,805</u>	<u>\$ 31,379</u>	<u>\$ 621,137</u>	<u>\$ 777,087</u>	<u>\$ 4,136,064</u>

City of Lancaster, Texas
Non-major Enterprise Funds
September 30, 2016

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. The City has two Non-major Enterprise Funds, which include the following:

Golf Course Fund – to account for the operation of the City's golf course.

Refuse Fund – to account for the operation of the City's refuse services.

City of Lancaster, Texas
Combining Statement of Net Position
Non-major Enterprise Funds
September 30, 2016

	Golf Course Fund	Refuse Fund	Total Non-major Enterprise Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 196,853	\$ 118,785	\$ 315,638
Receivables (net of allowance for uncollectibles)			
Accounts	-	148,260	148,260
Unbilled	-	109,151	109,151
	<u>196,853</u>	<u>376,196</u>	<u>573,049</u>
Total current assets			
	<u>196,853</u>	<u>376,196</u>	<u>573,049</u>
Noncurrent Assets			
Capital assets			
Nondepreciable	349,554	-	349,554
Depreciable (net of accumulated depreciation)	1,750,929	-	1,750,929
	<u>2,100,483</u>	<u>-</u>	<u>2,100,483</u>
Total noncurrent assets			
	<u>2,100,483</u>	<u>-</u>	<u>2,100,483</u>
Total assets	<u>2,297,336</u>	<u>376,196</u>	<u>2,673,532</u>
Liabilities			
Current Liabilities			
Accounts and contracts payable	13,985	116,211	130,196
Accrued liabilities	330	37,233	37,563
Compensated absences	-	218	218
	<u>14,315</u>	<u>153,662</u>	<u>167,977</u>
Total current liabilities			
	<u>14,315</u>	<u>153,662</u>	<u>167,977</u>
Noncurrent Liabilities			
Compensated absences	-	654	654
	<u>-</u>	<u>654</u>	<u>654</u>
Total noncurrent liabilities			
	<u>-</u>	<u>654</u>	<u>654</u>
Total liabilities	<u>14,315</u>	<u>154,316</u>	<u>168,631</u>
Net Position			
Net investment in capital assets	2,100,483	-	2,100,483
Unrestricted	182,538	221,880	404,418
	<u>\$ 2,283,021</u>	<u>\$ 221,880</u>	<u>\$ 2,504,901</u>

City of Lancaster, Texas
Combining Statement of Revenues, Expenses and Changes in Net Position
Non-major Enterprise Funds
For the Year Ended September 30, 2016

	Golf Course Fund	Refuse Fund	Total Non-major Enterprise Funds
Operating Revenues			
Charges for services	\$ 69,582	2,374,754	\$ 2,444,336
Total operating revenues	<u>69,582</u>	<u>2,374,754</u>	<u>2,444,336</u>
Operating Expenses			
Maintenance	576	76,677	77,253
Heat, light and power	3,992	-	3,992
Depreciation	47,536	-	47,536
Special services	<u>27,563</u>	<u>1,393,397</u>	<u>1,420,960</u>
Total operating expenses	<u>79,667</u>	<u>1,470,074</u>	<u>1,549,741</u>
Operating Income (Loss)	<u>(10,085)</u>	<u>904,680</u>	<u>894,595</u>
Nonoperating Revenues (Expenses)			
Interest revenue	<u>589</u>	<u>46</u>	<u>635</u>
Total nonoperating revenues (expenses)	<u>589</u>	<u>46</u>	<u>635</u>
Income (Loss) Before Transfers	(9,496)	904,726	895,230
Transfers out	<u>(63,000)</u>	<u>(150,000)</u>	<u>(213,000)</u>
Change in Net Position (Deficit)	(72,496)	754,726	682,230
Net Position (Deficit), Beginning of Year	<u>2,355,517</u>	<u>(532,846)</u>	<u>1,822,671</u>
Net Position (Deficit), End of Year	<u><u>\$ 2,283,021</u></u>	<u><u>\$ 221,880</u></u>	<u><u>\$ 2,504,901</u></u>

City of Lancaster, Texas
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended September 30, 2016

	Golf Course Fund	Refuse Fund	Non-major Enterprise Fund
Operating Activities			
Receipts from customers and users	\$ 83,499	\$ 2,361,713	\$ 2,445,212
Payments to suppliers	<u>(32,131)</u>	<u>(2,092,974)</u>	<u>(2,125,105)</u>
Net cash provided by operating activities	<u>51,368</u>	<u>268,739</u>	<u>320,107</u>
Noncapital and Related Financing Activities			
Transfers out	<u>(63,000)</u>	<u>(150,000)</u>	<u>(213,000)</u>
Net cash used in noncapital financing activities	<u>(63,000)</u>	<u>(150,000)</u>	<u>(213,000)</u>
Investing Activities			
Interest on investments	<u>589</u>	<u>46</u>	<u>635</u>
Net cash provided by investing activities	<u>589</u>	<u>46</u>	<u>635</u>
Increase (Decrease) in Cash and Cash Equivalents	(11,043)	118,785	107,742
Cash and Cash Equivalents, Beginning of Year	<u>207,896</u>	<u>-</u>	<u>207,896</u>
Cash and Cash Equivalents, End of year	<u><u>\$ 196,853</u></u>	<u><u>\$ 118,785</u></u>	<u><u>\$ 315,638</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (10,085)	\$ 904,680	\$ 894,595
Item not requiring cash			
Depreciation	47,536	-	47,536
Changes in			
Accounts receivable	-	(13,041)	(13,041)
Accounts payable	13,917	(635,654)	(621,737)
Accrued expenses	<u>-</u>	<u>12,754</u>	<u>12,754</u>
Net cash provided by operating activities	<u><u>\$ 51,368</u></u>	<u><u>\$ 268,739</u></u>	<u><u>\$ 320,107</u></u>

City of Lancaster, Texas
Discretely Presented Component Units
September 30, 2016

Lancaster Economic Development Corporation – to account for revenues from an industrial development sales tax to spur increased economic development activity within the City.

Lancaster Recreational Development Corporation – to account for revenues from a sales and use tax for the development of parks and recreational facilities.

City of Lancaster, Texas
Balance Sheet
Economic Development Corporation
September 30, 2016

Assets

Cash and cash equivalents	\$ 4,457,568
Sales tax receivable	<u>205,750</u>
Total Assets	<u>4,663,318</u>

Liabilities

Accounts payable	1,708
Accrued liabilities	<u>34</u>
Total liabilities	<u>1,742</u>

Fund Balances

Unassigned	<u>4,661,576</u>
Total fund balances	<u>4,661,576</u>

Total Liabilities and Fund Balance

\$ 4,663,318

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Economic Development Corporation
September 30, 2016

Total fund balance	\$ 4,661,576
Amounts reported in the statement of net position are different because:	
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the balance sheet.	(10,194)
Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	100,378
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.	(1,917,944)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:	
Employer contributions	12,773
Investment return difference (GASB 68)	33,048
Assumption changes (GASB 68)	6,171
Experience difference (GASB 68)	(651)
Total net position	<u><u>\$ 2,885,157</u></u>

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Economic Development Corporation
For the Year Ended September 30, 2016

Revenues

Sales taxes	\$ 1,126,752
Interest	<u>12,870</u>

Total revenues	<u>1,139,622</u>
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Expenditures

Cultural and recreation	526,438
Debt service	
Repayment of note payable to primary government	140,000
Repayment of interest to primary government	<u>89,039</u>

Total expenditures	<u>755,477</u>
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Excess of revenues over expenditures	<u>384,145</u>
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Net Change in Fund Balance	384,145
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Fund Balance, Beginning of Year	<u>4,277,431</u>
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Fund Balance, End of Year	<u><u>\$ 4,661,576</u></u>
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City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Economic Development Corporation
For the Year Ended September 30, 2016

Net change in fund balance	\$ 384,145
Amounts reported in the statement of activities are different because:	
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.	140,000
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	(9,440)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in Governmental Funds.	<u>712</u>
Change in net position	<u><u>\$ 515,417</u></u>

City of Lancaster, Texas
Balance Sheet
Recreational Development Corporation
September 30, 2016

Assets

Cash and cash equivalents	\$ 1,203,491
Sales tax receivable	411,495
Prepaid expenses	<u>15,707</u>
Total assets	<u>1,630,693</u>

Liabilities

Accounts payable	66,679
Accrued liabilities	194,819
Due to primary government	<u>528,753</u>
Total liabilities	<u>790,251</u>

Fund Balance

Nonspendable for prepaid items	15,707
Unassigned	<u>824,735</u>
Total fund balances	<u>840,442</u>

Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 1,630,693</u></u>
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City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
Recreational Development Corporation
September 30, 2016

Total fund balance	\$ 840,442
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	10,449,286
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the balance sheet.	(31,088)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.	(7,437,091)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:	
Employer contributions	60,957
Investment return difference (GASB 68)	164,061
Assumption changes (GASB 68)	30,845
Experience difference (GASB 68)	(2,576)
Total net position	\$ 4,074,837

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Recreational Development Corporation
For the Year Ended September 30, 2016

Revenues	
Sales taxes	\$ 2,253,504
Charges for services	603,664
Intergovernmental	12,792
Other revenues	31,569
Interest	<u>2,832</u>
Total revenues	<u>2,904,361</u>
Expenditures	
Cultural and recreation	2,016,696
Capital outlay	<u>12,792</u>
Debt service	
Repayment of note payable to primary government	470,000
Repayment of interest to primary government	<u>263,000</u>
Total expenditures	<u>2,762,488</u>
Excess of revenues over expenditures	<u>141,873</u>
Net Change in Fund Balance	141,873
Fund Balance, Beginning of Year	<u>698,569</u>
Fund Balance, End of Year	<u><u>\$ 840,442</u></u>

City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Recreational Development Corporation
For the Year Ended September 30, 2016

Net change in fund balance	\$ 141,873
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the amount of capital outlay recorded as capital assets in the current period.	12,792
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(365,108)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.	470,000
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	(47,182)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	1,787
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.	(38,291)
Change in net position	\$ <u><u>175,871</u></u>

Statistical Section

The following portion of the City of Lancaster Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information regarding the City's overall financial health.

Table	Contents
Financial Trends – <i>These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
	Entity-wide information:
A	Net position by component, last ten fiscal years
B	Changes in net position, last ten fiscal years
	Governmental funds information:
C	Fund balance, last ten fiscal years
D	Changes in fund balances, last ten fiscal years
Revenue Capacity – <i>These tables contain information to help the reader assess one of the City's most significant revenue sources, the property tax.</i>	
E	Assessed and estimated actual value of taxable property, last ten fiscal years
F	Direct and overlapping property tax rates, last ten fiscal years
G	Principal taxpayers, current year and nine years ago
H	Ad-valorem tax levies and collections, last ten fiscal years
Debt Capacity – <i>These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
I	Ratios of outstanding debt by type, last ten fiscal years
J	Ratios of net general bonded debt to assessed value and net bonded debt <i>per capita</i> , last ten fiscal years
K	Legal debt margin information
L	Direct and overlapping governmental activities debt, last ten fiscal years
M	Secured revenue coverage – Water Bonds, last ten fiscal years
Demographic and Economic Information – <i>These tables offer demographic and economic indicators to help understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
N	Demographic and Economic Statistics, last ten calendar years
O	Principal employers, current and six years ago
Operating Information – <i>These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and activities it performs.</i>	
P	Full-time equivalent City government employees by function/program, last ten years
Q	Operating indicators by function/program
R	Capital asset statistics by function/program

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant years.

City of Lancaster, Texas
Table A – Net Position by Component
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 54,560,297	\$ 50,425,678	\$ 40,366,067	\$ 51,819,877	\$ 50,606,700	\$ 55,109,346	\$ 46,231,794	\$ 46,504,601	\$ 43,186,713	\$ 41,406,070
Restricted for										
Housing and Urban Development	-	-	-	-	-	-	201,618	198,242	-	-
Court Security	-	-	-	-	-	-	-	-	25,509	29,106
Court Technology	-	-	-	-	-	-	-	-	77,596	82,633
Debt service	602,144	297,651	620,279	222,762	718,522	242,823	352,439	397,888	602,627	808,824
Public improvement districts	-	-	-	-	-	-	254,959	324,233	443,707	613,074
Tourism, convention centers, arts	-	-	-	-	-	-	367,370	433,318	535,168	621,137
Law enforcement purposes	-	-	-	-	-	-	616,916	467,206	619,198	834,271
Unrestricted	7,297,462	10,496,418	20,277,619	6,060,550	5,465,566	2,408,817	8,209,270	6,496,829	1,745,271	2,596,403
Total governmental activities net asset	<u>\$ 62,459,903</u>	<u>\$ 61,219,747</u>	<u>\$ 61,263,965</u>	<u>\$ 58,103,189</u>	<u>\$ 56,790,788</u>	<u>\$ 57,760,986</u>	<u>\$ 56,234,366</u>	<u>\$ 54,822,317</u>	<u>\$ 47,235,789</u>	<u>\$ 46,991,518</u>
Business-type Activities										
Net investment in capital assets	\$ 29,528,199	\$ 29,900,904	\$ 33,653,811	\$ 38,435,110	\$ 38,270,127	\$ 37,955,920	\$ 37,933,467	\$ 38,224,476	\$ 33,117,792	\$ 42,684,653
Restricted for										
Debt service	-	1,820,910	731,987	731,987	-	-	-	-	-	-
Impact fees	4,862,321	-	-	-	-	-	-	-	-	-
Capital	-	5,211,102	5,327,838	5,435,469	-	-	-	-	-	-
Unrestricted	14,484,020	10,060,820	7,595,677	1,936,585	11,135,037	13,121,089	15,798,314	17,260,560	24,342,877	23,659,170
Total business-type activities net asset	<u>\$ 48,874,540</u>	<u>\$ 46,993,736</u>	<u>\$ 47,309,313</u>	<u>\$ 46,539,151</u>	<u>\$ 49,405,164</u>	<u>\$ 51,077,009</u>	<u>\$ 53,731,781</u>	<u>\$ 55,485,036</u>	<u>\$ 57,460,669</u>	<u>\$ 66,343,823</u>
Primary Government										
Net investment in capital assets	\$ 84,088,496	\$ 80,326,582	\$ 74,019,878	\$ 90,254,987	\$ 88,876,827	\$ 93,065,266	\$ 84,165,261	\$ 84,729,077	\$ 76,304,505	\$ 84,090,723
Restricted for										
Housing and Urban Development	-	-	-	-	-	-	201,618	198,242	-	-
Court Security	-	-	-	-	-	-	-	-	25,509	29,106
Court Technology	-	-	-	-	-	-	-	-	77,596	82,633
Public improvement districts	-	-	-	-	-	-	254,959	324,233	443,707	613,074
Tourism, convention centers, arts	-	-	-	-	-	-	367,370	433,318	535,168	621,137
Law enforcement purposes	-	-	-	-	-	-	616,916	467,206	619,198	834,271
Debt service	602,144	2,118,561	1,352,266	954,749	718,522	242,823	352,439	397,888	602,627	808,824
Impact fees	4,862,321	-	-	-	-	-	-	-	-	-
Capital	-	5,211,102	5,327,838	5,435,469	-	-	-	-	-	-
Governmental funded construction costs	-	-	-	-	-	-	-	-	-	-
Unrestricted	21,781,482	20,557,238	27,873,296	7,997,135	16,600,603	15,529,906	24,007,584	23,757,389	26,088,148	26,255,573
Total primary governmental net assets	<u>\$ 111,334,443</u>	<u>\$ 108,213,483</u>	<u>\$ 108,573,278</u>	<u>\$ 104,642,340</u>	<u>\$ 106,195,952</u>	<u>\$ 108,837,995</u>	<u>\$ 109,966,147</u>	<u>\$ 110,307,353</u>	<u>\$ 104,696,458</u>	<u>\$ 113,335,341</u>

Source: Comprehensive Annual Financial Report

City of Lancaster, Texas
Table B – Changes in Net Position
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
General government	\$ 4,274,611	\$ 5,395,286	\$ 3,689,422	\$ 4,603,846	\$ 4,254,835	\$ 3,642,761	\$ 4,171,973	\$ 4,055,911	\$ 3,891,404	\$ 7,337,257
Public safety	13,169,737	14,116,941	14,487,896	14,829,005	14,333,669	14,232,681	14,350,239	14,898,549	16,540,660	18,522,908
Public works	3,176,963	3,162,728	4,902,806	5,678,976	4,832,457	5,119,834	4,991,125	4,926,327	5,987,362	3,651,258
Community development and recreation	3,635,543	4,290,873	1,506,422	1,317,628	1,048,563	1,173,498	1,238,745	1,260,500	1,225,730	1,366,830
Community service	29,037	-	-	-	-	-	-	-	-	-
Social and welfare	8,071,230	9,015,301	8,496,435	8,599,376	8,640,215	8,493,007	2,048,769	3,623	-	-
Nondepartmental	1,949,265	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	1,514,305	2,367,768	2,053,606	2,880,768	2,837,440	2,367,927	1,836,254	3,054,899	3,379,380	3,200,431
Total governmental activities expenses	35,820,691	38,348,897	35,136,587	37,909,599	35,947,179	35,029,708	28,637,105	28,199,809	31,024,536	34,078,684
Business-type activities										
Water and sewer	9,806,091	10,479,809	9,621,112	10,082,971	9,178,117	10,085,993	9,945,611	11,215,515	12,185,162	12,960,201
Refuse	1,794,083	2,026,237	1,247,727	1,769,530	2,196,791	2,509,957	2,050,731	2,153,859	2,134,898	1,470,074
Airport	1,154,670	914,387	923,923	810,211	905,354	982,868	852,874	886,065	909,428	724,101
Golf course	125,495	107,311	135,276	86,966	83,002	139,621	108,196	86,605	82,234	79,667
Total business-type activities expenses	12,880,339	13,527,744	11,928,038	12,749,678	12,363,264	13,718,439	12,957,412	14,342,044	15,311,722	15,234,043
Total primary government expenses	\$ 48,701,030	\$ 51,876,641	\$ 47,064,625	\$ 50,659,277	\$ 48,310,443	\$ 48,748,147	\$ 41,594,517	\$ 42,541,853	\$ 46,336,258	\$ 49,312,727
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ -	\$ 25,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	2,041,552	1,610,438	1,759,314	1,759,747	1,394,684	1,529,136	787,570	990,079	1,436,765	2,303,526
Public works	876,625	989,766	927,298	920,361	1,261,640	682,137	1,863,869	1,856,563	1,838,598	3,346,266
Community development and recreation	1,654,124	1,056,471	542,632	518,507	-	-	-	-	-	-
Community service	93,292	-	-	-	-	-	-	-	-	-
Social and welfare	-	-	-	-	-	-	2,814,031	1,339,640	1,351,379	-
Operating grants and contributions	8,922,577	10,588,454	8,424,486	8,817,871	8,765,448	8,171,297	-	-	-	894,947
Capital grants and contributions	6,557,823	132,158	1,384,895	1,866,380	1,740,834	1,146,735	-	-	-	-
Total governmental activities program revenues	20,145,993	\$ 14,402,697	\$ 13,038,625	\$ 13,882,866	\$ 13,162,606	\$ 11,529,305	\$ 5,465,470	\$ 4,186,282	\$ 4,626,742	\$ 6,544,739

City of Lancaster, Texas
Table B – Change in Net Position (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities										
Charges for services										
Water and sewer	\$ 10,076,290	\$ 10,065,258	\$ 10,869,572	\$ 10,924,161	\$ 11,480,609	\$ 14,209,081	\$ 14,251,489	\$ 14,291,481	\$ 15,807,876	\$ 15,708,146
Refuse	1,701,763	1,988,397	1,465,835	1,799,068	2,124,940	2,077,599	2,171,652	2,190,122	2,281,175	2,374,754
Airport	429,206	682,872	541,019	576,949	726,819	806,724	750,308	788,602	748,077	775,416
Golf course	56,304	66,487	80,749	72,550	84,542	94,847	85,595	79,845	72,021	69,582
Operating grants and contributions	61,998	19,281	30,695	382,600	50,089	-	-	-	-	-
Capital grants and contributions	1,475,994	-	530,710	565,364	-	300,000	-	-	-	3,612,835
Total business-type activities program revenues	13,801,555	12,822,295	13,518,580	14,320,692	14,466,999	17,488,251	17,259,044	17,350,050	18,909,149	22,540,733
Total primary government program revenues	\$ 33,947,548	\$ 27,224,992	\$ 26,557,205	\$ 28,203,558	\$ 27,629,605	\$ 29,017,556	\$ 22,724,514	\$ 21,536,332	\$ 23,535,891	\$ 29,085,472
Net (Expenses) Revenues										
Governmental activities	\$ (15,674,698)	\$ (23,946,200)	\$ (22,097,962)	\$ (24,026,733)	\$ (22,784,573)	\$ (23,500,403)	\$ (23,171,635)	\$ (24,013,527)	\$ (26,397,794)	\$ (27,533,945)
Business-type activities	921,216	(705,449)	1,590,542	1,571,014	2,103,735	3,769,812	4,301,632	3,008,006	3,597,427	7,306,690
Total primary government net expenses	\$ (14,753,482)	\$ (24,651,649)	\$ (20,507,420)	\$ (22,455,719)	\$ (20,680,838)	\$ (19,730,591)	\$ (18,870,003)	\$ (21,005,521)	\$ (22,800,367)	\$ (20,227,255)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes	\$ 10,627,693	\$ 12,617,630	\$ 13,426,315	\$ 12,194,286	\$ 13,621,585	\$ 13,255,066	\$ 12,299,191	\$ 12,240,385	\$ 14,047,562	\$ 15,696,270
Sales taxes	3,667,558	3,463,123	3,881,711	4,532,556	4,693,061	5,676,841	4,845,324	4,960,391	5,545,413	5,633,760
Franchise taxes	1,820,777	2,158,341	1,822,233	1,722,966	2,477,222	3,526,875	2,969,849	3,337,767	2,127,730	2,041,390
Other local taxes	48,275	41,853	146,970	116,535	127,887	51,632	-	48,110	2,494,897	2,019,179
Interest on investments	914,385	1,141,586	156,990	36,118	40,627	44,197	22,654	10,241	15,923	111,569
Miscellaneous	310,259	204,380	1,380,725	1,374,279	1,180,897	484,754	343,709	324,621	489,467	292,911
Transfers	794,510	1,327,654	1,327,236	2,381,236	(669,107)	1,431,236	1,856,628	1,679,963	1,635,572	(193,511)
Total governmental activities	18,183,457	20,954,567	22,142,180	22,357,976	21,472,172	24,470,601	22,337,355	22,601,478	26,356,564	25,601,568
Business-type activities										
Interest on investments	523,640	143,189	30,087	15,963	15,105	30,081	26,255	9,682	14,728	89,948
Miscellaneous	2,971	9,110	22,184	24,097	78,066	(696,812)	511,763	415,530	787,542	1,293,005
Transfers	(794,510)	(1,327,654)	(1,327,236)	(2,381,236)	669,107	(1,431,236)	(1,856,628)	(1,679,963)	(1,635,572)	193,511
Total business-type activities	(267,899)	(1,175,355)	(1,274,965)	(2,341,176)	762,278	(2,097,967)	(1,318,610)	(1,254,751)	(833,302)	1,576,464
Total primary government	17,915,558	19,779,212	20,867,215	20,016,800	22,234,450	22,372,634	21,018,745	21,346,727	25,523,262	27,178,032
Change in Net Position										
Governmental activities	2,508,759	(2,991,633)	44,218	(1,668,757)	(1,312,401)	970,198	(834,280)	(1,412,049)	(41,230)	(1,932,377)
Business-type activities	653,317	(1,880,804)	315,577	(770,162)	2,866,013	1,671,845	2,983,022	1,753,255	2,764,125	8,883,154
Total primary government	\$ 3,162,076	\$ (4,872,437)	\$ 359,795	\$ (2,438,919)	\$ 1,553,612	\$ 2,642,043	\$ 2,148,742	\$ 341,206	\$ 2,722,895	\$ 6,950,777

Source: Comprehensive Annual Financial Report

City of Lancaster, Texas
Table C – Fund Balances of Governmental Funds
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year (Pre-GASB 54)			
	2007	2008	2009	2010
General Fund				
Reserved for				
Unreserved and designated	\$ 93,632	\$ -	\$ 100,721	\$ 100,721
Unreserved and undesignated	<u>3,355,937</u>	<u>2,677,344</u>	<u>3,740,866</u>	<u>3,584,666</u>
Total general fund	<u><u>\$ 3,449,569</u></u>	<u><u>\$ 2,677,344</u></u>	<u><u>\$ 3,841,587</u></u>	<u><u>\$ 3,685,387</u></u>
All Other Governmental Funds				
Reserved for				
Housing and Urban Development	\$ 770,244	\$ 982,226	\$ 884,078	\$ 960,264
Inventory and prepaid items	417	3,929	870	690,548
Court technology	-	-	35,871	35,871
Westwood wall	-	-	30,000	30,000
Capital projects	10,826,744	474,461	(8,485,282)	19,428,162
Debt service	923,684	295,932	586,712	1,081,805
Unreserved and undesignated – special revenue funds	<u>2,244,427</u>	<u>1,320,503</u>	<u>871,868</u>	<u>(176,741)</u>
Total all other governmental funds	<u><u>\$ 14,765,516</u></u>	<u><u>\$ 3,077,051</u></u>	<u><u>\$ (6,075,883)</u></u>	<u><u>\$ 22,049,909</u></u>

Source: Comprehensive Annual Financial Report

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

City of Lancaster, Texas
Table C – Fund Balances of Governmental Funds (Continued)
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year (Post-GASB 54)					
	2011	2012	2013	2014	2015	2016
General Fund						
Nonspendable	\$ -	\$ -	\$ 50,317	\$ 181,550	\$ 181,224	\$ 16,290
Court security	-	-	-	-	25,509	29,106
Court technology	-	-	-	-	77,596	82,633
Unassigned	<u>4,554,413</u>	<u>6,793,956</u>	<u>6,447,889</u>	<u>5,676,223</u>	<u>6,383,964</u>	<u>6,846,881</u>
Total general fund	<u>\$ 4,554,413</u>	<u>\$ 6,793,956</u>	<u>\$ 6,498,206</u>	<u>\$ 5,857,773</u>	<u>\$ 6,668,293</u>	<u>\$ 6,974,910</u>
All Other Governmental Funds						
Nonspendable	\$ -	\$ -	\$ 3,519	\$ 3,519	\$ 7,553	\$ -
Restricted for						
Housing and Urban Development	1,097,652	950,820	201,618	198,242	-	-
Capital projects	15,286,477	9,723,620	8,742,773	8,177,260	12,782,493	15,924,564
Debt service	718,522	242,823	352,439	397,888	602,627	808,824
Public works	467,955	832,928	1,085,362	1,395,072	1,704,102	2,067,582
Public improvement districts	85,076	189,076	254,959	324,233	443,707	613,074
Police grants	9,477	7,539	7,299	50,137	34,805	57,184
Tourism, convention centers arts	252,144	298,965	367,370	433,318	535,168	621,137
Law enforcement purposes	<u>240,589</u>	<u>395,610</u>	<u>609,617</u>	<u>417,069</u>	<u>584,393</u>	<u>777,087</u>
Total all other governmental funds	<u>\$ 18,157,892</u>	<u>\$ 12,641,381</u>	<u>\$ 11,624,956</u>	<u>\$ 11,396,738</u>	<u>\$ 16,694,848</u>	<u>\$ 20,869,452</u>

City of Lancaster, Texas

Table D – Changes in Fund Balances of Governmental Funds
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes and fees	\$ 17,017,744	\$ 19,189,895	\$ 20,041,073	\$ 19,638,379	\$ 21,372,099	\$ 22,746,133	\$ 20,301,610	\$ 21,269,177	\$ 23,577,637	\$ 25,270,016
Licenses and permits	1,030,736	991,440	746,037	807,945	773,463	857,841	1,148,329	975,217	951,760	1,830,079
Intergovernmental	7,752,131	9,383,472	9,320,122	11,070,885	11,384,338	8,821,297	2,814,031	1,339,640	1,946,379	1,504,947
Charges for services	996,431	455,084	517,691	516,420	533,411	671,295	715,540	881,346	886,838	1,516,187
Fines and forfeitures	1,824,412	1,524,133	1,075,935	906,897	909,658	884,828	787,570	990,079	1,436,765	2,303,526
Interest	946,133	1,141,586	156,990	36,118	40,934	44,197	22,654	10,241	15,923	111,569
Miscellaneous	1,334,997	2,190,957	2,000,345	727,462	481,671	484,754	343,709	324,621	489,467	292,911
Total revenues	<u>30,902,584</u>	<u>34,876,567</u>	<u>33,858,193</u>	<u>33,704,106</u>	<u>35,495,574</u>	<u>34,510,345</u>	<u>26,133,443</u>	<u>25,790,321</u>	<u>29,304,769</u>	<u>32,829,235</u>
Expenditures										
Current										
General government	3,618,577	5,096,311	3,296,431	3,332,021	3,803,506	3,234,973	3,375,903	3,437,170	3,800,206	4,171,215
Public safety	12,545,909	14,055,884	13,275,960	14,006,428	13,275,122	13,191,322	13,336,419	13,652,389	14,978,932	16,114,990
Public works	1,104,224	2,771,221	2,887,326	4,005,130	2,722,718	2,873,078	2,650,764	2,446,367	2,740,264	2,243,874
Community development and recreation	3,719,050	4,077,685	1,379,462	1,186,687	908,906	1,028,649	1,087,215	1,093,189	1,044,526	1,134,586
Community service	19,073	-	-	-	-	-	-	-	-	-
Non departmental	1,606,171	-	-	-	-	-	-	-	-	-
Social and welfare	7,412,359	9,015,301	8,496,435	8,599,376	8,640,215	8,493,007	2,048,769	3,623	-	-
Capital outlay	6,568,290	11,744,352	10,951,593	8,226,552	3,682,485	11,680,610	2,830,968	1,938,125	2,090,865	1,769,198
Debt Service										
Principal retirement	703,770	1,801,196	1,169,697	1,370,490	1,434,986	2,380,747	2,126,748	2,614,905	3,168,011	3,345,838
Interest and fiscal charges	1,166,070	2,587,296	1,983,203	2,384,066	3,381,520	2,392,568	1,895,777	3,102,850	3,248,164	3,454,802
Cost of issuance of bonds	-	-	-	-	-	94,871	-	-	294,059	-
Total expenditures	<u>\$ 38,463,493</u>	<u>\$ 51,149,246</u>	<u>\$ 43,440,107</u>	<u>\$ 43,110,750</u>	<u>\$ 37,849,458</u>	<u>\$ 45,369,825</u>	<u>\$ 29,352,563</u>	<u>\$ 28,288,618</u>	<u>\$ 31,365,027</u>	<u>\$ 32,234,503</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,560,909)</u>	<u>(16,272,679)</u>	<u>(9,581,914)</u>	<u>(9,406,644)</u>	<u>(2,353,884)</u>	<u>(10,859,480)</u>	<u>(3,219,120)</u>	<u>(2,498,297)</u>	<u>(2,060,258)</u>	<u>594,732</u>
Other Financing Sources (Uses)										
Notes issued	\$ (3,035,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds issued	29,550,000	-	-	34,995,000	-	5,690,060	-	-	4,580,316	4,080,000
Capital leases issued	-	-	-	-	-	366,345	-	-	1,250,000	-
Payment to refunding escrow agent	(1,439,882)	-	-	-	-	(12,972,717)	-	-	(18,399,389)	-
Premium on issuance of bonds	340,132	-	-	-	-	1,417,588	-	-	2,167,688	-
Proceeds from refunding bonds issued	-	-	-	-	-	11,650,000	-	-	16,934,701	-
Proceeds from capital lease	-	732,858	265,987	-	-	-	-	-	-	-
Transfers from other funds	1,389,705	2,510,242	1,436,004	2,485,236	1,535,236	1,535,236	1,960,628	1,807,362	1,992,109	1,729,308
Transfers to other funds	(595,195)	(1,182,588)	(108,768)	(104,000)	(2,204,343)	(104,000)	(104,000)	(127,399)	(356,537)	(1,922,819)
Total other financing sources (uses)	<u>26,209,760</u>	<u>2,060,512</u>	<u>1,593,223</u>	<u>37,376,236</u>	<u>(669,107)</u>	<u>7,582,512</u>	<u>1,856,628</u>	<u>1,679,963</u>	<u>8,168,888</u>	<u>3,886,489</u>
Net Change in Fund Balances	<u>\$ 18,648,851</u>	<u>\$ (14,212,167)</u>	<u>\$ (7,988,691)</u>	<u>\$ 27,969,592</u>	<u>\$ (3,022,991)</u>	<u>\$ (3,276,968)</u>	<u>\$ (1,362,492)</u>	<u>\$ (818,334)</u>	<u>\$ 6,108,630</u>	<u>\$ 4,481,221</u>
Debt service as a percentage of noncapital expenditures	5.9%	11.1%	9.7%	10.8%	14.1%	14.2%	15.2%	21.7%	21.9%	22.3%

Source: Comprehensive Annual Financial Report

City of Lancaster, Texas
Table E – Assessed Value and Estimated
Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Business Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value^a	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value^b as a Percentage of Actual Value
2007	1,052,526,720	384,502,760	272,488,404	57,674,360	1,651,843,524	\$ 0.73750	1,651,843,524	100.00%
2008	1,066,638,118	395,608,141	259,940,440	68,670,680	1,653,516,019	\$ 0.77750	1,653,516,019	100.00%
2009	944,759,684	389,718,968	236,665,958	72,864,400	1,498,280,210	\$ 0.77750	1,498,280,210	100.00%
2010	895,627,240	360,747,053	242,038,935	78,844,700	1,419,568,528	\$ 0.86750	1,419,568,528	100.00%
2011	879,866,743	352,868,955	266,485,139	78,140,980	1,421,079,857	\$ 0.86750	1,421,079,857	100.00%
2012	837,761,007	350,073,492	274,370,063	79,344,590	1,382,859,972	\$ 0.86750	1,382,859,972	100.00%
2013	813,868,339	377,629,529	279,488,272	80,841,330	1,390,144,810	\$ 0.86750	1,390,144,810	100.00%
2014	853,863,082	466,827,012	321,175,960	83,824,650	1,558,041,404	\$ 0.86750	1,558,041,404	100.00%
2015	925,157,825	497,341,044	354,216,361	87,588,750	1,689,126,480	\$ 0.86750	1,689,126,480	100.00%
2016	1,040,174,731	560,156,380	468,152,809	88,233,230	1,980,250,690	\$ 0.86750	1,980,250,690	100.00%

Source: City of Lancaster Budget Document
Dallas Central Appraisal District (a username and password is needed to access this info on the DCAD website)

Note: The County assesses property at 100% of its market value. Tax rates are per \$100 of assessed value.

^a Includes adjustments to certified rolls.

^b Excludes tax exempt property.

City of Lancaster, Texas
Table F – Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years (Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General	Total Direct	Lancaster	Dallas	Lancaster MUD#1	Dallas County	Dallas
		Obligation Debt Service		Independent School District	Independent School District			County Hospital (Parkland)
2007	0.609100	0.128400	0.73750	1.407700	1.199643	0.900000	0.228100	0.254000
2008	0.644100	0.133400	0.77750	1.412700	1.183402	0.900000	0.228100	0.254000
2009	0.614100	0.163400	0.77750	1.412700	1.040050	1.060000	0.228100	0.274000
2010	0.650200	0.217300	0.86750	1.412700	1.040050	1.060000	0.243100	0.271000
2011	0.601200	0.266300	0.86750	1.412700	1.040050	1.060000	0.243100	0.271000
2012	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.271000
2013	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.271000
2014	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.271000
2015	0.601200	0.266300	0.86750	1.540000	1.040050	1.060000	0.243100	0.286000
2016	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.276000

Source: Dallas County

City of Lancaster, Texas
Table G – Principal Taxpayers
Current Year and Nine Years Ago (Unaudited)

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a
CSHV 20 35 LLC	\$ 136,927,020	1	6.62%	\$ -		0.00%
AT&T Corp	65,506,450	2	3.17%	63,673,776	1	3.73%
Oncor Electric Delivery	57,816,640	3	2.80%	-		0.00%
Swift Transportation Inc	47,541,300	4	2.30%	12,370,750	8	0.72%
United Natural Foods Inc	40,924,846	5	1.98%	-		0.00%
Mobis Parts America	35,787,665	6	1.73%	-		0.00%
Walmart Stores Inc	24,389,780	7	1.18%	-		0.00%
Quaker Pepsico	18,960,497	8	0.92%	-		0.00%
Pleasant Run Joint Venture	17,888,750	9	0.86%	-		0.00%
Lowe's Home Centers LLC	14,328,083	10	0.69%	-		0.00%
Texas Utilities Electric Co.	-		0.00%	60,970,089	2	3.57%
Brasscraft Manufacturing Co.	-		0.00%	19,312,491	3	1.13%
Brenntag Southwest, Inc.	-		0.00%	15,719,490	4	0.92%
M&A Texas Lancaster LTD	-		0.00%	13,910,600	5	0.81%
Prologis & Argent LP	-		0.00%	13,026,170	6	0.76%
Walmart Real Estate	-		0.00%	12,632,110	7	0.74%
Pleasant Run Courtyard	-		0.00%	11,500,000	9	0.67%
Blue Grove Plaza	-		0.00%	11,500,000	10	0.67%
	<u>\$ 460,071,031</u>		<u>22.25%</u>	<u>\$ 234,615,476</u>		<u>13.72%</u>

Source: City of Lancaster, Budget Document, Dallas County Tax Office, and Municipal Advisory Council of Texas.

Note: ^a Taxpayers are assessed on January 1st of each fiscal year.

City of Lancaster, Texas
Table H – Ad-Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	10,047,078	9,998,659	99.52%	371,055	10,369,714	103.21%
2008	12,523,900	11,980,584	95.66%	226,619	12,207,203	97.47%
2009	13,298,919	12,662,829	95.22%	336,779	12,999,608	97.75%
2010	12,080,916	11,723,231	97.04%	485,846	12,209,077	101.06%
2011	12,996,251	12,708,980	97.79%	394,351	13,103,331	100.82%
2012	13,003,960	12,738,761	97.96%	228,173	12,966,934	99.72%
2013	12,655,326	12,406,728	98.04%	245,482	12,652,210	99.98%
2014	12,731,142	12,710,498	99.84%	333,520	13,044,018	102.46%
2015	13,892,617	14,015,979	100.89%	298,426	14,314,405	103.04%
2016	16,852,274	15,593,048	92.53%	268,116	15,861,164	94.12%

Source: Dallas County Tax Assessor and Collector

City of Lancaster, Texas
Table I – Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer General Obligation Bonds & Certificates of Obligation	Airport Bonds	Other Obligations			
2007	31,789,991	14,179,301	890,760	10,971,592	172,280	1,748,941	59,752,865	8.03%	1,719
2008	31,197,713	13,992,974	638,907	10,318,215	167,280	1,587,751	57,902,840	7.17%	1,624
2009	30,181,531	13,710,000	715,197	9,534,838	157,280	869,901	55,168,747	7.66%	1,522
2010	52,785,752	25,292,725	498,961	8,731,461	147,280	600,160	88,056,339	11.48%	2,422
2011	51,927,333	24,915,625	268,975	7,520,455	137,280	72,552	84,842,220	10.98%	2,276
2012	52,695,925	22,268,525	6,147,351	14,200,793	129,284	56,631	95,498,509	11.96%	2,523
2013	51,233,460	21,536,425	6,075,603	13,001,471	118,511	37,998	92,003,468	11.45%	2,428
2014	49,615,995	20,919,325	5,555,698	11,763,738	107,828	17,703	87,980,287	11.40%	2,311
2015	60,129,226	14,037,329	5,877,687	14,782,527	92,060	-	94,918,829	12.24%	2,481
2016	57,913,267	17,325,229	5,091,849	9,529,799	76,282	-	89,936,426	11.29%	2,284

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Lancaster, Texas
Table J – Ratios of Net General Bonded Debt
Outstanding *per Capita*
Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Less: Amounts Available in Debt Service Fund	Total		
2007	\$ 39,826,875	\$ 14,176,289	\$ 923,684	\$ 53,079,480	3.21%	1,527
2008	\$ 38,716,055	\$ 13,990,127	\$ 295,932	\$ 52,410,250	3.17%	1,470
2009	\$ 37,106,329	\$ 13,707,320	\$ 586,712	\$ 50,226,937	3.35%	1,386
2010	\$ 59,096,999	\$ 25,290,219	\$ 1,081,805	\$ 83,305,413	5.87%	2,291
2011	\$ 57,227,436	\$ 24,913,257	\$ 718,522	\$ 81,422,171	5.73%	2,184
2012	\$ 57,599,904	\$ 22,269,623	\$ 242,823	\$ 79,626,704	5.76%	2,104
2013	\$ 55,437,371	\$ 21,537,496	\$ 352,439	\$ 76,622,428	5.51%	2,022
2014	\$ 53,096,505	\$ 20,920,381	\$ 397,888	\$ 73,618,998	4.73%	1,934
2015	\$ 63,872,886	\$ 18,118,360	\$ 602,627	\$ 81,388,619	4.82%	2,127
2016	\$ 60,873,448	\$ 17,326,233	\$ 808,824	\$ 77,390,857	3.91%	1,965

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table E for property value data.

^bSee Table N for population data.

City of Lancaster, Texas
Table K – Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Tax rate limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current tax rate	<u>0.7375</u>	<u>0.7775</u>	<u>0.7775</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>
Available tax rate	<u>\$ 1.76</u>	<u>\$ 1.72</u>	<u>\$ 1.72</u>	<u>\$ 1.63</u>	<u>\$ 1.63</u>	<u>\$ 1.63</u>	<u>\$ 1.63</u>	<u>\$ 1.63</u>	<u>\$ 1.63</u>	<u>\$ 1.63</u>

Note: The City Charter of the City of Lancaster, Texas, does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

City of Lancaster, Texas
Table L – Direct and Overlapping
Governmental Activities Debt
September 30, 2016 (Unaudited)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable^a	City Share of Overlapping Debt
Lancaster ISD	\$ 149,175,344	86.08%	\$ 128,410,136
Dallas County	227,980,000	1.04%	2,370,992
Dallas County Hospital District	718,480,000	1.04%	7,472,192
Dallas County Schools	50,405,000	1.04%	524,212
Dallas ISD	3,013,520,000	0.05%	1,506,760
Ferris ISD	29,599,428	0.05%	14,800
Dallas County Community College District	294,050,000	1.04%	3,058,120
	<u>4,483,209,772</u>		<u>143,357,212</u>
City of Lancaster (Direct Debt)	<u>89,936,426</u>	100.00%	<u>89,936,426</u>
Total Direct and Overlapping Debt	<u><u>\$ 4,573,146,198</u></u>		<u><u>\$ 233,293,638</u></u>

Source: Assessed value data used to estimate applicable percentages provided by Dallas Central Appraisal District. Debt outstanding data provided by each governmental unit.

^a The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

City of Lancaster, Texas
Table M – Secured Revenue Coverage
Last Ten Fiscal Years (Unaudited)

Water and Sewer System General Obligation Bonds and Certificates of Obligation					
Less:					
Fiscal Year	Total Revenues^a	Operating Expenses^b	Net Available Revenue	Annual Requirement^c	Times Coverage
2007	12,061,153	8,089,009	3,972,144	*	*
2008	10,108,434	8,407,574	1,700,860	1,445,056	1.18
2009	10,899,391	7,826,412	3,072,979	1,618,485	1.90
2010	10,939,768	8,295,335	2,644,433	1,360,739	1.94
2011	11,930,376	7,742,007	4,188,369	1,171,763	3.57
2012	14,238,894	8,548,334	5,690,560	1,523,532	3.74
2013	14,905,946	8,281,266	6,624,680	1,182,245	5.60
2014	15,026,427	9,359,770	5,666,657	1,648,888	3.44
2015	17,044,261	13,552,343	3,491,918	1,504,088	2.32
2016	17,721,270	14,380,758	3,340,512	1,517,470	2.20

Note: ^a Includes operating and nonoperating revenues.

^b Includes operating expenses minus depreciation.

^c Includes principal and interest.

* Information not readily available.

City of Lancaster, Texas
Table N – Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Year	Estimated Population ^a	Personal Income	Per Capita Personal Income ^b	Median Age ^b	Median Household Income ^b	School Enrollment ^c	Unemployment Rate ^d
2007	34,760	\$ 744,142,080	\$ 21,408	32.8	54,174	6,234	5.7%
2008	35,651	807,566,452	22,652	33.6	50,389	6,180	6.4%
2009	36,236	720,190,500	19,875	34.1	51,533	5,986	9.9%
2010	36,361	766,889,851	21,091	34.1	51,533	6,172	10.6%
2011	37,275	772,561,650	20,726	33.7	52,199	6,253	13.1%
2012	37,845	798,188,895	21,091	34.1	51,533	6,160	9.0%
2013	37,893	803,407,386	21,202	35.0	46,254	6,538	8.8%
2014	38,071	771,661,099	20,269	32.0	53,652	6,823	7.0%
2015	38,256	775,410,864	22,347	32.0	53,652	6,910	6.8%
2016	39,380	796,342,360	20,222	32.3	49,590	7,051	5.8%

Sources:

- ^a Estimated Population – City of Lancaster from Census.Gov
- ^b Per Capital Income, Median Age & Median Household Income – U.S. Census Bureau, 2005 – 2014
American Community Survey, Community Sourcebook of ZIP Code Demographics
- ^c School enrollment – Texas Education Agency Snapshot Summary Tables
- ^d Unemployment – Homefacts.com for Lancaster, Texas

Note: Personal income is calculated by multiplying estimated population by per capita personal income.

City of Lancaster, Texas
Table O – Principal Employers
Current and Nine Years Ago (Unaudited)

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lancaster ISD	708	1	3.95%	600	1	N/A
Walmart	489	2	2.73%	400	3	N/A
Brass Craft	306	3	1.71%	350	2	N/A
Oak Creek Homes	265	4	1.48%	250	4	N/A
Cedar Valley College	234	5	1.31%	190	5	N/A
United National Foods	224	6	1.25%	-		N/A
AT&T Material Distribution	215	7	1.20%	200	6	N/A
Swift Transportation	209	8	1.17%	200	8	N/A
Consolidated Mail Pharmacy	205	9	1.14%	175	7	N/A
Bentwood Companies	184	10	1.03%	165	10	N/A
FFE Transportation	176	11	0.98%	150	11	N/A
Communi. Test Designs	-		-	150	12	
	<u>3,215</u>		<u>17.93%</u>	<u>2,830</u>		<u>0.00%</u>

Source: City of Lancaster Economic Development Corporation and TWC website

City of Lancaster, Texas

**Table P – Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years (Unaudited)**

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government Division	15	19	19	16	17	15	17	41	44	36
Public Safety Division	136	144	145	147	134	132	133	140	141	139
Public Works Division	6	8	7	7	6	5	5	4	4	4
Community Development Division	16	18	18	16	13	11	10	13	17	17
Nondepartmental Division	7	7	7	7	6	5	5	-	-	-
Water and Sewer	32	34	33	29	31	30	28	22	22	23
Airport	1	1	2	5	4	4	4	5	5	6
4A LEDC Fund	3	3	2	2	2	1	1	1	1	1
4B LRDC Fund – Library	-	-	4	9	9	8	9	8	8	13
Parks and Recreation Fund	25	29	28	45	29	32	32	24	25	34
Housing	12	12	12	12	12	9	4	-	-	-
Stormwater Fund	10	12	13	13	12	11	13	13	13	8
Total	<u>263</u>	<u>287</u>	<u>290</u>	<u>308</u>	<u>273</u>	<u>262</u>	<u>260</u>	<u>271</u>	<u>280</u>	<u>281</u>

Sources: City of Lancaster Budget Document

City of Lancaster, Texas
Table Q – Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Number of police officers	59	63	59	59	52	51	51	49	54	52
Number of violations (citations)	16,694	11,418	12,083	7,927	11,731	12,269	9,432	8,185	5,808	6,698
Municipal Court										
Number of traffic cases	12,110	8,662	9,139	5,356	11,056	19,434	8,865	4,283	5,101	8,678
Number of city ordinance cases	289	772	652	1,116	485	2,298	322	85	1,098	1,085
Fire										
Number of fire fighters	50	52	59	59	57	56	56	62	62	62
Number of emergency fire responses	2,082	1,927	2,021	1,632	1,916	1,846	1,792	1,826	1,913	1,773
Number of medical emergencies	3,269	3,508	3,364	3,748	3,664	4,017	4,268	4,353	4,632	4,668
Development Services										
Total number of building permits ^a	328	107	95	51	26	38	64	1,090	982	359
Estimated valuation ^a	47,489,907	22,001,131	17,560,945	8,471,688	4,888,776	5,966,006	10,569,845	40,776,897	54,551,440	10,737,484
Parks and Recreation										
Number of acres	491	530	530	863	1,070	1,070	1,070	1,087	1,087	1,087
Number of recreation center participants	1,954	2,448	2,650	2,504	3,279	4,541	3,690	4,375	6,175	12,852
Library										
Volumes in collection ^b	81,812	80,727	85,483	84,786	90,117	90,972	87,468	77,020	86,411	83,827
Number of library cardholders	6,432	9,537	17,913	9,343	6,412	23,701	27,584	30,011	35,892	10,364
Water and Wastewater										
Number of water accounts	12,036	12,223	12,285	12,334	12,543	12,611	12,613	12,723	12,845	14,242
Average daily water consumption (millions of gallons)	4	4	4	4	5	4	4	4	4	4
Average daily effluent (millions of gallons)	4	4	4	5	4	4	5	5	5	5

Sources: City Departments

Notes: ^a Includes residential and commercial permits

^b Includes books and media

City of Lancaster, Texas
Table R – Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Fire stations	3	3	3	3	3	3	3	3	3	3
Police stations	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks and Recreation										
Number of parks	21	22	22	24	25	25	25	25	25	25
Number of baseball diamonds	8	8	8	8	8	8	8	8	8	8
Number of soccer/football fields	12	12	12	12	13	13	13	13	13	13
Public swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	3	3	3
Library	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water mains (miles)	187	187	187	187	187	187	187	188	190	208
Sanitary sewer mains (miles)	160	160	160	160	160	160	160	161	163	174
Fire hydrants	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,558	1,598	1,638

Sources: City Departments

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Members of the City Council
City of Lancaster, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lancaster (City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2017.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the City's management in a separate letter dated March 31, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
March 31, 2017

LANCASTER CITY COUNCIL

City Council Regular Meeting

9.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Healthy, Safe & Vibrant Community

Submitted by: Rona Stringfellow, Assistant City Manager

Agenda Caption:

Discuss and consider an ordinance amending the Code of Ordinances by amending Chapter 14 Titled "Offenses and Additional Provisions", Article 14.05 Titled "Smoking in Public Places and Places of Employment" setting forth regulations prohibiting smoking in all workplaces and public places located within the City; providing regulations for electronic cigarettes and liquid nicotine; providing for prohibition of smoking in certain outdoor areas; providing for posting of signs; providing for penalties for business or establishments not to exceed two thousand dollars (\$2,000).

Background:

As prescribed in the City Council Rules and Procedures as amended in September 2016, Section D. City Council Agenda Process, Subsection 1.b. Mayor Marcus Knight, and Councilmembers Marco Mejia and Stanley Jaglowski requested an item be included on the agenda for the purpose of reviewing and discussing the smoking regulations that exist in the Lancaster Code of Ordinances. Currently, the Lancaster Code of Ordinances prohibits smoking in certain public areas.

On April 10, 2017, the City Council received a presentation from Smoke Free Texas affiliate Aschelle Morgan with the American Heart Association outlining the case for adopting a more comprehensive Smoke Free ordinance. City Council received ordinances from surrounding municipalities (DeSoto, Duncanville, Red Oak, Coppell and Waxahachie) for review during the City Council work session.

The City of Desoto adopted their ordinance in September 2015. It defined public places upon which smoking is not allowed as well as addressed e-cigarrete, e-cigar, e-pipe, e-hookah, or vape pen etc. It also updated the use list of prohibited places both inside and outside; it defined where smoking is not regulated and lastly, it outlined enforcement. Their ordinance followed the model ordinance provided by the Smoke Free Texas organization.

The City of Duncanville adopted their ordinance in January 2016. It defined public places upon which smoking is not allowed as well as addressed e-cigarrete, e-cigar, e-pipe, e-hookah, or vape pen etc. It also updated the use list of prohibited places both inside and outside; it defined where smoking is not regulated and lastly, it outlined enforcement. The City worked with Smoke Free Texas to adopt the model ordinance that most Texas cities are following.

The City of Red Oak adopted their policy in December of 2015, following the same model ordinance.

The City of Coppell updated their ordinance in September of 2016 to define and include e-cigarrettes. It appears to follow the model ordinance from Smoke Free Texas.

The City of Waxahachie adopted their ordinance in September of 2014. They too followed the model

ordinance from Smoke Free Texas.

At the April work session City Council requested staff to bring forward an updated ordinance for consideration at a regular meeting.

Operational Considerations:

The purpose of this item is to amend Chapter 14 *Offenses and Additional Provisions*, Article 14.05, *Smoking in Public Places and Places of Employment*.

The new ordinance will eliminate smoking in common areas, at city-sponsored events, city-owned facilities, places of employment and will not allow smoking in restaurants and certain outdoor areas. The intent of the ordinance is to reduce general public exposure to secondhand smoke and establish smoke free zones around city buildings and places of employment.

Legal Considerations:

The City Attorney has reviewed the ordinance and approved it as to form.

Public Information Considerations:

There are no public information requirements other than the requisite 72 hour notice as required by the Texas Open Meetings Act.

Fiscal Impact:

There are no fiscal requirements for the enactment of this ordinance.

Options/Alternatives:

1. Approve the ordinance, as presented.
2. Deny the ordinance.

Recommendation:

Staff is recommending approval of the ordinance, as presented.

Attachments

Ordinance

City of Lancaster (current ordinance)

Model Ordinance

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF LANCASTER, TEXAS AMENDING THE CODE OF ORDINANCES BY AMENDING CHAPTER 14 TITLED " OFFENSES AND ADDITIONAL PROVISIONS", ARTICLE 14.05 TITLED "SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT" SETTING FORTH REGULATIONS PROHIBITING SMOKING IN ALL WORKPLACES AND PUBLIC PLACES LOCATED WITHIN THE CITY; PROVIDING REGULATIONS FOR ELECTRONIC CIGARETTES AND LIQUID NICOTINE; PROVIDING FOR PROHIBITION OF SMOKING IN CERTAIN OUTDOOR AREAS; PROVIDING FOR POSTING OF SIGNS; PROVIDING FOR ENFORCEMENT; PROVIDING FOR PENALTIES FOR BUSINESS OR ESTABLISHMENTS NOT TO EXCEED TWO THOUSAND DOLLARS (\$2,000.00); PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A SAVINGS CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Lancaster does hereby find that secondhand smoke exposure causes disease and premature death in children and adults who do not smoke, and children exposed to secondhand smoke are at an increased risk for sudden infant death syndrome (SIDS), acute respiratory problems, ear infections, and asthma attacks, and that smoking by parents cause respiratory symptoms and slows lung growth in their children; and

WHEREAS, exposure of adults to secondhand smoke has immediate adverse effects on the cardiovascular system and causes coronary heart disease and lung cancer; and

WHEREAS, there is no risk-free level of exposure to secondhand smoke; and

WHEREAS, establishing smoke-free workplaces is the only effective way to ensure that secondhand smoke exposure does not occur in the workplace, because ventilation and other air cleaning technologies cannot completely control for exposure of nonsmokers to secondhand smoke; and evidence from peer-reviewed studies shows that smoke-free policies and laws do not have an adverse economic impact on the hospitality industry. (U. S. Department of Health and Human Services; and

WHEREAS, Numerous studies have found that tobacco smoke is a major contributor to indoor air pollution, and that breathing secondhand smoke (also known as environmental tobacco smoke) is a cause of disease in healthy nonsmokers, including heart disease, stroke, respiratory disease, and lung cancer.; and

WHEREAS, the Public Health Service's National Toxicology Program (NTP) has listed secondhand smoke as a known carcinogen; and

WHEREAS, there is indisputable evidence that implementing 100% smoke-free environments is the only effective way to protect the population from the harmful effects of exposure to secondhand smoke; and

WHEREAS, a significant amount of secondhand smoke exposure occurs in the workplace; and

WHEREAS, residual tobacco contamination, or "third hand smoke," from cigarettes, cigars, and other tobacco products is left behind after smoking occurs and builds up on surfaces and furnishings. This residue can linger in spaces long after smoking has ceased and continue to expose people to tobacco toxins. Sticky, highly toxic particulate matter, including nicotine, can cling to walls and ceilings; and

WHEREAS, unregulated high-tech smoking devices, commonly referred to as electronic cigarettes, or "e- cigarettes," closely resemble and purposefully mimic the act of smoking by having users inhale vaporized liquid nicotine created by heat through an electronic ignition system. After testing a number of electronic cigarettes from two leading manufacturers, the Food and Drug Administration (FDA) determined that various samples tested contained not only nicotine but also detectable levels of known carcinogens and toxic chemicals, including tobacco-specific nitrosamines and diethylene glycol, a toxic

chemical used in antifreeze. The FDA's testing also suggested that "quality control processes used to manufacture these products are inconsistent or non-existent; and

WHEREAS, it has been determined that the effects of these substances are a health concern to the citizens of the City of Lancaster; and

WHEREAS, the City Council of the City of Lancaster, Texas, finds and declares that the purposes of this ordinance are (1) to protect the public health and welfare by prohibiting smoking in public places and places of employment; and (2) to guarantee the right of nonsmokers to breathe smoke free air, and to recognize that the need to breathe smoke free air shall have priority over the desire to smoke;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, DALLAS COUNTY, TEXAS, THAT:

SECTION 1. The Code of Ordinances of the City of Lancaster, Texas, be and the same is hereby amended by amending Chapter 14, Offenses and Additional Provisions, Article 14.05, Smoking in Public Places and Places of Employment to read as follows:

**“CHAPTER 14
OFFENSES AND ADDITIONAL PROVISIONS**

.....

**ARTICLE 14.05
SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT**

Sec. 14.05.001 Definitions.

The following words and phrases, whenever used in this article, shall be construed as defined in this section:

“Administrative” means the area of an establishment not generally accessible to the public, including but not limited to individual offices, stockrooms, employee lounges, or meeting rooms.

"Bar" means an establishment that is devoted to the serving of alcoholic beverages for consumption by guests on the premises and in which the serving of food is only incidental to the consumption of those beverages, including but not limited to, taverns, nightclubs, cocktail lounges, and cabarets.

"Business" means a sole proprietorship, partnership, joint venture, corporation, or other business entity, either for-profit or not-for-profit, including retail establishments where goods or services are sold; professional corporations and other entities where legal, medical, dental, engineering, architectural, or other professional services are delivered; and private clubs.

“City” means the City of Lancaster, Texas.

"Electronic or Digital Smoking Device" means any electronic or battery operated device delivering nicotine or any other substance intended for human consumption that can be used by a person to simulate smoking through inhalation of vapor or aerosol from the product. The term includes any such device, whether manufactured, distributed, marketed, or sold as an e- cigarette, e-cigar, e-pipe, e-hookah, or vape pen, or under any other product name or descriptor.

"Employee" means a person who is employed by an employer in consideration for direct or indirect monetary wages or profit, and a person who volunteers his or her services for a non-profit entity.

"Employer" means a person, business, partnership, association, corporation, including a municipal corporation, trust, or non-profit entity that employs the services of one or more individual persons.

"Enclosed Area" means all space between a floor and a ceiling that is bounded on at least two sides by walls, doorways, or windows, whether open or closed. A wall includes any retractable divider, garage door, or other physical barrier, whether temporary or permanent and whether or not containing openings of any kind.

"Food Establishment" means an operation that stores, prepares, manufactures, packages, serves, vends, or otherwise provides food for human consumption such as restaurants, mobile vendors, and concession stands.

"Health Care Facility" means an office or institution providing care or treatment of diseases, whether physical, mental, or emotional, or other medical, physiological, or psychological conditions, including but not limited to, hospitals, rehabilitation hospitals or other clinics, including weight control clinics, nursing homes, long-term care facilities, homes for the aging or chronically ill, laboratories, and offices of surgeons, chiropractors, physical therapists, physicians, psychiatrists, dentists, and all specialists within these professions. This definition shall include all waiting rooms, hallways, private rooms, semiprivate rooms, and wards within health care facilities.

"Hookah lounge" means an establishment that derives more than ninety-five (95) percent of its quarterly gross revenue from the sale of shisa for consumption on the premises by customers and the sale of accessories used for smoking shisa. A hookah lounge does not allow individuals under the age of eighteen (18) to enter the premises, and does not have a permit or license to sell alcoholic beverages, but may serve food and nonalcoholic beverages for consumption on the premises by customers.

"Patio" means an improved and defined unenclosed outside area associated with a food service establishment or bar used for purposes of dining or entertainment, provided that walkways are not to be considered patios; and further provided such establishment has a defined entrance at least ten feet from the designated smoking area.

"Physical Barrier" means a barrier that will form an effective membrane continuous from outside wall to outside wall, from a smoke barrier to a smoke barrier, from floor to floor, or roof above, or combination thereof, including continuity through all concealed spaces, such as above suspended ceiling, interstitial structural and mechanical spaces. Transfer grilles, louvers and similar openings shall not be used in these partitions. Self-closing, tight fitting doors are permitted in such barriers.

"Place of Employment" means an area under the control of a public or private

employer, including, but not limited to, work areas, private offices, employee lounges, restrooms, conference rooms, meeting rooms, classrooms, employee cafeterias, hallways, and temporary offices. A private residence is not a "place of employment" unless it is used as a child care, adult day care, or health care facility.

"Playground" means any park or recreational area designed in part to be used by children that has play or sports equipment installed or that has been designated or landscaped for play or sports activities, or any similar facility located on public or private school grounds or on City grounds.

"Private Club" means an organization, whether incorporated or not, which is the owner, lessee, or occupant of a building or portion thereof used exclusively for club purposes at all times, which is operated solely for a recreational, fraternal, social, patriotic, political, benevolent, or athletic purpose, but not for pecuniary gain, and which only sells alcoholic beverages incidental to its operation. The affairs and management of the organization are conducted by a board of directors, executive committee, or similar body chosen by the members at an annual meeting. The organization has established bylaws and/or a constitution to govern its activities. The organization has been granted an exemption from the payment of federal income tax as a club under 26 U.S.C. Section 501.

"Private Function" means the rental of a ballroom, private club, or other facility for the sole purpose of entertaining, private parties, events or other social functions other than a city facility that the general public is not able to attend.

"Public Event" means an event which is open to and may be attended by the general public, including but not limited to, such events as concerts, fairs, farmers' markets, festivals, parades, performances, and other exhibitions, regardless of any fee or age requirement.

"Public Place or common area" means an area to which the public is invited or in which the public is permitted, including but not limited to, banks, bars, educational facilities, gambling facilities, health care facilities, hotels and motels, laundromats, parking structures, public transportation vehicles and facilities, reception areas, restaurants, retail food production and marketing establishments, retail service establishments, retail stores, shopping malls, sports arenas, theaters, and waiting rooms. A private residence is not a "public place" unless it is used as a child care, adult day care, or health care facility.

"Recreational Area" means any public or private area open to the public for recreational purposes, whether or not any fee for admission is charged, including but not limited to amusement parks, athletic fields, fairgrounds, gardens, golf courses, parks, plazas, skate parks, swimming pools, trails, and zoos.

"Restaurant" means an eating establishment, including but not limited to, coffee shops, cafeterias, sandwich stands, and private and public school cafeterias, which gives or offers for sale food to the public, guests, or employees, as well as kitchens and catering facilities in which food is prepared on the premises for serving elsewhere. The term "restaurant" shall include a bar area within the restaurant.

"Retail and Service establishment" means any establishment that sells goods or services to the general public.

“Retail Electronic Smoking Device Store” means a sort used primarily for the sale of electronic or digital cigarettes or substances used in those or similar devices to produce inhalable vapors and in which the sale of other products is incidental and where 80% of quarterly sales are from the sale of these devices and/or substances.

“Retail tobacco store or tobacco store” means a retail store where 75% of quarterly sales are from the sale of tobacco products and accessories, to include electronic or digital cigarettes, and in which the sale of other products is merely incidental.

“Second-Hand Smoke” means ambient smoke resulting from the act of smoking.

"Service Line" means an indoor or outdoor line in which one (1) or more persons are waiting for or receiving service of any kind, whether or not the service involves the exchange of money, including but not limited to, ATM lines, concert lines, food vendor lines, movie ticket lines, and sporting event lines.

"Shopping Mall" means an enclosed or unenclosed public walkway or hall area that serves to connect retail or professional establishments.

"Smoke or Smoking" means inhaling, exhaling, burning, or carrying any lighted or heated cigar, cigarette, or pipe, or any other lighted or heated tobacco or plant product intended for inhalation, including hookahs and marijuana, whether natural or synthetic, in any manner or in any form. "Smoking" also includes the use of an electronic smoking device which creates an aerosol or vapor, in any manner or in any form, or the use of any oral smoking device for the purpose of circumventing the prohibition of smoking in this Article.

“Smoking Lounge” means a business establishment that is dedicated, in whole or in part to the selling or smoking of tobacco products, electronic cigarettes, or other substances, including but not limited to establishments known variously as cigar lounge, hookah lounge, or tobacco bars.

"Sports Arena" means a place where people assemble to engage in physical exercise, participate in athletic competition, or witness sports or other events, including sports pavilions, stadiums, gymnasiums, health spas, boxing arenas, swimming pools, roller and ice rinks, and bowling alleys.

“Tobacco Product” means any tobacco, cigarette, cigar, pipe tobacco, water pipe, flavored tobacco, smokeless tobacco, snuff or any other form of tobacco, or any substance containing a detectably amount of nicotine which may be utilized for smoking, chewing, inhalation or other manner of ingestion or absorption.

Sec. 14.05.002 Application of Article to the City

All enclosed areas, including buildings and vehicles owned, leased, or operated by the City of Lancaster, as well as all outdoor property adjacent to such buildings and under the control of the City, shall be subject to the provisions of this Article.

Sec. 14.05.003 Prohibition of smoking in enclosed public places

Smoking shall be prohibited in all enclosed areas of places of employment without

exception. This includes, without limitation, common work areas, auditoriums, classrooms, conference and meeting rooms, private offices, elevators, hallways, medical facilities, cafeterias, employee lounges, stairs, restrooms, vehicles, and all other enclosed facilities.

This prohibition on smoking shall be communicated to all existing employees by the effective date of this Article and to all prospective employees upon their application for employment.

Smoking shall be prohibited in all public places within the City of Lancaster, including but not limited to, the following places:

- A. Aquariums, galleries, libraries, and museums.
- B. Areas available to the general public in businesses and non-profit entities patronized by the public, including but not limited to, banks, laundromats, professional offices, and retail service establishments.
- C. Bars.
- D. Bingo facilities.
- E. Child care and adult day care facilities.
- F. Convention facilities.
- G. Educational facilities, both public and private.
- H. Elevators.
- I. Gaming facilities.
- J. Health care facilities.
- K. Hotels and motels.
- L. Lobbies, hallways, and other common areas in apartment buildings, condominiums, trailer parks, retirement facilities, nursing homes, and other multiple-unit residential facilities.
- M. Parking structures.
- N. Polling places.
- O. Restaurants.
- P. Restrooms, lobbies, reception areas, hallways, and other common-use areas.
- Q. Retail store.
- R. Rooms, chambers, places of meeting or public assembly, including school buildings, under the control of an agency, board, commission, committee or council of the City.
- S. Service lines.
- T. Shopping malls.
- U. Sports arenas, including enclosed places in outdoor arenas.
- V. Theaters and other facilities primarily used for exhibiting motion pictures, stage dramas, lectures, musical recitals, or other similar performances.

Sec. 14.05.004 Prohibition of smoking in enclosed places of employment

- A. Smoking shall be prohibited in all enclosed areas of places of employment without exception. This includes common work areas, auditoriums, classrooms, conference and meeting rooms, private offices, elevators, hallways, medical facilities, cafeterias, employee lounges, stairs, restrooms, vehicles, and all other enclosed facilities.
- B. This prohibition on smoking shall be communicated to all existing employees by the effective date of this article and to all prospective employees upon their application for employment.

Sec. 14.05.005 Prohibition of smoking in private clubs

Smoking shall be prohibited in all private clubs.

Sec. 14.05.006 Prohibition of smoking in enclosed public access institutional residential facilities.

Smoking shall be prohibited in the following enclosed residential facilities:

- A. All private and semi-private rooms in nursing homes.
- B. At least ninety (90) percent of hotel and motel guest rooms rented.

Sec. 14.05.007 Prohibition of smoking in outdoor areas

Smoking shall be prohibited in the following outdoor places:

- A. Within a reasonable distance of fifteen (15) feet outside the primary entrance, operable windows, and ventilation systems of enclosed areas where smoking is prohibited, so as to prevent tobacco smoke from entering those areas.
- B. In, and within fifteen (15) feet of, all outdoor seating or serving areas of restaurants and bars.
- C. In all outdoor areas, stadiums, and amphitheaters. Smoking shall also be prohibited in, and within fifteen (15) feet of, bleachers and grandstands for use by spectators at sporting and other public events.
- D. In all outdoor service lines, whether or not within the fifteen (15) feet from any outside entrances, operable windows or ventilations systems.
- E. In outdoor common areas of apartment buildings, condominiums, trailer parks, retirement facilities, nursing homes, and other multiple-unit residential facilities, except in designated smoking areas, not to exceed twenty-five (25) percent of the total outdoor common areas, which must be located at least fifteen (15) feet outside entrances, operable windows, and ventilation systems of enclosed areas where smoking is prohibited.
- F. In and within twenty-five (25) feet of, outdoor playgrounds.

Sec. 14.05.008 Exemptions

Notwithstanding any other provision of this Article to the contrary, the following areas shall be exempt from the provisions of Section 14.05.007.:

- A. Private residences, unless used as a childcare, adult day care, or health care facility licensed by the State of Texas, and except as provided in Section 14.05.007.
- B. Not more than ten (10) percent of hotel and motel rooms rented to guests and designated as smoking rooms. All smoking rooms on the same floor must be contiguous. Smoke from these rooms must not infiltrate into areas where smoking or nonsmoking may not be changed, except to add additional nonsmoking rooms.
- C. Outdoor areas of places of employment except those covered by the provisions of Section 14.05.007.
- D. Retail tobacco stores in freestanding physical facilities or isolated venting and air controls.
- E. Personal automobiles or motor vehicles.
- F. A hookah, cigar bar or e-cigarettes lounge that was in existence prior to the effective date of this Ordinance.

Sec. 14.05.009 Declaration of Establishment or Outdoor Area as Non-smoking

Notwithstanding any other provision of this Article, an owner, operator, manager, or other person in control of an establishment, facility, or outdoor area may declare that entire establishment, facility, or outdoor area as a nonsmoking place. Smoking shall be prohibited in any place in which a sign conforming to the requirements of Section 14.05.010 is posted.

Sec. 14.05.010 Posting of signs and removal of ashtrays

The owner, operator, manager, or other person in control of a place of employment, public place, private club, or residential facility where smoking is prohibited by this Article shall:

- A. Clearly and conspicuously post “No Smoking” signs or the international “No Smoking” symbol (consisting of a pictorial representation of a burning cigarette enclosed in a red circle with a red bar across it) in that place.
- B. Clearly and conspicuously post at every entrance to that place a sign stating that smoking is prohibited.
- C. Clearly and conspicuously post on every vehicle that constitutes a place of employment under this Article at least one (1) sign, visible from the exterior of the vehicle, stating that smoking is prohibited.
- D. Remove all ashtrays from any area where smoking is prohibited by this Article, except for ashtrays displayed for sale and not for use on the premises.

Sec. 14.05.011 Nonretaliation; nonwaiver of rights

- A. No person or employer shall discharge, refuse to hire, or in any manner retaliate against an employee, applicant for employment, customer, or resident of a multiple-unit residential facility because that employee, applicant, customer, or resident exercises any rights afforded by this Article or reports or attempts to prosecute a violation of this Article. Notwithstanding Section 14.05.016, violation of this Subsection shall be a misdemeanor, punishable by a fine not to exceed \$2,000 for each violation.
- B. An employee who works in a setting where an employer allows smoking does not waive or otherwise surrender any legal rights the employee may have against the employer or any other party.

Sec. 14.05.012 Possession, purchase, consumption or receipt of electronic cigarettes or e-cigarettes and/or liquid nicotine by minors prohibited.

- A. A person who is younger than eighteen (18) years of age commits an offense if the individual:
 - 1) Possesses, purchases, consumes or accepts an electronic cigarette, e-cigarette or liquid nicotine; or
 - 2) Falsely represents himself or herself to be eighteen (18) years of age or older by displaying proof of age that is false, fraudulent or not actually proof of the individual’s own age in order to obtain possession of, purchase or receive an electronic cigarette, e-cigarette or liquid nicotine.
- B. It shall be a defense to prosecution for a violation of this section if the individual younger than eighteen (18) years of age possessed the electronic cigarette, e-cigarette or liquid nicotine in the presence of:
 - 1) An adult parent, a guardian or a spouse of the individual; or
 - 2) An employer of the individual, if possession or receipt of the electronic cigarette, e-cigarette or liquid nicotine is required in the performance of the employee’s duties as an employee.
- C. It shall also be a defense to prosecution for a violation of this section that the individual younger than eighteen (18) years of age is participating in an inspection or test of compliance in accordance with Section 161.088, Health and Safety Code.

Sec. 14.05.013 Sale of electronic cigarette or e-cigarette or liquid nicotine to persons younger than eighteen (18) years of age prohibited; proof of age required.

- A. A person or retailer commits an offense if the person or retailer with criminal negligence:
 - 1) Sells, gives or causes to be sold or given an electronic cigarette, e-cigarette or liquid nicotine to someone who is younger than eighteen (18) years of age; or

- 2) Sells, gives or causes to be sold or given an electronic cigarette or e-cigarette or liquid nicotine to another person who intends to deliver it to someone who is younger than eighteen (18) years of age.
- B. If an offense under this section occurs in connection with a sale by an employee of the owner of a store in which electronic cigarettes, e-cigarettes and/or liquid nicotine is/are sold at retail, the employee is criminally responsible for the offense and is subject to prosecution.
- C. It is a defense to prosecution under subsection (a) (1) that the person to whom the electronic cigarette, e-cigarette or liquid nicotine was sold, given or presented to the defendant apparently valid proof of identification.
- D. A proof of identification satisfies the requirements of subsection if it contains a physical description and photograph consistent with the person's appearance, purports to establish that the person is eighteen (18) years of age or older and was issued by a governmental agency. The proof of identification may include a driver's license issued by this state or another state, a passport or an identification card issued by a state or the federal government.

Sec. 14.05.014 Vendor assisted sales required; self-service merchandising prohibited

- A. Except as provided by subsection (B), a retailer or other person may not:
 - 1) Offer electronic cigarettes, e-cigarettes or liquid nicotine for sale in a manner that permits a customer direct access to the electronic cigarettes, e-cigarettes or liquid nicotine;
 - 2) Offer for sale or display for sale electronic cigarettes, e-cigarettes or liquid nicotine by means of self-service merchandising; or
 - 3) Install or maintain an open display unit containing electronic cigarettes, e-cigarettes or liquid nicotine.
- B. It is a defense to prosecution under subsection (A), if:
 - 1) A facility or business is not open to persons younger than eighteen (18) years of age at any time;
 - 2) A facility or business is a premises for which a person holds a package store permit issued under the Alcoholic Beverage Code; or
 - 3) An open display is located in an area that is inaccessible to customers.

Sec. 14.05.015 Enforcement

- A. This Article shall be enforced by the City's Police Department
- B. Notice of the provisions of this Article shall be given to all applicants for a Certificate of Occupancy in the City of Lancaster.
- C. Any citizen who desires to register a complaint under this Article may initiate enforcement with the Fire Department, Fire Marshall's office.
- D. The Health Department (Dallas County Health and Human Services), Fire department, or their designee shall, while an establishment is undergoing otherwise mandated inspections, inspect for compliance with this Article.
- E. An owner, manager, operator, or employee of an establishment regulated by this article shall direct a person who is smoking in violation of this article to extinguish the product being smoked. If the person does not stop smoking, the owner, manager, iperator, or employee shall refuse service and shall immediately ask the person to leave the premises. If the person in violation refuses to leave the premises, the owner, manager, operator, or employee shall contact a law enforcement agency.
- F. Notwithstanding any other provision of this article, an employee or private citizen may bring legal action to enforce this article.
- G. In addition to the remedies provided by the provision of this section, the Lancaster Police Department, a certified code official or any person aggrieved by the failure of the owner, operator, manager, or other person in control of a public place or a place of employment to comply with the provisions of this article may apply for injunctive relief to enforce those provision in any court of competent jurisdiction.

Sec. 14.05.016 Violations and Penalties

- A. A person who smokes in an area where smoking is prohibited by the provisions of this Article shall be guilty of a Class C misdemeanor, punishable by a fine not exceeding two thousand dollars (\$2,000).
- B. Except as otherwise provided in Section 14.05.14(A), a person who owns, manages, operates, or otherwise controls a public place or place of employment and who fails to comply with the provisions of this Article shall be guilty of an infraction, punishable by a fine not exceeding two thousand dollars (\$2,000).
- C. In addition to the fines established by this, violation of this Article by a person who owns, manages, operates, or otherwise controls a public place or place of employment may result in the suspension or revocation of any permit or license issued to the person for the premises on which the violation occurred.
- D. Each day on which a violation of this Article occurs shall be considered a separate and distinct violation.

Sec. 14.05.017 Other Applicable Laws

This Article shall not be interpreted or construed to permit smoking where it is otherwise restricted by other applicable laws.

Sec. 14.05.018 Liberal Construction

This Article shall be liberally construed so as to further its purposes.

SECTION 2. All ordinances of the City of Lancaster in conflict with the provisions of this ordinance shall be, and the same are hereby, repealed; provided, however, that all other provisions of said ordinances not in conflict herewith shall remain in full force and effect. Nothing contained herein shall be construed to conflict with the *Texas Controlled Substance Act*, or any other state and/or federal law governing the same.

SECTION 3. Should any word, sentence, paragraph, subdivision, clause, phrase or section of this ordinance or of the Code of Ordinances, as amended hereby, be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said ordinance or the Code of Ordinances, as amended hereby, which shall remain in full force and effect.

SECTION 4. An offense committed before the effective date of this ordinance is governed by prior law and the provisions of the Code of Ordinances, as amended, in effect when the offense was committed and the former law is continued in effect for this purpose.

SECTION 5. Any person, firm or corporation violating any of the provisions or terms of this ordinance or of the Code of Ordinances as amended hereby, shall be subject to the same penalty as provided for in the Code of Ordinances of the City of Lancaster, as previously amended, and upon conviction shall be punished by a fine not to exceed the sum of Two Thousand Dollars (\$2,000) for each offense.

SECTION 6. This ordinance shall take effect immediately from and after its passage and publication of the caption as required by law.

DULY PASSED by the City Council of the City of Lancaster, Texas, on the 12th day of June 2017.

ATTEST:

Sorangel O. Arenas, City Secretary

APPROVED AS TO FORM:

Robert E. Hager, City Attorney

APPROVED:

Marcus E. Knight, Mayor

CHAPTER 14 OFFENSES AND ADDITIONAL PROVISIONS**ARTICLE 14.05 SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT*****ARTICLE 14.05 SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT*****Sec. 14.05.001 Definitions**

In this article:

Administrative area. The area of an establishment not generally accessible to the public, including but not limited to individual offices, stockrooms, employee lounges or meeting rooms.

Director. The director of the department designated by the city manager to enforce and administer this article, or the director's designated representative.

Food products establishment. Any operation defined as such in this code, except private clubs whose facilities are not open to the general public. Private club shall have the definition ascribed to the term by the development code, as amended, except that the smoking prohibition provided in this article shall apply to a public food products establishment which also operates under a private club registration permit issued by the state alcoholic beverage commission under the provisions of chapter 32 of the Texas Alcoholic Beverage Code.

Hospital. Any institution that provides medical, surgical and overnight facilities for patients.

Public service area. Any area to which the general public routinely has access for municipal services or which is designated a public service area in a written policy prepared in compliance with this article.

Retail and service establishments. Any establishment which sells goods or services to the general public.

(2002 Code, sec. 8.501)

ARTICLE 14.05 SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT***Sec. 14.05.002 Penalty**

Any person, firm or corporation who violates any provision of this article shall be deemed guilty of a misdemeanor, and upon conviction thereof in the municipal court shall be subject to a fine in accordance with the general penalty provision found in section 1.01.009 of this code. (2002 Code, sec. 8.506)

ARTICLE 14.05 SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT*

Sec. 14.05.003 Smoking prohibited in certain public areas

(a) A person commits an offense if he smokes or possesses a burning tobacco, weed or other plant product in any of the following indoor or enclosed areas:

- (1) A public primary or secondary school, other than in a lounge or restroom designated expressly for the use of teachers and/or school administrators;
- (2) A public library or museum;
- (3) Hearing rooms, conference rooms, meeting rooms or any public service area of any facility owned, operated or managed by the city in which public business is conducted, when the public business requires or provides an opportunity for direct participation or observation by the general public;
- (4) Every publicly or privately owned theater, auditorium or other enclosed facility which is open to the public for the primary purpose of exhibiting any motion picture, stage drama, musical recital, athletic event or any other performance or event, in all areas except either in that area commonly known as the lobby, or in areas not open to the public;
- (5) An elevator used by the public; or
- (6) Any retail or service establishment serving the general public, including but not limited to any department store, grocery store or drugstore.

(b) The owner or person in control of an establishment or area designated in subsection (a) of this section shall post a conspicuous sign at the main entrance to the establishment which shall contain the words "No Smoking, City of Lancaster Ordinance No. 15-88."

(c) It shall be a defense to prosecution under this section that the conveyance or public place in which the offense takes place does not have prominently displayed a reasonably sized notice that smoking is prohibited and that an offense is punishable by a fine in accordance with the general penalty provision found in section 1.01.009 of this code.

(d) It shall also be a defense to prosecution under this section that the facilities for the extinguishment of smoking materials were not located within the conveyance or public place, or within twenty (20) feet of the entrance to the public place within which the offense takes place.

(2002 Code, sec. 8.502)

ARTICLE 14.05 SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT*

Sec. 14.05.004 Food products establishments

(a) A food products establishment which has indoor or enclosed dining areas shall provide separate indoor or enclosed dining areas for smoking and nonsmoking patrons.

(b) A nonsmoking area must:

- (1) Be separated, where feasible, from smoking areas by a minimum of four (4) feet of contiguous floor space;
- (2) Be ventilated, where feasible, and situated so that air from the smoking area is not drawn into or across the nonsmoking area;
- (3) Be clearly designated by appropriate signs visible to patrons within the dining area indicating that the area is designated nonsmoking;
- (4) Have ashtrays or other suitable containers for extinguishing smoking materials at the perimeter of the nonsmoking area; and
- (5) Consist of not less than two (2) contiguous tables for the serving of customers.

(c) Each food products establishment which has a dining area shall have signs at the establishment's entrance indicating that nonsmoking seating is available.

(d) Non-dining areas of any food products establishment affected by this section to which patrons have general access; excluding restrooms but including food order areas, food service areas and cashier areas, shall be designated as nonsmoking areas.

(e) It is a defense to prosecution under this section that the food products establishment is:

- (1) An establishment which has indoor seating arrangements for less than fifty (50) patrons;
- (2) A physically separated bar area of a food products establishment otherwise regulated.

(f) A person commits an offense if he smokes or possesses a burning tobacco, weed or other plant product in an area of a food products establishment designated as nonsmoking in accordance with the provisions of this section.

(2002 Code, sec. 8.503)

ARTICLE 14.05 SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT*
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Sec. 14.05.005 Smoking in the workplace

Notwithstanding the provisions of this article, any employer may designate any workplace or portion thereof as a nonsmoking area. Any employer who chooses to designate any workplace or portion thereof as a nonsmoking area shall:

- (1) Adopt, implement and maintain a written smoking policy, which shall be communicated to all employees at least three (3) weeks prior to its adoption;
- (2) Prominently display reasonably sized notices that smoking is prohibited; and

- (3) Provide facilities in sufficient numbers and at such locations to be readily accessible for the extinguishment of smoking materials.

(2002 Code, sec. 8.504)

ARTICLE 14.05 SMOKING IN PUBLIC PLACES AND PLACES OF EMPLOYMENT*
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Sec. 14.05.006 Hospitals and health care facilities

(a) A person commits an offense if he smokes or possesses a burning tobacco, weed or other plant product in any public area of a health care facility or hospital.

(b) Every hospital shall:

- (1) Allow all patients, prior to elective admission, to choose to be in a nonsmoking patient room; and
- (2) Require that employees or visitors obtain express approval from all patients in a patient room prior to smoking.

(2002 Code, sec. 8.505)

SMOKE★FREE TEXAS

www.smokefreetexas.org

Model Ordinance Prohibiting Smoking in All Indoor Workplaces and Public Places (100% Smokefree)

Sec. 1000. Title

This Article shall be known as the _____ [name of City or County] Smoke-Free Air Ordinance of _____ [year].

Sec. 1001. Findings and Intent

The _____ [City or County Governing Body] does hereby find that:

The 2006 U.S. Surgeon General's Report, *The Health Consequences of Involuntary Exposure to Tobacco Smoke*, has concluded that (1) secondhand smoke exposure causes disease and premature death in children and adults who do not smoke; (2) children exposed to secondhand smoke are at an increased risk for sudden infant death syndrome (SIDS), acute respiratory problems, ear infections, and asthma attacks, and that smoking by parents causes respiratory symptoms and slows lung growth in their children; (3) exposure of adults to secondhand smoke has immediate adverse effects on the cardiovascular system and causes coronary heart disease and lung cancer; (4) there is no risk-free level of exposure to secondhand smoke; (5) establishing smokefree workplaces is the only effective way to ensure that secondhand smoke exposure does not occur in the workplace, because ventilation and other air cleaning technologies cannot completely control for exposure of nonsmokers to secondhand smoke; and (6) evidence from peer-reviewed studies shows that smokefree policies and laws do not have an adverse economic impact on the hospitality industry.¹ According to the 2010 U.S. Surgeon General's Report, *How Tobacco Smoke Causes Disease*, even occasional exposure to secondhand smoke is harmful and low levels of exposure to secondhand tobacco smoke lead to a rapid and sharp increase in dysfunction and inflammation of the lining of the blood vessels, which are implicated in heart attacks and stroke.² According to the 2014 U.S. Surgeon General's Report, *The Health Consequences of Smoking—50 Years of Progress*, secondhand smoke exposure causes stroke in nonsmokers. The report also found that since the 1964 Surgeon General's Report on Smoking and Health, 2.5 million nonsmokers have died from diseases caused by tobacco smoke.³

Numerous studies have found that tobacco smoke is a major contributor to indoor air pollution, and that breathing secondhand smoke (also known as environmental tobacco smoke) is a cause of disease in healthy nonsmokers, including heart disease, stroke, respiratory disease, and lung cancer. The National Cancer Institute determined in 1999 that secondhand smoke is responsible for the early deaths of approximately 53,000 Americans annually.⁴

The Public Health Service's National Toxicology Program (NTP) has listed secondhand smoke as a known carcinogen.⁵

Based on a finding by the California Environmental Protection Agency in 2005, the California Air Resources Board has determined that secondhand smoke is a toxic air contaminant, finding that exposure to secondhand smoke has serious health effects, including low birth-weight babies; sudden infant death syndrome (SIDS); increased respiratory infections in children; asthma in children and adults; lung cancer, sinus cancer, and breast cancer in younger, premenopausal women; heart disease; and death.⁶

There is indisputable evidence that implementing 100% smoke-free environments is the only effective way to protect the population from the harmful effects of exposure to secondhand smoke.⁷

In reviewing 11 studies concluding that communities see an immediate reduction in heart attack admissions after the implementation of comprehensive smokefree laws, the Institute of Medicine of the National Academies concluded that data consistently demonstrate that secondhand smoke exposure increases the risk of coronary heart disease and heart attacks and that smokefree laws reduce heart attacks.⁸

A significant amount of secondhand smoke exposure occurs in the workplace. Employees who work in smoke-filled businesses suffer a 25-50% higher risk of heart attack and higher rates of death from cardiovascular disease and cancer, as well as increased acute respiratory disease and measurable decrease in lung function.⁹

Studies measuring cotinine (metabolized nicotine) and NNAL (metabolized nitrosamine NNK, a tobacco-specific carcinogen linked to lung cancer) in hospitality workers find dramatic reductions in the levels of these biomarkers after a smokefree law takes effect. Average cotinine levels of New York City restaurant and bar workers decreased by 85% after the city's smokefree law went into effect.¹⁰ After the implementation of Ontario, Canada's Smokefree Indoor Air Law, levels of NNAL were reduced by 52% in nonsmoking casino employees and cotinine levels fell by 98%.¹¹

Smokefree indoor air laws result in a significant reduction in fine particulate matter and improved air quality. A Grand Rapids, Michigan study that monitored six restaurants before and after implementation of the state's smokefree air law found that PM2.5 fine particulate matter was reduced by 92 percent after the law went into effect, indicating that the vast majority of indoor air pollution in all six venues was due to secondhand smoke. The results in Grand Rapids were consistent with results in Wilmington, Delaware; Boston, Massachusetts; and Western New York.¹²

Following a Health Hazard Evaluation of Las Vegas casino employees' secondhand smoke exposure in the workplace, which included indoor air quality tests and biomarker assessments, the National Institute of Occupational Safety & Health (NIOSH) concluded that the casino employees are exposed to dangerous levels of secondhand smoke at work and that their bodies absorb high levels of tobacco-specific chemicals NNK and cotinine during work shifts. NIOSH also concluded that the "best means of eliminating workplace exposure to [secondhand smoke] is to ban all smoking in the casinos."¹³ A subsequent study in Nevada, whose Clean Indoor Air Act permits smoking in designated areas of casinos, bars, and taverns, indicates that strong 100% smokefree laws are the only effective way to protect indoor air quality. The study sampled the air quality in 15 casino gaming areas and corresponding nonsmoking areas, and the results indicated that the Clean Indoor Air Act failed to protect air quality in the nonsmoking areas, including children-friendly areas.¹⁴

Secondhand smoke is particularly hazardous to elderly people, individuals with cardiovascular disease, and individuals with impaired respiratory function, including asthmatics and those with obstructive airway disease.¹⁵ The Americans With Disabilities Act, which requires that disabled persons have access to public places and workplaces, deems impaired respiratory function to be a disability.¹⁶

The U.S. Centers for Disease Control and Prevention has determined that the risk of acute myocardial infarction and coronary heart disease associated with exposure to tobacco smoke is non-linear at low doses, increasing rapidly with relatively small doses such as those received from secondhand smoke or actively smoking one or two cigarettes a day, and has warned that all patients at increased risk of coronary heart disease or with known coronary artery disease should avoid all indoor environments that permit smoking.¹⁷

Given the fact that there is no safe level of exposure to secondhand smoke, the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) bases its ventilation standards on totally smokefree environments. ASHRAE has determined that there is currently no air filtration or other ventilation technology that can completely eliminate all the carcinogenic components in secondhand smoke and the health risks caused by secondhand smoke exposure, and recommends that indoor environments be smokefree in their entirety.¹⁸

Residual tobacco contamination, or "thirdhand smoke," from cigarettes, cigars, and other tobacco products is left behind after smoking occurs and builds up on surfaces and furnishings. This residue can linger in spaces long after smoking has ceased and continue to expose people to tobacco toxins. Sticky, highly toxic particulate matter, including nicotine, can cling to walls and ceilings. Gases can be absorbed into carpets, draperies, and other upholsteries, and then be reemitted (off-gassed) back into the air and recombine to form harmful compounds.¹⁹ Tobacco residue is noticeably present in dust throughout places where smoking has occurred.²⁰ Given the rapid sorption and persistence of high levels of residual nicotine from tobacco smoke on indoor surfaces, including clothing and human skin, this recently identified process represents an unappreciated health hazard through dermal exposure, dust inhalation, and ingestion.²¹ The dangers of residual tobacco contamination are present in hotels, even in nonsmoking rooms. Compared with hotels that are completely smokefree, surface nicotine and air 3EP are elevated in nonsmoking and smoking rooms of hotels that allow smoking. Air nicotine levels in smoking rooms are significantly higher than those in nonsmoking rooms of hotels that do and do not completely prohibit smoking. Hallway surfaces outside of smoking rooms also show higher levels of nicotine than those outside of nonsmoking rooms. Partial smoking restrictions in hotels do not protect non-smoking guests from exposure to tobacco smoke and tobacco-specific carcinogens.²²

Unregulated high-tech smoking devices, commonly referred to as electronic cigarettes, or "e-cigarettes," closely resemble and purposefully mimic the act of smoking by having users inhale vaporized liquid nicotine created by heat through an electronic ignition system. After testing a number of electronic cigarettes from two leading manufacturers, the Food and Drug Administration (FDA) determined that various samples tested contained not only nicotine but also detectable levels of known carcinogens and toxic chemicals, including tobacco-specific nitrosamines and diethylene glycol, a toxic chemical used in antifreeze. The FDA's testing also suggested that "quality control processes used to manufacture these products are inconsistent or non-existent."²³ According to a more recent study, electronic cigarette emissions are made up of a high concentration of ultrafine particles, and the particle concentration is higher than in conventional tobacco cigarette smoke.²⁴ Electronic cigarettes produce an aerosol or vapor of undetermined and potentially harmful substances, which may appear similar to the smoke emitted by traditional tobacco products. Their use in workplaces and public places where

smoking of traditional tobacco products is prohibited creates concern and confusion and leads to difficulties in enforcing the smoking prohibitions.

The Society of Actuaries has determined that secondhand smoke costs the U.S. economy roughly \$10 billion a year: \$5 billion in estimated medical costs associated with secondhand smoke exposure and \$4.6 billion in lost productivity.²⁵

Numerous economic analyses examining restaurant and hotel receipts and controlling for economic variables have shown either no difference or a positive economic impact after enactment of laws requiring workplaces to be smokefree. Creation of smokefree workplaces is sound economic policy and provides the maximum level of employee health and safety.²⁶

There is no legal or constitutional "right to smoke."²⁷ Business owners have no legal or constitutional right to expose their employees and customers to the toxic chemicals in secondhand smoke. On the contrary, employers have a common law duty to provide their workers with a workplace that is not unreasonably dangerous.²⁸

Smoking is a potential cause of fires; cigarette and cigar burns and ash stains on merchandise and fixtures causes economic damage to businesses.²⁹

The smoking of tobacco, hookahs, or marijuana and the use of electronic cigarettes are forms of air pollution and constitute both a danger to health and a material public nuisance.

Accordingly, the _____ [City or County Governing Body] finds and declares that the purposes of this ordinance are (1) to protect the public health and welfare by prohibiting smoking in public places and places of employment; and (2) to guarantee the right of nonsmokers to breathe smokefree air, and to recognize that the need to breathe smokefree air shall have priority over the desire to smoke.

Sec. 1002. Definitions

The following words and phrases, whenever used in this Article, shall be construed as defined in this Section:

- A. "Bar" means an establishment that is devoted to the serving of alcoholic beverages for consumption by guests on the premises and in which the serving of food is only incidental to the consumption of those beverages, including but not limited to, taverns, nightclubs, cocktail lounges, and cabarets.
- B. "Business" means a sole proprietorship, partnership, joint venture, corporation, or other business entity, either for-profit or not-for-profit, including retail establishments where goods or services are sold; professional corporations and other entities where legal, medical, dental, engineering, architectural, or other professional services are delivered; and private clubs.
- C. "Electronic Smoking Device" means any product containing or delivering nicotine or any other substance intended for human consumption that can be used by a person to simulate smoking through inhalation of vapor or aerosol from the product. The term includes any such device, whether manufactured, distributed, marketed, or sold as an e-cigarette, e-cigar, e-pipe, e-hookah, or vape pen, or under any other product name or descriptor.

- D. "Employee" means a person who is employed by an employer in consideration for direct or indirect monetary wages or profit, and a person who volunteers his or her services for a non-profit entity.
- E. "Employer" means a person, business, partnership, association, corporation, including a municipal corporation, trust, or non-profit entity that employs the services of one or more individual persons.
- F. "Enclosed Area" means all space between a floor and a ceiling that is bounded on at least two sides by walls, doorways, or windows, whether open or closed. A wall includes any retractable divider, garage door, or other physical barrier, whether temporary or permanent and whether or not containing openings of any kind.
- G. "Health Care Facility" means an office or institution providing care or treatment of diseases, whether physical, mental, or emotional, or other medical, physiological, or psychological conditions, including but not limited to, hospitals, rehabilitation hospitals or other clinics, including weight control clinics, nursing homes, long-term care facilities, homes for the aging or chronically ill, laboratories, and offices of surgeons, chiropractors, physical therapists, physicians, psychiatrists, dentists, and all specialists within these professions. This definition shall include all waiting rooms, hallways, private rooms, semiprivate rooms, and wards within health care facilities.
- H. "Place of Employment" means an area under the control of a public or private employer, including, but not limited to, work areas, private offices, employee lounges, restrooms, conference rooms, meeting rooms, classrooms, employee cafeterias, hallways, and temporary offices. A private residence is not a "place of employment" unless it is used as a child care, adult day care, or health care facility.
- I. "Playground" means any park or recreational area designed in part to be used by children that has play or sports equipment installed or that has been designated or landscaped for play or sports activities, or any similar facility located on public or private school grounds or on [City or County] grounds.
- J. "Private Club" means an organization, whether incorporated or not, which is the owner, lessee, or occupant of a building or portion thereof used exclusively for club purposes at all times, which is operated solely for a recreational, fraternal, social, patriotic, political, benevolent, or athletic purpose, but not for pecuniary gain, and which only sells alcoholic beverages incidental to its operation. The affairs and management of the organization are conducted by a board of directors, executive committee, or similar body chosen by the members at an annual meeting. The organization has established bylaws and/or a constitution to govern its activities. The organization has been granted an exemption from the payment of federal income tax as a club under 26 U.S.C. Section 501.
- K. "Public Place" means an area to which the public is invited or in which the public is permitted, including but not limited to, banks, bars, educational facilities, gambling facilities, health care facilities, hotels and motels, laundromats, parking structures, public transportation vehicles and facilities, reception areas, restaurants, retail food production and marketing establishments, retail service establishments, retail stores, shopping malls, sports arenas, theaters, and waiting rooms. A private residence is not a "public place" unless it is used as a child care, adult day care, or health care facility.

- L. "Restaurant" means an eating establishment, including but not limited to, coffee shops, cafeterias, sandwich stands, and private and public school cafeterias, which gives or offers for sale food to the public, guests, or employees, as well as kitchens and catering facilities in which food is prepared on the premises for serving elsewhere. The term "restaurant" shall include a bar area within the restaurant.
- M. "Service Line" means an indoor or outdoor line in which one (1) or more persons are waiting for or receiving service of any kind, whether or not the service involves the exchange of money, including but not limited to, ATM lines, concert lines, food vendor lines, movie ticket lines, and sporting event lines.
- N. "Shopping Mall" means an enclosed or unenclosed public walkway or hall area that serves to connect retail or professional establishments.
- O. "Smoking" means inhaling, exhaling, burning, or carrying any lighted or heated cigar, cigarette, or pipe, or any other lighted or heated tobacco or plant product intended for inhalation, including hookahs and marijuana, whether natural or synthetic, in any manner or in any form. "Smoking" also includes the use of an electronic smoking device which creates an aerosol or vapor, in any manner or in any form, or the use of any oral smoking device for the purpose of circumventing the prohibition of smoking in this Article.
- P. "Sports Arena" means a place where people assemble to engage in physical exercise, participate in athletic competition, or witness sports or other events, including sports pavilions, stadiums, gymnasiums, health spas, boxing arenas, swimming pools, roller and ice rinks, and bowling alleys.

Sec. 1003. Application of Article to [City-Owned or County-Owned] Facilities and Property

All enclosed areas, including buildings and vehicles owned, leased, or operated by the _____ [City or County] of _____, as well as all outdoor property adjacent to such buildings and under the control of the _____ [City or County], shall be subject to the provisions of this Article.

Sec. 1004. Prohibition of Smoking in Enclosed Places of Employment

Smoking shall be prohibited in all enclosed areas of places of employment without exception. This includes, without limitation, common work areas, auditoriums, classrooms, conference and meeting rooms, private offices, elevators, hallways, medical facilities, cafeterias, employee lounges, stairs, restrooms, vehicles, and all other enclosed facilities.

This prohibition on smoking shall be communicated to all existing employees by the effective date of this Article and to all prospective employees upon their application for employment.

Sec. 1005. Prohibition of Smoking in Public Places

Smoking shall be prohibited in all public places within the _____ [City or County] of _____, including but not limited to, the following places:

- A. Aquariums, galleries, libraries, and museums.
- B. Areas available to the general public in businesses and non-profit entities patronized by the public, including but not limited to, banks, laundromats, professional offices, and retail service establishments.
- C. Bars.
- D. Bingo facilities.
- E. Child care and adult day care facilities.
- F. Convention facilities.
- G. Educational facilities, both public and private.
- H. Elevators.
- I. Gambling facilities.
- J. Health care facilities.
- K. Hotels and motels.
- L. Lobbies, hallways, and other common areas in apartment buildings, condominiums, trailer parks, retirement facilities, nursing homes, and other multiple-unit residential facilities.
- M. Parking structures.
- N. Polling places.
- O. Public transportation vehicles, including buses and taxicabs, under the authority of the _____ [City or County], and ticket, boarding, and waiting areas of public transportation facilities, including bus, train, and airport facilities.
- P. Restaurants.
- Q. Restrooms, lobbies, reception areas, hallways, and other common-use areas.
- R. Retail stores.
- S. Rooms, chambers, places of meeting or public assembly, including school buildings, under the control of an agency, board, commission, committee or council of the _____ [City or County] or a political subdivision of the State, to the extent the place is subject to the jurisdiction of the _____ [City or County].

- T. Service lines.
- U. Shopping malls.
- V. Sports arenas, including enclosed places in outdoor arenas.
- W. Theaters and other facilities primarily used for exhibiting motion pictures, stage dramas, lectures, musical recitals, or other similar performances.

Sec. 1006. Prohibition of Smoking in Private Clubs

Smoking shall be prohibited in all private clubs.

Sec. 1007. Prohibition of Smoking in Enclosed Residential Facilities

Smoking shall be prohibited in the following enclosed residential facilities:

- A. All private and semi-private rooms in nursing homes.
- B. All hotel and motel guest rooms.

Sec. 1008. Prohibition of Smoking in Outdoor Public Places

Smoking shall be prohibited in the following outdoor places:

- A. Within a reasonable distance of _____ [*recommended 15-25*] feet outside the primary entrance, operable windows, and ventilation systems of enclosed areas where smoking is prohibited, so as to prevent tobacco smoke from entering those areas.
- B. In, and within _____ [*recommended 15-25*] feet of, all outdoor playgrounds.

Sec. 1009. Where Smoking Not Regulated

Notwithstanding any other provision of this Article to the contrary, smoking shall not be prohibited in private residences, unless used as a childcare, adult day care, or health care facility.

Sec. 1010. Declaration of Establishment or Outdoor Area as Nonsmoking

Notwithstanding any other provision of this Article, an owner, operator, manager, or other person in control of an establishment, facility, or outdoor area may declare that entire establishment, facility, or outdoor area as a nonsmoking place. Smoking shall be prohibited in any place in which a sign conforming to the requirements of Section 1012(A) is posted.

Sec. 1011. Posting of Signs and Removal of Ashtrays

The owner, operator, manager, or other person in control of a place of employment, public place, private club, or residential facility where smoking is prohibited by this Article shall:

- A. Clearly and conspicuously post "No Smoking" signs or the international "No Smoking" symbol (consisting of a pictorial representation of a burning cigarette enclosed in a red circle with a red bar across it) in that place.
- B. Clearly and conspicuously post at every entrance to that place a sign stating that smoking is prohibited or, in the case of outdoor places, clearly and conspicuously post "No Smoking" signs in appropriate locations as determined by the _____ [Department of Health or City Manager or County Administrator] or an authorized designee.
- C. Clearly and conspicuously post on every vehicle that constitutes a place of employment under this Article at least one sign, visible from the exterior of the vehicle, stating that smoking is prohibited.
- D. Remove all ashtrays from any area where smoking is prohibited by this Article, except for ashtrays displayed for sale and not for use on the premises.

Sec. 1012. Nonretaliation; Nonwaiver of Rights

- A. No person or employer shall discharge, refuse to hire, or in any manner retaliate against an employee, applicant for employment, customer, or resident of a multiple-unit residential facility because that employee, applicant, customer, or resident exercises any rights afforded by this Article or reports or attempts to prosecute a violation of this Article. Notwithstanding Section 1015, violation of this Subsection shall be a misdemeanor, punishable by a fine not to exceed \$1000 for each violation.
- B. An employee who works in a setting where an employer allows smoking does not waive or otherwise surrender any legal rights the employee may have against the employer or any other party.

Sec. 1013. Enforcement

- A. This Article shall be enforced by the _____ [Department of Health or City Manager or County Administrator] or an authorized designee.
- B. Notice of the provisions of this Article shall be given to all applicants for a business license in the _____ [City or County] of _____.
- C. Any citizen who desires to register a complaint under this Article may initiate enforcement with the _____ [Department of Health or City Manager or County Administrator].
- D. The Health Department, Fire Department, or their designees shall, while an establishment is undergoing otherwise mandated inspections, inspect for compliance with this Article.

- E. An owner, manager, operator, or employee of an area regulated by this Article shall direct a person who is smoking in violation of this Article to extinguish or turn off the product being smoked. If the person does not stop smoking, the owner, manager, operator, or employee shall refuse service and shall immediately ask the person to leave the premises. If the person in violation refuses to leave the premises, the owner, manager, operator, or employee shall contact a law enforcement agency.
- F. Notwithstanding any other provision of this Article, an employee or private citizen may bring legal action to enforce this Article.
- G. In addition to the remedies provided by the provisions of this Section, the _____ [Department of Health or City Manager or County Administrator] or any person aggrieved by the failure of the owner, operator, manager, or other person in control of a public place or a place of employment to comply with the provisions of this Article may apply for injunctive relief to enforce those provisions in any court of competent jurisdiction.

Sec. 1014. Violations and Penalties

- A. A person who smokes in an area where smoking is prohibited by the provisions of this Article shall be guilty of an infraction, punishable by a fine not exceeding fifty dollars (\$50).
- B. Except as otherwise provided in Section 1013(A), a person who owns, manages, operates, or otherwise controls a public place or place of employment and who fails to comply with the provisions of this Article shall be guilty of an infraction, punishable by:
 - 1. A fine not exceeding one hundred dollars (\$100) for a first violation.
 - 2. A fine not exceeding two hundred dollars (\$200) for a second violation within one (1) year.
 - 3. A fine not exceeding five hundred dollars (\$500) for each additional violation within one (1) year.
- C. In addition to the fines established by this Section, violation of this Article by a person who owns, manages, operates, or otherwise controls a public place or place of employment may result in the suspension or revocation of any permit or license issued to the person for the premises on which the violation occurred.
- D. Violation of this Article is hereby declared to be a public nuisance, which may be abated by the _____ [Department of Health or City Manager or County Administrator] by restraining order, preliminary and permanent injunction, or other means provided for by law, and the _____ [City or County] may take action to recover the costs of the nuisance abatement.
- E. Each day on which a violation of this Article occurs shall be considered a separate and distinct violation.

Sec. 1015. Public Education

The _____ [Department of Health or City Manager or County Administrator] shall engage in a continuing program to explain and clarify the purposes and requirements of this Article to citizens affected by it, and to guide owners, operators, and managers in their compliance with it. The program may include publication of a brochure for affected businesses and individuals explaining the provisions of this ordinance.

Sec. 1016. Governmental Agency Cooperation

The _____ [City Manager or County Administrator] shall annually request other governmental and educational agencies having facilities within the _____ [City or County] to establish local operating procedures in cooperation and compliance with this Article. This includes urging all Federal, State, _____ [County or City], and School District agencies to update their existing smoking control regulations to be consistent with the current health findings regarding secondhand smoke.

Sec. 1017. Other Applicable Laws

This Article shall not be interpreted or construed to permit smoking where it is otherwise restricted by other applicable laws.

Sec. 1018. Liberal Construction

This Article shall be liberally construed so as to further its purposes.

Sec. 1019. Severability

If any provision, clause, sentence, or paragraph of this Article or the application thereof to any person or circumstances shall be held invalid, that invalidity shall not affect the other provisions of this Article which can be given effect without the invalid provision or application, and to this end the provisions of this Article are declared to be severable.

Sec. 1020. Effective Date

This Article shall be effective thirty (30) days from and after the date of its adoption.

REFERENCES

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- ⁴ National Cancer Institute (NCI), "Health effects of exposure to environmental tobacco smoke: the report of the California Environmental Protection Agency. Smoking and Tobacco Control Monograph 10," *Bethesda, MD: National Institutes of Health, National Cancer Institute (NCI)*, August 1999.
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- ⁷ World Health Organization (WHO), "Protection from exposure to secondhand smoke: policy recommendations," *World Health Organization (WHO)*, 2007.
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- ¹³ *Health hazard evaluation report: environmental and biological assessment of environmental tobacco smoke exposure among casino dealers*, Las Vegas, NV. By Achutan C, West C, Mueller C, Boudreau Y, Mead K. Cincinnati, OH: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Institute for Occupational Safety and Health, NIOSH HETA No. 2005-0076 and 2005-0201-3080, May 2009.
- ¹⁴ Cochran, C.; Henriques, D.; York, N.; Lee, K., "Risk of exposure to second hand smoke for adolescents in Las Vegas casinos: an evaluation of the Nevada Clean Indoor Air Act," *Journal of Health and Human Services Administration* 35(2): 231-252, Fall 2012.
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LANCASTER CITY COUNCIL

City Council Regular Meeting

10.

Meeting Date: 06/12/2017

Policy Statement: This request supports the City Council 2016-2017 Policy Agenda

Goal(s): Healthy, Safe & Vibrant Community

Submitted by: Rona Stringfellow, Assistant City Manager

Agenda Caption:

Consider an ordinance amending the Pleasant Run Estates Public Improvement District Five Year Service Plan, adopted by Ordinance No. 2016-08-15, as hereby amended by increasing the Pleasant Run Estates Public Improvement District Five Year Service Plan for fiscal year 2016/2017 by a total of \$11,950.

Background:

On August 27, 2016, the Lancaster City Council approved the Pleasant Run Estates Public Improvement District (PID) Five Year Service Plan for the 2016/017 budget year. In the FY 2016/2017 the Pleasant Run PID Board did not to allocate enough funds in specific line items for tree trimming, miscellaneous maintenance, and landscape maintenance projects. The PID brought in more assessment dollars than anticipated and wish to utilize those funds.

Operational Considerations:

This budget amendment is to allow Pleasant Run Estates Public Improvement District Board to increase their FY 2016/2017 Five Year Service Plan, adopted by Ordinance Number 2016-08-15 by increasing the Landscape Repair and Maintenance line item by \$3,000, Miscellaneous Maintenance line item by \$1,900 and Contract Mowing line item by \$7,050 for a total of \$11,950 from their fund balance leaving a fund balance of \$2,842. In March of 2017 the PID Board approved the recommended changes.

Legal Considerations:

The ordinance has been reviewed and approved as to form by the City Attorney.

Public Information Considerations:

This meeting was properly noticed and is being held in accordance with the Texas Open Meetings Act.

Fiscal Impact:

The ordinance requests the amendment of the FY 2016/2017 Pleasant Run Estates Public Improvement District Five Year Service Plan as adopted by Ordinance 2016-08-15 on August 22, 2016. This amendment seeks to increase the Miscellaneous Maintenance line item to \$2,000; the Landscape Repair and Maintenance line item to \$9,000, and the Contract Mowing line item to \$7,200. All cumulative amendments to the Five Year Service Plan for fiscal year 2016/2017 total an increase of \$11,950.

Options/Alternatives:

1. City Council may approve the ordinance, as presented.
2. City Council may reject the ordinance.

Recommendation:

Staff recommends approval of the ordinance, as requested by the PID Advisory Board.

Attachments

Ordinance

5 Year Service Plan

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF LANCASTER, TEXAS, AMENDING THE PLEASANT RUN ESTATES PUBLIC IMPROVEMENT DISTRICT FIVE YEAR SERVICE PLAN, ADOPTED BY ORDINANCE NO. 2016-08-15, IS HEREBY AMENDED BY INCREASING THE PLEASANT RUN PUBLIC IMPROVEMENT DISTRICT FIVE YEAR SERVICE PLAN BY A TOTAL OF \$11,950; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Lancaster, Texas is a home rule city under its Charter adopted by the electorate pursuant to Article XI, Section 5 of the Texas Constitution and Chapter 9 of the Local Government Code; and

WHEREAS, the City Council of the City of Lancaster previously approved Ordinance Number 2016-08-15 on August 22, 2016, officially adopting the Pleasant Run Estates Public Improvement District Five-Year Service Plan; and

WHEREAS, the Pleasant Run Estates Public Improvement District Board approved amendments to the Five Year Service Plan to account for additional landscape repair and maintenance, miscellaneous maintenance and contract mowing, increasing the Five Year Service Plan by \$11,950.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS:

SECTION 1. That the 2016-2017 Pleasant Run Estates Public Improvement District Five Year Service Plan, adopted by Ordinance Number 2016-08-15, is hereby amended by increasing the Five Year Service Plan in total by \$11,950.

SECTION 2. That the 2016-2017 Pleasant Run Estates Public Improvement District Five Year Service Plan, adopted by Ordinance Number 2016-08-15, is hereby amended, by increasing the Landscape Repair and Maintenance line item by \$3,000, Miscellaneous Maintenance line item by \$1,900, and Contract Mowing line item by \$7,050 for a total of \$11,950 from their fund balance, leaving a fund balance of \$2,841.75.

SECTION 3. That except as amended hereby, or as heretofore amended, the provisions of Ordinance Number 2016-08-15 shall remain in full force and effect.

SECTION 4. That should any sentence, paragraph, subdivision, clause, phrase or section of this ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this ordinance as a whole, or any part or provision thereof other than the part decided to be invalid, illegal or unconstitutional.

SECTION 5. That this ordinance shall take effect immediately from and after its passage as the law in such cases provides.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of June, 2017.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

Department: 4 OPERATIONS

Program:

Period Ending: 6/2017

Account	Description	2017 FY Actual	2017 FY Budget	2017 Revised Budget	2018 FY Budget	2019 FY Budget	2020 FY Budget	2021 FY Budget
61-0201-04-00	SUPPLIES		150.00	150.00	150.00	150.00	200.00	200.00
61-0211-04-00	MISCELLANEOUS	120.00	150.00	150.00	250.00	150.00	200.00	200.00
61-0214-04-00	POSTAGE	338.03	200.00	200.00	250.00	300.00	250.00	250.00
61-0225-04-00	LANDSCAPING		600.00	600.00	900.00	900.00	900.00	900.00
Subtotal:		458.03	1100.00	1100.00	1550.00	1500.00	1550.00	1550.00
61-0303-04-00	MAINTENANCE-MISCELLANEOUS	100.00	100.00	100.00	200.00	200.00	250.00	250.00
61-0305-04-00	MAINTENANCE-CLEANOUT	100.00	1400.00	100.00	150.00	150.00	200.00	200.00
61-0351-04-00	MISC. MAINTENANCE	25.00	100.00	2000.00	100.00	100.00	200.00	200.00
61-0371-04-00	LANDSCAPING REPAIR & MAINT	4736.00	6000.00	9000.00	6000.00	6000.00	6100.00	6100.00
61-0372-04-00	IRRIGATION SYS REPAIR & MAINT		500.00	500.00	500.00	500.00	900.00	900.00
Subtotal:		4961.00	8100.00	11700.00	6950.00	6950.00	7650.00	7650.00
61-0403-04-00	INSURANCE	2246.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00
61-0410-04-00	UTILITIES ELECTRICITY	446.27	500.00	500.00	800.00	800.00	900.00	900.00
61-0411-04-00	WATER PURCHASES PID	2619.66	4500.00	4500.00	4500.00	4500.00	5000.00	5000.00
61-0423-04-00	CONTRACT MOWING		150.00	7200.00	150.00	150.00	200.00	200.00
61-0434-04-00	SPECIAL EVENTS	1234.70	750.00	750.00	750.00	750.00	800.00	800.00
61-0437-04-00	AUDIT SERVICES		300.00	300.00	300.00	300.00	200.00	200.00
61-0446-04-00	LEGAL SERVICES		500.00	500.00	500.00	500.00	500.00	500.00
61-0450-04-00	Administrative Management Fee	3600.00	7200.00	7200.00	7200.00	7300.00	7300.00	7300.00
61-0452-04-00	FILING FEES		80.00	80.00	80.00	80.00	80.00	80.00
Subtotal:		10146.63	17980.00	25030.00	18280.00	18380.00	18980.00	18980.00
61-0537-04-00	DALLAS COUNTY TAX COLL SVCS	352.00						
Subtotal:		352.00						
Program number:		15917.66	27180.00	37830.00	26780.00	26830.00	28180.00	28180.00
Department number:	OPERATIONS	15917.66	27180.00	37830.00	26780.00	26830.00	28180.00	28180.00
Fund number:	61 PLEASANT RUN ESTATES - PID	15565.66	27180.00	37830.00	26780.00	26830.00	28180.00	28180.00
*****	End of Report *****							