



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



Monday, March 12, 2018 - 7:00 PM

CALL TO ORDER

INVOCATION: Ministerial Alliance

PLEDGE OF ALLEGIANCE: Deputy Mayor Pro Tem Nina Morris

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 December 4, 2017.
2. Consider a resolution authorizing the filing of a project application in an amount not to exceed fifty-four thousand one hundred seventy-five dollars and forty-four cents (\$54,175.44) with the North Central Texas Council of Governments (NCTCOG).

ACTION:

3. Discuss and consider a resolution to authorize the assignment and assumption of an Economic Development Agreement between the City of Lancaster and PIHV South Pointe Industrial, LLC to the City of Lancaster and LIT Industrial Limited Partnership.
4. Discuss and consider a resolution approving a tariff authorizing an annual rate review mechanism ("RRM") as a substitution for the annual interim rate adjustment process and as negotiated between Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), the Atmos Cities Steering Committee (ACSC); and requiring the company to reimburse the cities' reasonable rate making expenses.

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 March 8, 2018 @ 5:45 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: 03/12/2018

Policy Statement: This request supports the City Council 2017-2018 Policy Agenda

Goal(s): Professional & Committed City Workforce

Submitted by: Sorangel O. Arenas, City Secretary

Agenda Caption:

Consider approval of minutes from the City Council Special Meeting held on December 4, 2017.

Background:

Attached for your review and consideration are minutes from the City Council Special Meeting held on December 4, 2017.

Attachments

December 4, 2017 Minutes

MINUTES

LANCASTER CITY COUNCIL SPECIAL MEETING OF DECEMBER 4, 2017

The City Council of the City of Lancaster, Texas, met in a called Special session in the Council Chambers of City Hall on December 4, 2017 at 8:00 p.m. with a quorum present to-wit:

Councilmembers Present:

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

Councilmembers Absent:

Deputy Mayor Pro Tem Nina Morris

City Staff Present:

Opal Mauldin-Jones, City Manager
Rona Stringfellow, Assistant City Manager
Dori Lee, Human Resources Director
Shane Shepard, Director of Economic Development
Sean Johnson, Managing Director of Quality of Life & Cultural Services
Jermaine Sapp, Director of Equipment and Facility Services
Sam Urbanski, Police Chief
Rick Frye, Interim Fire Chief
Alton Dixon, Purchasing Agent
Fabrice Kabona, Assistant to the City Manager
Dale Jackson, Building Official/Interim Development Services Director
Imelda Speck, ICMA Fellow for Economic Development
Jasmine Carr, Community Programs Coordinator
Kellen Benbrook, Airport Manager
Bester Munyaradzi, Senior Planner
Sharon Jungman, Assistant Finance Director
David T. Ritter, City Attorney
Mayra A. Ortiz, Deputy City Secretary
Sorangel O. Arenas, City Secretary

Call to Order:

Mayor Knight called the meeting to order at 8:33 p.m. on December 4, 2017.

Consent Agenda:

City Secretary Arenas read the consent agenda.

- 1. Consider a resolution implementing a new Commercial Film policy.**
- 2. Consider a resolution approving the terms and conditions of the Grant Agreement for the Routine Airport Maintenance Program by and between the City of Lancaster, as Airport Sponsor, and the Texas Department of Transportation, on behalf of the State of Texas; authorizing matching funds in the amount of fifty thousand dollars (\$50,000.00) at the Lancaster Regional Airport.**
- 3. Consider a resolution terminating the terms and conditions of the City owned terminal building commercial lease agreement by and between the City of Lancaster and Skyline Aviation Incorporated from building 730, Suites 201, 202 & 203 at the Lancaster Regional Airport.**
- 4. Consider an amendment of the Lancaster Code of Ordinance Chapter 14, "Offenses and Additional Provisions", Article 14.09 "Property Maintenance Code," to provide for a three (3) day notice period for abatement of brush and bulk waste violations.**

5. Consider a resolution authorizing the award of Bid# 2017-91 "Meal Services" to The Chocolate Mint Foundation to provide meal services for the senior meal program in an amount not to exceed fifty thousand two hundred dollars (\$50,200.00).

Mayor Knight shared that on item 1, Exhibit A, Section II, should read "City Control/City Manager Authority." Also, he advised that item 2, section 1 of the resolution, and should remove "in all things." The recommended changes were advised by City Attorney Ritter.

Councilmember Strain-Burk pulled item 4.

Councilmember Hervey pulled items 3 and 5.

MOTION: Councilmember Strain-Burk made a motion, seconded by Mayor Pro Tem Hairston to approve consent items excluding 3, 4, and 5. The vote was cast 6 for, 0 against [Morris absent].

3. Consider a resolution terminating the terms and conditions of the City owned terminal building commercial lease agreement by and between the City of Lancaster and Skyline Aviation Incorporated from building 730, Suites 201, 202 & 203 at the Lancaster Regional Airport.

Councilmember Hervey requested additional staff comments on item 3. City Manager Mauldin-Jones shared that Skyline Aviation signed a commercial lease on April, 10, 2017 with the City of Lancaster to lease office spaces for a flight school to be located at Lancaster Regional Airport. Due to hardships including difficulty acquiring flight instructors and financial setbacks, they have requested early termination of the lease effective, December 31, 2017. Terminating the lease early does fail to bring in the projected revenues for the remaining years of the lease; however, Skyline Aviation is currently delinquent on the lease and may force the City of Lancaster to evict them from the premises. This could simplify the eviction process and save the City money on legal costs. It also opens up the space to be leased to another tenant to provide both lease and fuel sales income to Lancaster Regional Airport. The current tenant will bring their delinquency current through the December 31, 2017 early termination date. She shared that City Attorney advised to remove "in all things" from the resolution.

Councilmember Hervey inquired if the city expended funds to the tenant for the set-up, etc. City Manager shared that funds were offered when the flight school was operating along with fuel incentives. No funds were expended on the project.

MOTION: Councilmember Strain-Burk made a motion, seconded by Mayor Pro Tem Hairston to approve item 2 with the recommended provisions. The vote was cast 6 for, 0 against [Morris absent].

4. Consider an amendment of the Lancaster Code of Ordinance Chapter 14, "Offenses and Additional Provisions", Article 14.09 "Property Maintenance Code," to provide for a three (3) day notice period for abatement of brush and bulk waste violations.

Councilmember Strain-Burk requested additional staff comments on item 4. City Manager Mauldin-Jones shared item 4 is to amend the day notice period for abatement of brush and bulk waste violations. Residents with bulk and brush violations will be issued a violation notice at the initial inspection providing three (3) days to remove the brush or bulk. After three (3) days, if no compliance is achieved, the City will proceed to abate the violation at the owner's expense. The item is to eliminate the confusion and provide clarity. Also, the City currently provides four alternatives for bulk and brush violations.

MOTION: Councilmember Strain-Burk made a motion, seconded by Councilmember Hervey to approve item 4. The vote was cast 6 for, 0 against [Morris absent].

5. Consider a resolution authorizing the award of Bid# 2017-91 “Meal Services” to The Chocolate Mint Foundation to provide meal services for the senior meal program in an amount not to exceed fifty thousand two hundred dollars (\$50,200.00).

Councilmember Hervey requested additional staff comments on item 5. City Manager Mauldin-Jones shared that item 5 is to authorize the award of Bid# 2017-91 “Meal Services” for the senior meal program. The City of Lancaster has contracted with the Dallas Area Agency on Aging (DAAA) to provide a well-balanced daily lunch meal for senior adult citizens of Lancaster and the surrounding areas. Currently, DAAA reimburses the City of Lancaster for meals served to include staff time and actual cost per meal. Twelve (12) people have viewed and three (3) vendors responded to the RFP. Of the three (3) bids received, the lowest qualified bidder was The Chocolate Mint Foundation. The contract will be for one year with (4) one-year renewal options. The meals will be delivered daily based on a pre-planned menu.

Councilmember Hervey requested the process of selection. Managing Director of Quality of Life & Cultural Services Johnson shared that The Chocolate Mint Foundation outbid the two vendors received.

Councilmember Jaglowski inquired if the City of Lancaster has previously worked with The Chocolate Mint Foundation. Managing Director of Quality of Life & Cultural Services Johnson confirmed.

MOTION: Councilmember Strain-Burk made a motion, seconded by Mayor Pro Tem Hairston to approve item 5. The vote was cast 6 for, 0 against [Morris absent].

6. Z17-07 Conduct a Public Hearing and consider an ordinance amending ordinance 2006-04-13 and as amended the Lancaster Development Code and map of the City as amended by granting a change in zoning from Planned Development- Neighborhood Services (PD-NS) to Light Industrial (LI). The property is approximately 6.52 acres of land, located on the northeast corner of Balmorhea Drive and N. Dallas Avenue. The property is addressed as 3700 N. Dallas Avenue and described as Lot 2R, Block A, VanTrust I-20 Logistics Addition in the Smith Elkins Survey, Abstract number 430 City of Lancaster, Dallas County, Texas.

Mayor Knight shared that item 6 was previously presented at the November 13, 2017 City Council Regular Meeting.

Mayor Knight opened the public hearing.

Dan Gallagher, 13455 Noel Road, spoke in favor of item 6.

Chris McCluskey, 16000 N. Dallas Parkway, spoke in favor of item 6 and thanked staff for all their time and work invested in item 6. He shared that after meeting with staff and counsel it was concluded that Light Industrial (LI) zoning could not be modified since there is an adopted ordinance. Mr. McCluskey composed a presentation elaborating the goals and ideas for the property site and revealed the concept plan, façade plan, and visual images of the building.

Councilmember Strain-Burk requested the square footage of the building for the site plan. Mr. McCluskey responded that the approximate footage is 110,000 in which the previous building was about 126,000 square feet.

Councilmember Mejia shared that when the item was first presented, he was misinformed. However, he supports the zoning request to Light Industrial (LI) zoning.

Councilmember Jaglowski inquired confirmation that the rear of the building is zoned Light Industrial (LI) zoning. Mr. McCluskey confirmed.

MOTION: Councilmember Mejia made a motion, seconded by Councilmember Strain-Burk to close the public hearing. The vote was cast 5 for, 1 against [Hervey] [Morris absent].

MOTION: Councilmember Strain-Burk made a motion, seconded by Mayor Pro Tem Hairston to approve item 6 with the site plan attached. The vote was cast 5 for, 1 against [Hervey] [Morris absent].

7. Conduct a public hearing and consider a resolution approving the 2018 Standards of Care for Youth Programs operated by the Quality of Life and Cultural Services Department.

Mayor Knight opened the public hearing.

There were no speakers.

MOTION: Councilmember Strain-Burk made a motion, seconded by Mayor Pro Tem Hairston to close the public hearing. The vote was cast 6 for, 0 against [Morris absent].

MOTION: Councilmember Strain-Burk made a motion, seconded by Mayor Pro Tem Hairston to approve item 7. The vote was cast 6 for, 0 against [Morris absent].

Executive Session:

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

- a. Section § 551.074 (a)(1) of the Texas Government Code to deliberate the appointment, employment, evaluation duties or dismissal of a public officer, to wit: the City Attorney.
- b. Section § 551.074 (a)(1) of the Texas Government Code to deliberate the appointment, employment, evaluation duties or dismissal of a public officer, to wit: the City Secretary.

9. 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 8:59 p.m. and reconvened into open session at 9:47 p.m.

No action taken.

MOTION: Councilmember Strain-Burk made a motion, seconded by Mayor Pro Tem Hairston, to adjourn. The vote was cast 6 for, 0 against [Morris absent].

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

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

LANCASTER CITY COUNCIL

City Council Regular Meeting

2.

Meeting Date: 03/12/2018

Policy Statement: This request supports the City Council 2017-2018 Policy Agenda.

Goal(s): Financially Sound Government
Healthy, Safe & Engaged Community

Submitted by: Fabrice Kabona, Assistant to the City Manager

Agenda Caption:

Consider a resolution authorizing the filing of a project application in an amount not to exceed fifty-four thousand one hundred seventy-five dollars and forty-four cents (\$54,175.44) with the North Central Texas Council of Governments (NCTCOG).

Background:

Every two years the NCTCOG receives funds from the Texas Commission on Environmental Quality (TCEQ) that are generated by tipping fees at landfills. These funds are made available to eligible entities to advance the goals and strategies found in NCTCOG's regional solid waste management plan. NCTCOG will award approximately \$1.3 million for fiscal year 2018-2019. All project costs incurred by the grantee up to the total amount specified in the grant will be 100% reimbursed.

In 2016, the City of Lancaster was awarded a grant through this program. The grant was used to purchase a truck and trailer used to address illegal dumping and public education in the form of mass mail outs of educational materials focused on deterring illegal dumping and encouraging recycling.

This year, staff is requesting Council's authorization to apply for grant funding to assist in the expansion of the solid waste and recycling education. The goal for the proposed educational project is to increase recycling participation, reduce and eliminate illegal dumping, as well as educate citizens about the City's sanitation rules and regulations. With the grant funds, the staff is proposing to purchase a retrofit recycling vehicle (van) that will be equipped on one side with a large flat screen TV to be viewed by event attendees outside the van; along with this vehicle, staff is proposing to acquire a mascot to assist in the promotion of recycling. Additionally, staff is proposing to partner with our solid waste contractor, Community Waste Disposal, to produce an educational video aiming to encourage source reduction and promote reuse and recycling; educate the public on the City's sanitation rules such as proper cart placement, bulk and brush collection, dangers of illegal dumping, how to identify and report illegal dumping and more. Last but not least, staff is proposing to purchase flat screen TV's to be placed in selected City facilities known to have the highest citizen traffic in order to display and promote the solid waste educational video and other similar initiatives.

Operational Considerations:

The purpose of this request, is to seek City Council authorization to apply for NCTCOG grant.

The retrofit recycling vehicle and mascot will be used at various City events throughout the year such as Trash-off and Christmas parade. Staff will attempt to partner with the school district for opportunities to educate the youth about the importance of recycling at their outdoor events.

The educational video will be published through various platforms such as the City website, social media, included on the daily program on the Cable Channel, and displayed on TV in various City facilities.

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 Meeting Act.

Fiscal Impact:

If awarded the grant, the City will receive 100% reimbursement for money spent towards the project.

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 submitted.

Attachments

Resolution

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, AUTHORIZING THE FILING OF A PROJECT APPLICATION IN AN AMOUNT NOT TO EXCEED FIFTY-FOUR THOUSAND ONE HUNDRED SEVENTY-FIVE DOLLARS AND FORTY-FOUR CENTS (\$54,175.44) WITH THE NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS ("NCTCOG") IMPLEMENTATION PROJECT; AUTHORIZING THE CITY MANAGER TO ACT ON BEHALF OF THE CITY OF LANCASTER, TEXAS, IN ALL MATTERS RELATED TO THE APPLICATION; AND PLEDGING THAT IF FUND FOR THIS PROJECT IS RECEIVED, THE CITY OF LANCASTER, TEXAS, WILL COMPLY WITH ALL PROJECT REQUIREMENTS OF THE NCTCOG, THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY AND STATE OF TEXAS.

WHEREAS, the North Central Texas Council of Governments ("NCTCOG") is directed by the Texas Commission on Environmental Quality to administer solid waste project funds for the implementation of the NCTCOG's adopted Regional Solid Waste Management Plan; and

WHEREAS, the City of Lancaster, in the State of Texas, is qualified to apply for project funds under the Request for Project Applications.

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

SECTION 1. That the City Manager is authorized to request project funding in the amount of fifty-four thousand one hundred seventy-five dollars and forty-four cents (\$54,175.44) under the North Central Texas Council of Governments' ("NCTCOG") Request for Project Applications of the Regional Solid Waste Local Project Funding Program and to act on behalf of the City of Lancaster, Texas (the "City"), in all matters related to the project applications and any subsequent project contract that may result.

SECTION 2. That if funded, the City will comply with the project requirements of the NCTCOG, the Texas Commission on Environmental Quality (TCEQ) and the State of Texas.

SECTION 3. That the City will allocate and expend the necessary monies to support this grant project and then seek reimbursement from NCTCOG on a timely basis.

SECTION 4. That the grant project funds and any project-funded equipment or facilities will be used only for the purposes for which they are intended under the project.

SECTION 5. That the grant activities will comply with and support the adopted regional and local solid waste management plans adopted for the geographical area in which the activities are performed.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of March, 2018.

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

3.

Meeting Date: 03/12/2018

Policy Statement: This request supports the City Council 2017-2018 Policy Agenda.

Goal(s): Quality Development

Submitted by: Shane Shepard, Economic Development Director

Agenda Caption:

Discuss and consider a resolution to authorize the assignment and assumption of an Economic Development Agreement between the City of Lancaster and PIHV South Pointe Industrial, LLC to the City of Lancaster and LIT Industrial Limited Partnership.

Background:

On November 10, 2014, Council approved an Economic Development Agreement between the City of Lancaster and PIHV South Pointe Industrial, LLC (Pauls Corp.) to provide an annual grant in an amount equivalent to forty-five percent (45%) of real property taxes assessed against the property for a given tax year for a period of five (5) years. The grant was a contributing factor for Pauls Corp to undertake the project and build two warehouse-distribution buildings totaling approximately 420,000 square feet. The grant would begin the calendar year immediately following the date a Certificate of Occupancy is issued or January 1, 2016, whichever is later. The Certificate of Occupancy was issued on January 4, 2018; therefore, this grant may be exercised starting next year.

Clarion Partners is under contract to purchase the two properties in Lancaster currently owned by Pauls Corp. Clarion Partners has requested the Economic Development Agreement for this project/property by the Pauls Corporation be assigned from Pauls Corp. to Clarion. Clarion Partners is currently negotiating with two projects for the property under contract.

Per Section 6.11 in the Agreement, Pauls Corp. may not assign the Agreement to a non-subsidiary without the City's prior written consent.

Operational Considerations:

Upon assignment of the agreement, Clarion Partners would annually submit detailed verification of the real property tax report and receipts for tax payments in order to exercise the grant. Within 60 days of verification of payment, the City will remit forty-five percent (45%) of the payment to the company for a period of five (5) years.

Legal Considerations:

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

Public Information Considerations:

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

Options/Alternatives:

1. The City Council may approve the resolution and agreement, as presented.
2. The City Council may deny the resolution and agreement and direct staff.

Recommendation:

Staff recommends approval of resolution, as presented.

Attachments

Resolution

Assignment and Assumption Agreement

Resolution 2014-11-93

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING THE ASSIGNMENT AND ASSUMPTION OF AN EXISTING ECONOMIC DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF LANCASTER, TEXAS, PIHV SOUTH POINTE INDUSTRIAL, LLC, THE TERMS OF WHICH ARE TO BE ASSIGNED AND ASSUMED BY LIT INDUSTRIAL LIMITED PARTNERSHIP; AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, The City Council adopted Resolution 2014-11-93 providing an economic development agreement between PIHV South Pointe Industrial and the City of Lancaster providing real property tax rebates; and

WHEREAS, LIT Industrial Limited Partnership is acquiring the property from PIHV South Pointe Industrial and requested a transfer of assignment of the Economic Development Agreement and such assignment may not be granted without written permission from the City of Lancaster.

WHEREAS, The City of Lancaster recognizes how important business and community development is to the vitality and growth of Lancaster; and

WHEREAS, the City has adopted programs for promoting economic development, and an Economic Development Agreement and the economic development incentives set forth herein are given and provided by the City pursuant to and in accordance with those programs; and

WHEREAS, the City is authorized by Chapter 380 of the Texas Local Government Code to issue grants in order to promote local economic development by stimulating the local economy; and

WHEREAS, the Agreement containing the terms of the grant of incentives from the City is appropriate.

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

SECTION 1. The City Council of the City of Lancaster, Texas approves an Assignment and Assumption of a Economic Development Agreement by and between the City of Lancaster and PIHV South Pointe Industrial, LLC to the City of Lancaster and LIT Industrial Limited Partnership.

SECTION 2. The City Council authorizes the City Manager to execute the Economic Development Agreement between the City of Lancaster and LIT Industrial Limited Partnership.

SECTION 3. This Resolution shall take effect immediately from and after the date of passage and is provided by law.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 12th day of March, 2018.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

**ASSIGNMENT AND ASSUMPTION OF CITY OF LANCASTER, TEXAS
AND PIHV SOUTH POINTE INDUSTRIAL, LLC
ECONOMIC DEVELOPMENT AGREEMENT**

This Assignment and Assumption of City of Lancaster and PIHV South Pointe Industrial, LLC Economic Development Agreement (this “**Assignment**”) is made by and between PIHV South Pointe Industrial, LLC, a Delaware limited liability company (“**Assignor**”), and LIT Industrial Limited Partnership, a Delaware limited partnership (“**Assignee**”).

RECITALS:

A. Effective as of December 12, 2014, City of Lancaster, Texas, a Texas home rule municipal corporation (“**City**”), and Assignor entered into that certain Economic Development Agreement (the “**Agreement**”) relating to warehouses constructed on certain property located in Dallas County, Texas (the “**Property**”), which is more fully described in the Agreement as “the Project.” Each capitalized term used but not defined herein shall have the meaning assigned to that term in the Agreement.

B. Pursuant to that certain Contract of Sale, as amended and assigned, by and between Assignor and Assignee dated effective December 28, 2017, Assignee has acquired or subsequently will acquire the Property.

C. Assignor has agreed to assign its interest in the Agreement to Assignee, and Assignee has agreed to accept such assignment and assume the obligations of Assignor under the Agreement, as hereinafter set forth.

AGREEMENT

1. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby assigns, transfers and conveys to Assignee all of its right, title and interest in and under the Agreement.

2. Assignee hereby solely and completely assumes and agrees to be bound by any and all obligations, covenants and/or conditions contained in the Agreement.

3. Assignor and Assignee expressly agree that Assignee is eligible to receive only those economic development grants not yet awarded to Assignor under the Agreement.

4. For purposes of notice, the address of Assignee under the Agreement, until changed as provided in the Agreement, shall be as follows:

If to Assignee: LIT Industrial Limited Partnership
c/o Clarion Partners
1717 McKinney Avenue, Suite 1900
Dallas, TX 75202
Telephone: 214.775.7677
Facsimile: 214.647.4901
courtney.phelps@clarionpartners.com

With copy to: Vinson & Elkins, LLP
Attn: Russell W. Oshman
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
Telephone: 214.220.7903
Facsimile: 214.999.7903
roshman@velaw.com

5. For purposes of notice, the address of City's counsel under the Agreement, until changed as provided in the Agreement, shall be as follows:

With copy to: Brown & Hofmeister, LLP
Attn: David T. Ritter
740 East Campbell Road, Suite 800
Richardson, TX 75081
Telephone: 214.747.6100
Facsimile: 214.747.6111
dritter@bhlaw.net

AS INDICATED BELOW, this Assignment has been approved by City pursuant to Section 6.11, of the Agreement.

[SIGNATURE PAGES ATTACHED HERETO.]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment to be effective as of March _____, 2018.

SIGNED AND ACKNOWLEDGED

ASSIGNOR:

PIHV SOUTH POINTE INDUSTRIAL, LLC
a Delaware limited liability company

By: _____

Name: _____

Title: _____

THE STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on the ____ day of March, 2018, by _____, _____ of PIHV South Pointe Industrial, LLC, a Delaware limited liability company, on behalf of said limited liability company.

Notary Public in and for the
State of Texas

My commission expires: _____

ASSIGNEE:

LIT INDUSTRIAL LIMITED PARTNERSHIP,
a Delaware Limited Partnership,

By: **LIT HOLDINGS, GP, LLC**
a Delaware limited liability company,
its general partner

By: _____

Name: _____

Title: _____

THE STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on the ____ day of March, 2018, by _____, _____ of LIT HOLDINGS GP, LLC, a Delaware limited liability company, as general partner of LIT INDUSTRIAL LIMITED PARTNERSHIP, and on behalf of said limited partnership

Notary Public in and for the
State of Texas

**CITY OF LANCASTER APPROVAL OF ASSIGNMENT AND ASSUMPTION OF
ECONOMIC DEVELOPMENT AGREEMENT**

This will acknowledge and confirm the undersigned's approval of the above Assignment of the Agreement from PIHV SOUTH POINTE INDUSTRIAL, LLC, to LIT INDUSTRIAL LIMITED PARTERSHIP.

CITY OF LANCASTER, TEXAS

By: _____
Name: Opal Mauldin-Jones
Title: City Manager

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me this _____ day of March, 2018, by Opal Mauldin-Jones, City Manager of the City of Lancaster, Texas, a Texas home rule municipal corporation, on behalf of said City.

[S E A L]

Notary Public in and for the
State of Texas

My Commission Expires:

RESOLUTION NO. 2014-11-93

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, AUTHORIZING THE CITY MANAGER TO EXECUTE ECONOMIC DEVELOPMENT AGREEMENT WHICH IS ATTACHED HERETO AS EXHIBIT A PURSUANT TO CHAPTER 380, TEXAS LOCAL GOVERNMENT CODE, BY AND BETWEEN THE CITY OF LANCASTER AND PIHV SOUTH POINTE INDUSTRIAL, LLC A DELAWARE CORPORATION; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, PIHV South Pointe Industrial, LLC, a Delaware corporation has purchased approximately twenty-eight (28) acres of real property in Lancaster, Texas and desires to construct two logistics-distribution facilities totaling 420,000 square feet; and

WHEREAS, PIHV South Pointe Industrial, LLC's development of the Premises will provide employment opportunities within the City; and

WHEREAS, the location of PIHV South Pointe Industrial, LLC's project on the Premises will result in a significant capital investment and improvements on the Premises; and

WHEREAS, PIHV South Pointe Industrial, LLC has advised the City that a contributing factor that would induce the company to construct and lease to tenants the two buildings would be an agreement by the City to provide an economic development grant to the company; and

WHEREAS, the City has adopted programs for promoting economic development, and this Agreement and the economic development incentives set forth herein are given and provided by the City pursuant to and in accordance with those programs; and

WHEREAS, the City is authorized by Article III, Section 52-a of the Texas Constitution and Texas Local Government Code Chapter 380 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City; and

WHEREAS, the City has determined that making an economic development grant to PIHV South Pointe Industrial, LLC in accordance with this Agreement is in accordance with the City Economic Development Policy and will: (i) further the objectives of the City; (ii) benefit the City and the City's inhabitants; and (iii) will promote local economic development and stimulate business and commercial activity in the City; and

WHEREAS, City desires to authorize the City Manager to enter into an Economic Development Agreement with PIHV South Pointe Industrial, LLC pursuant to Chapter 380 of the Texas Local Government Code.

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 execute an Economic Development Agreement, which is attached hereto and incorporated herein as Exhibit A, pursuant to Chapter 380 of the Texas Local Government Code (and any amendments thereto, including any related instruments), on behalf of the City of Lancaster, Texas, with PIHV South Pointe Industrial, LLC and its affiliated and related entities.

SECTION 2. That all provisions of the resolutions of the City of Lancaster, Texas, in conflict with the provisions of this resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution shall remain in full force and effect.

SECTION 3. That should any word, sentence, paragraph, subdivision, clause, phrase or section of this resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

SECTION 4. This resolution shall take effect immediately from and after its passage, as the law and charter in such cases provide.

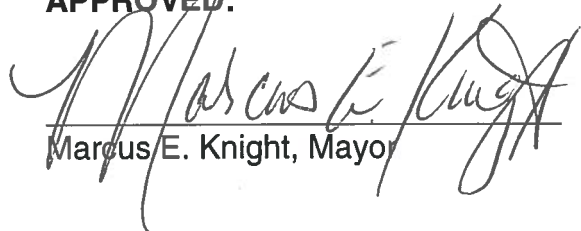
DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 10th day of November, 2014.

ATTEST:



Sorangel O. Arenas, City Secretary

APPROVED:



Marcus E. Knight, Mayor

APPROVED AS TO FORM:



Robert E. Hager, City Attorney

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

Economic Development Agreement

This Economic Development Agreement ("Agreement") is made by and between the City of Lancaster, Texas ("City"), and PIHV South Pointe Industrial, LLC, a Delaware corporation, (the "Company"), acting by and through their respective authorized representatives.

W I T N E S S E T H:

WHEREAS, the Company has purchased approximately 28 acres of real property in the City of Lancaster, Texas, and being more particularly described in **Exhibit "A"** (the "Property"); and

WHEREAS, the Company intends to construct two warehouse-distribution buildings totaling approximately 420,000 square feet and related infrastructure for future tenant or owner occupied warehouse-distribution operations (the "Project") and building permits will be applied for and construction on the first building will commence within eighteen (18) months from the execution of this agreement; and

WHEREAS, the Company has advised the City that a contributing factor that would induce the Company to undertake the Project would be an agreement by the City to provide an economic development grant to the Company to reimburse it for a portion of the Real Estate Taxes (hereinafter defined); and

WHEREAS, the City desires to encourage business expansions within the City that will add property tax base and generate additional sales tax and other revenue for the City; and

WHEREAS, the promoting the expansion of new or existing businesses within the City will promote economic development, stimulate commercial activity, generate additional sales tax and will enhance the Premises tax base and economic vitality of the City; and

WHEREAS, the City has adopted programs for promoting economic development, and this Agreement and the economic development incentives set forth herein are given and provided by the City pursuant to and in accordance with those programs; and

WHEREAS, the City is authorized by Article III, Section 52-a of the Texas Constitution and Texas Local Government Code Chapter 380 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City; and

WHEREAS, the City has determined that making an economic development grant to the Company in accordance with this Agreement is in accordance with the City Economic Development Program and will: (i) further the objectives of the City; (ii) benefit the City and the City's inhabitants; and (iii) will promote local economic development and stimulate business and commercial activity in the City.

NOW THEREFORE, in consideration of the foregoing, and on the terms and conditions hereinafter set forth, and other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Article I Definitions

For purposes of this Agreement, each of the following terms shall have the meaning set forth herein unless the context clearly indicates otherwise:

“Annual Grant(s)” shall mean annual economic development grants to be provided by the City in an amount equivalent to 45 percent (45%) of the Real Property Taxes assessed against the Premises for a given tax year for a period of five (5) consecutive tax years beginning with the first calendar year following the Commencement Date, to be paid as set forth herein.

“Casualty” shall mean the Improvements are wholly or partially destroyed by fire, tornado, hurricane, earthquake, flood or similar casualty that renders the Improvements unfit for the intended purpose.

“City” shall mean the City of Lancaster, Texas.

“Commencement Date” shall mean the later of (a) January 1 of the calendar year immediately following the date a Certificate of Occupancy is issued by the City for the Company’s occupancy of the improvements; and (b) January 1, 2016.

“Company” shall mean PIHV South Pointe Industrial, LLC, a Delaware corporation.

“Company Affiliate” shall mean any parent of Company or any wholly-owned subsidiary of either Company or of Company’s parent.

“Effective Date” shall mean the last date of execution hereof.

“Event of Bankruptcy or Insolvency” shall mean the dissolution or termination of a party’s existence as a going business, insolvency, appointment of receiver for any part of such party’s property and such appointment is not terminated within ninety (90) days after such appointment is initially made, any general assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against such party and such proceeding is not dismissed within ninety (90) days after the filing thereof.

“Event of Force Majeure” shall mean any contingency or cause beyond the reasonable control of a party including, without limitation, acts of God or the public enemy, war, terrorist act, or threat thereof, riot, civil commotion, insurrection, government action or inaction (unless caused by the intentionally wrongful acts or omissions of the party), fires, earthquake, tornado, hurricane, explosions, floods, strikes, slowdowns or work stoppages.

“Expiration Date” shall mean the fourth (4th) year after the payment of the first Annual Grant.

“Impositions” shall mean all taxes, assessments, use and occupancy taxes, charges, excises, license and permit fees, and other charges by public or governmental authority, general and special, ordinary and extraordinary, foreseen and unforeseen, which are or may be assessed, charged, levied, or imposed by any public or governmental authority on the Company or any property or any business owned by Company within the City.

“Premises” shall mean the real property described on Exhibit “A” with or without improvements.”

“Payment Request” shall mean a written request from Company to the City for payment of an Annual Grant.

“Project” shall mean the development of the Premises, by the design, construction and maintenance of new improvements and related infrastructure for at least two (2) warehouses-distribution and/or secondary office buildings totaling 420,000 square feet.

“Real Property Taxes” shall mean, all real estate ad valorem taxes assessed and levied by the City on the real property with or without improvements in accordance with state law.

“Real Property” shall mean all real estate ad valorem taxes assessed by the City on the real property with or without improvements.

“Related Infrastructure” shall mean all City development and building code requirements related to site preparation, water, wastewater, storm water, building construction etc. necessary to receive a City issue “Certificate of Occupancy” at completion of project activities.

“Required Use” shall mean Company’s continuous operation by tenant or available lease warehouse-distribution facilities on the Premises.

“Taxable Value” shall mean the assessed value of the Premises as certified by the appraisal district, or its successor, for a given year.

Article II

Term

The term of this Agreement shall begin on the last date of execution hereof (the “Effective Date”) and end on the fourth (4th) anniversary of the date of issuance by the City of a final certificate of occupancy for the Project.

Article III

Economic Development Grants

3.1 **Annual Grants.** Subject to the Company's continued satisfaction of all the terms and conditions of this Agreement, the City agrees to provide the Company with the Annual Grants to be paid on March 1 of each calendar year, (or the immediately following business day of March 1 is not a business day), beginning with March 1 of the first full calendar year following the Commencement Date, provided the City has timely received the Real Estate Taxes assessed against the Premises in full for the respective tax year (i.e., the tax year immediately preceding the year in which an Annual Grant is made; and such Real Estate Taxes with respect to that immediately preceding tax year are used to determine the amount of each Annual Grant). For illustration purposes only, assume that the Real Estate taxes assessed against the Premises for tax year 2015 is \$100,000.00 then the amount of the first Annual Grant for the Premises for Tax Year 2015 would be, \$45,000.00 (\$100,000.00 x 45%), and would be paid on March 1, 2016.

3.2 **Grant Limitations.** Under no circumstances shall City obligations hereunder be deemed to create any debt within the meaning of any constitutional or statutory provision. Further, City shall not be obligated to pay any commercial bank, lender or similar institution for any loan or credit agreement made by the Company. None of the City's obligations under this Agreement shall be pledged or otherwise encumbered in favor of any commercial lender and/or similar financial institution.

3.3 **Current Revenue.** The Annual Grants made hereunder shall be paid solely from lawfully available funds that have been appropriated by the City; provided however the City agrees during the term of this Agreement to make a good faith effort to appropriate funds each year to pay the Annual Grant for the then ensuing fiscal year. Consequently, notwithstanding any other provision of this Agreement, the City shall have no obligation or liability to pay any Grants except as allowed by law. The City shall not be required to pay any Annual Grants if prohibited under federal or state legislation or a decision of a court of competent jurisdiction.

3.4 **Tax Protest.** In the event the Company or the owner of the Premises timely and properly protests or contests (including any motion to correct the appraisal roll) the Taxable Value and/or the taxation of the Premises, or any portion thereof, with the applicable appraisal district (or its successor), and such protest and/or contest results in a final determination that changes the appraised value and/or the Taxable Value of the Premises or the amount of ad valorem taxes assessed and due for the Premises, or portion thereof, after an Annual Grant has been paid for such Premises for such tax year, the Annual Grant for such tax year shall be adjusted (increased or decreased as the case may be) accordingly on the date of payment of the next Annual Grant payment date, or within sixty (60) business days after such determination in the event no further Annual Grant payments are due under the Agreement.

3.5 **Refunds.** In the event the City determines in its sole discretion that the amount of an Annual Grant paid by the City to the Company was incorrect, the Company shall, within sixty (60) days after receipt of written notification thereof from the City specifying the amount by which such Annual Grant exceeded the correct amount to which the Company was entitled (together with such records, reports and other information necessary to support such determination), pay such amount to the City. If the City determines that the amount by which such Annual Grant was less than the correct amount to which the Company was entitled (together with such records, reports and

other information necessary to support such determination), the City shall, within sixty (60) days, pay the adjustment to the Company. If the Company disputes the City's determination, the parties shall seek to amicably resolve the matter, subject to either party's right to pursue any available rights or remedies in connection therewith.

Article IV

Conditions to the Economic Development Grant

The obligation of the City to provide the Grants shall be conditioned upon the Company's continued compliance with and satisfaction of each of the terms and conditions of this Agreement and each of the conditions set forth below:

4.1 During the term of this Agreement following the Commencement Date and continuing thereafter until the Expiration Date, or earlier termination, the Company agrees to continuously own, lease or make available for lease the Improvements and shall not allow the operation of the Improvements in conformance with the Required Use to cease for more than sixty (60) days except in connection with, and to the extent of a Casualty or an Event of Force Majeure.

4.2 The Company shall commence Project construction on the Premises within eighteen months (18 months) of the execution date of this agreement or the agreement will terminate.

4.3 The Company shall not have an uncured breach or default of this Agreement.

4.4 The Company shall comply with all the terms and conditions of this Agreement.

Article V

Termination

5.1 This Agreement terminates on the Expiration Date, and may prior to the Expiration Date, be terminated upon any one or more of the following:

- (a) by mutual written agreement of the parties;
- (b) by either party, if the other party defaults or breaches any of the terms or conditions of this Agreement and such default or breach is not cured within thirty (30) days after written notice thereof;
- (c) by City, if any Impositions owed to the City or the State of Texas by Company shall have become delinquent (provided, however, Company retains the right to timely and properly protest and contest any such taxes or Impositions);
- (d) by City, if Company suffers an Event of Bankruptcy or Insolvency; or
- (e) by either party if any subsequent Federal or State legislation or any decision of a court of competent jurisdiction declares or renders this Agreement invalid, illegal or unenforceable.

5.2 In the event the Agreement is terminated by the City pursuant to Section 5.1(b),

(c), or (d), the Company shall not be entitled to receive any subsequent Annual Grants under this Agreement but shall have no obligation to refund to the City any Annual Grants (or portion thereof or interest accrued thereon) previously paid by the City to the Company.

5.3 In the event the Agreement is terminated by the City pursuant to Section 5.1(e), the Company shall, only if such legislation or court decision requires, immediately refund to the City an amount equal to the annual Grant(s) paid by the City to the Company immediately preceding the date of such termination. The repayment obligation of Company set forth in this section 5.3 hereof shall survive termination.

Article VI Miscellaneous

6.1 **Binding Agreement.** The terms and conditions of this Agreement are binding upon the successors and permitted assigns of the parties hereto.

6.2 **Limitation on Liability.** It is understood and agreed between the parties that the Company and City, in satisfying the conditions of this Agreement, have acted independently, and the City assumes no responsibilities or liabilities to third parties in connection with these actions.

6.3 **No Joint Venture.** It is acknowledged and agreed by the parties that the terms hereof are not intended to and shall not be deemed to create a partnership or joint venture among the parties.

6.4 **Authorization.** Each party represents that it has full capacity and authority to grant all rights and assume all obligations that are granted and assumed under this Agreement. The undersigned officers and/or agents of the parties hereto are the properly authorized officials and have the necessary authority to execute this Agreement on behalf of the parties hereto.

6.5 **Notice.** Any notice required or permitted to be delivered hereunder shall be deemed received three (3) days thereafter sent by United States Mail, postage prepaid, certified mail, return receipt requested, addressed to the party at the address set forth below (or such other address as such party may subsequently designate in writing) or on the day actually received if sent by courier or otherwise hand delivered.

If intended for City, to:

City of Lancaster
Attn: Opal Mauldin-Robertson
City Manager
P. O. Box 940
211 North Henry Street
Lancaster, Texas 75146-0946

With a copy to:

Robert E. Hager
Nichols, Jackson, Dillard,
Hager & Smith, L.L.P
1800 Lincoln Plaza
500 North Akard
Dallas, Texas 75201

If intended for Company:

The Pauls Corporation
Attn: Chris Manley
Chief Financial Officer
270 Saint Paul Street
Denver, CO 80206

With copy to:

Campbell Killin Brittan
270 Saint Paul Street Suite 200
Denver, Colorado 80206
Att: Joel Mayo

6.6 **Entire Agreement.** This Agreement is the entire Agreement between the parties with respect to the subject matter covered in this Agreement. There is no other collateral oral or written Agreement between the parties that in any manner relates to the subject matter of this Agreement, except as provided in any Exhibits attached hereto.

6.7 **Governing Law.** The Agreement shall be governed by the laws of the State of Texas, without giving effect to any conflicts of law rule or principle that might result in the application of the laws of another jurisdiction; and exclusive venue for any action concerning this Agreement shall be in the State District Court of Dallas County, Texas. The parties agree to submit to the personal and subject matter jurisdiction of said court.

6.8 **Amendment.** This Agreement may only be amended by the mutual written agreement of the parties.

6.9 **Legal Construction.** In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect other provisions, and it is the intention of the parties to this Agreement that in lieu of each provision that is found to be illegal, invalid, or unenforceable, a provision shall be added to this Agreement which is legal, valid and enforceable and is as similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

6.10 **Exhibits.** All exhibits to this Agreement are incorporated herein by reference for all purposes wherever reference is made to the same.

6.11 **Successors and Assigns.** This Agreement may not be assigned without the City's prior written consent, except to a Company subsidiary. Neither the Company nor its legal representatives or successors in interest shall, by operation of law or otherwise, assign, mortgage, pledge, encumber or otherwise transfer this Agreement or any part hereof, or the interest of the Company under this Agreement in either case except to a Company subsidiary, without obtaining the City's prior written consent, which may not be withheld. Any attempted assignment by the Company, except to a Company subsidiary, in violation of the terms and provisions of this Agreement shall be void and shall constitute a material breach of this Agreement.

6.12 **Recitals.** The recitals to this Agreement are incorporated herein.

6.13 **Counterparts.** This Agreement may be executed in counterparts. Each of the counterparts shall be deemed an original instrument, but all of the counterparts shall constitute one and the same instrument.

6.14 **Survival of Covenants.** Any of the representations, warranties, covenants, and obligations of the parties, as well as any rights and benefits of the parties, pertaining to a period of time following the termination of this Agreement shall survive termination.

6.15 **Conditions Precedent.** This Agreement is subject to and conditioned upon the following conditions which are conditions precedent to the obligations of the parties: (i) Company shall diligently and faithfully, in a good and workmanlike manner, make or cause the construction and finish out improvements to the Premises in accordance with all applicable state and local laws and regulations or a valid waiver thereof; (ii) Company shall obtain a Certificate of Occupancy for the Premises.

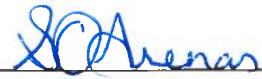
Signature page to follow

EXECUTED on this 10th day of November, 2014.

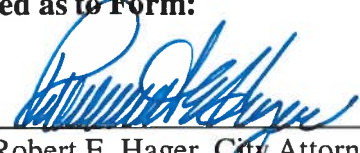
CITY OF LANCASTER, TEXAS

By: 
Opal Mauldin-Robertson, City Manager

Attest:

By: 
Sorangel O. Arenas, City Secretary

Approved as to Form:

By: 
Robert E. Hager, City Attorney

EXECUTED on this 12th day of December, 2014.

PIHV SOUTH POINTE INDUSTRIAL LLC


By: 
Chris Manley, Chief Financial Officer

EXHIBIT A

Legal description of land:

TRACT ONE:

Being Lot 3, in Block 1, of Southpointe Corporate Center, an Addition to the City of Lancaster, Dallas County, Texas, according to the Map thereof recorded under Clerk's File No. 201300251920, Map Records, Dallas County, Texas.

TRACT TWO:

BEING A 25.334 ACRE TRACT OF LAND SITUATED IN THE SILAS B. RUNYON SURVEY, ABSTRACT NO. 1199, CITY OF LANCASTER, DALLAS COUNTY, TEXAS AND BEING ALL OF THAT CALLED 25.4716 ACRE TRACT OF LAND DESIGNATED AS TRACT 2B IN THE WARRANTY DEED TO HIGHLAND PARK LAND COMPANY RECORDED IN INSTRUMENT NUMBER 201100269768, OFFICIAL PUBLIC RECORDS OF DALLAS COUNTY, TEXAS, (O.P.R.D.C.T.), SAID 25.334 ACRE TRACT OF LAND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A TEXAS DEPARTMENT OF TRANSPORTATION CONCRETE RIGHT-OF-WAY MARKER FOUND FOR THE NORTHWEST CORNER OF SAID 25.4716 ACRE TRACT OF LAND AND BEING IN THE SOUTHERLY RIGHT-OF-WAY LINE OF INTERSTATE HIGHWAY 20, (A VARIABLE WIDTH CONTROLLED ACCESS PUBLIC RIGHT-OF-WAY, AS DESCRIBED TO THE STATE OF TEXAS IN THE DEED RECORDED IN VOLUME 855, PAGE 1128 OF THE DEED RECORDS OF DALLAS COUNTY, TEXAS, (D.R.D.C.T.), AND BEING THE NORTHEAST CORNER OF THAT CALLED

.1.595 ACRE TRACT OF LAND DESCRIBED TO JMJ DIRECTION OUTDOOR, LLC IN THE SPECIAL WARRANTY DEED RECORDED IN INSTRUMENT NUMBER 201100228492, O.P.R.D.C.T.;

THENCE NORTH 87°03'19" EAST ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SAID INTERSTATE HIGHWAY 20, A DISTANCE OF 734.17 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR CORNER;

THENCE NORTH 84°12'30" EAST CONTINUING ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, A DISTANCE OF 111.02 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE NORTH END OF A CORNER CLIP AT THE INTERSECTION OF SOUTHERLY RIGHT-OF-WAY LINE OF SAID INTERSTATE HIGHWAY 20 WITH THE WESTERLY RIGHT-OF-WAY LINE OF CORPORATE DRIVE, (A 50-FOOT PUBLIC RIGHT-OF-WAY) AS DEDICATED BY THE FINAL PLAT OF SOUTHPOINTE CORPORATE CENTER, AN ADDITION TO THE CITY OF LANCASTER RECORDED IN INSTRUMENT NUMBER 201000105011, O.P.R.D.C.T.;

THENCE ALONG THE WESTERLY RIGHT-OF-WAY LINE OF SAID CORPORATE DRIVE, THE FOLLOWING SIX (6) CALLS:

1. SOUTH 49°59'52" EAST ALONG SAID CORNER CLIP, A DISTANCE OF 34.87 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR CORNER;
2. SOUTH 04°12'18" EAST, A DISTANCE OF 24.31 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE POINT OF CURVATURE OF A CURVE TO THE LEFT HAVING A RADIUS OF 475.00 FEET;
3. SOUTHEASTERLY WITH SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF

EXHIBIT A

44°17'05" FOR AN ARC LENGTH OF 367.13 FEET, A CHORD BEARING OF SOUTH 26°20'50" EAST AND A CHORD DISTANCE OF 358.06 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE POINT OF TANGENCY;

4. SOUTH 48°29'23" EAST, A DISTANCE OF 163.78 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE POINT OF CURVATURE OF A CURVE TO THE RIGHT HAVING A RADIUS OF 425.00 FEET;

5. SOUTHEASTERLY WITH SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 47°10'59" FOR AN ARC LENGTH OF 349.99 FEET, A CHORD BEARING OF SOUTH 24°53'53" EAST AND A CHORD DISTANCE OF 340.18 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE POINT OF TANGENCY;

6. SOUTH 01°18'24" EAST, A DISTANCE OF 278.24 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE POINT OF INTERSECTION OF SAID WESTERLY RIGHT-OF-WAY LINE WITH THE SOUTHERLY RIGHT-OF-WAY LINE OF SOUTHPOINTE DRIVE, (A VARIABLE WIDTH PUBLIC RIGHT-OF-WAY) AS DEDICATED BY SAID FINAL PLAT OF SOUTHPOINTE CORPORATE CENTER;

THENCE NORTH 88°41'36" EAST ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, A DISTANCE OF 2,263.75 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE NORTH END OF A CORNER CLIP AT THE INTERSECTION OF SAID SOUTHERLY RIGHT-OF-WAY LINE WITH THE WESTERLY RIGHT-OF-WAY LINE OF HOUSTON SCHOOL ROAD, (A VARIABLE WIDTH PUBLIC RIGHT-OF-WAY);

THENCE SOUTH 46°18'44" EAST ALONG SAID CORNER CLIP, A DISTANCE OF 28.29 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR THE SOUTH END OF SAID CORNER CLIP IN THE WESTERLY RIGHT-OF-WAY LINE OF SAID HOUSTON SCHOOL ROAD AND BEING IN THE NORTH LINE OF THE REMAINING PORTION OF THAT CALLED 0.50 ACRE TRACT OF LAND DESCRIBED IN THE SPECIAL WARRANTY DEED FROM LARRY RHOADES AND RHONDA CLEVELAND RHOADES TO JAMIE VILLANUEVA RECORDED IN VOLUME 2003174, PAGE 2320, D.R.D.C.T.;

THENCE SOUTH 88°41'36" WEST ALONG THE COMMON LINE OF SAID 25.4716 ACRE TRACT OF LAND AND SAID 0.50 ACRE TRACT OF LAND, AT A DISTANCE OF 568.25 FEET PASSING THE NORTHWEST CORNER OF SAID 0.50 ACRE TRACT OF LAND SAME BEING THE MOST NORTHERLY NORTHEAST CORNER OF THAT CALLED 60.959 ACRE TRACT OF LAND DESCRIBED TO RANDY JUSTISS AND VIRGINIA A JUSTISS IN THE EXECUTER'S DEED RECORDED IN INSTRUMENT NUMBER 200900077417, O.P.R.D.C.T., CONTINUING ALONG THE COMMON LINE OF SAID 25.4716 ACRE TRACT OF LAND AND SAID 60.959 ACRE TRACT OF LAND IN ALL FOR A TOTAL DISTANCE OF 2,118.45 FEET TO A 5/8-INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "BURY" SET FOR CORNER;

THENCE SOUTH 01°06'22" EAST CONTINUING ALONG THE COMMON LINE OF SAID 25.4716 ACRE TRACT OF LAND AND SAID 60.959 ACRE TRACT OF LAND, A DISTANCE OF 312.49 FEET TO A 5/8-INCH IRON ROD FOUND FOR CORNER IN THE NORTH LINE OF LOT 2, BLOCK A OF CONTRACT FREIGHTERS, INC. ADDITION, AN ADDITION TO THE CITY OF LANCASTER

ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 99155, PAGE 60,
D.R.D.C.T.;

THENCE SOUTH 88°58'03" WEST ALONG THE COMMON LINE OF SAID 25.4716 ACRE TRACT OF LAND AND SAID LOT 2, AT A CALLED DISTANCE OF 144.68 FEET PASSING THE NORTHWEST CORNER OF SAID LOT 2 SAME BEING THE NORTHEAST CORNER OF LOT 1, BLOCK A OF SAID CONTRACT FREIGHTERS, INC. ADDITION, CONTINUING ALONG THE COMMON LINE OF SAID

25.4716 ACRE TRACT OF LAND AND SAID LOT 1 IN ALL FOR A TOTAL DISTANCE OF 733.61 FEET

TO A 5/8-INCH IRON ROD FOUND FOR THE MOST SOUTHERLY SOUTHWEST CORNER OF SAID

25.4716 ACRE TRACT OF LAND AND BEING IN THE EAST RIGHT-OF-WAY LINE OF EATON AVENUE (A CALLED 50-FOOT PUBLIC RIGHT-OF-WAY) AS DEDICATED BY THE DANIELDALE ADDITION, AN ADDITION TO THE CITY OF LANCASTER RECORDED IN VOLUME 35, PAGE 213, MAP RECORDS OF DALLAS COUNTY, TEXAS (M.R.D.C.T.);

THENCE ALONG THE COMMON LINE OF SAID 25.4716 ACRE TRACT OF LAND AND SAID DANIELDALE ADDITION, THE FOLLOWING TWO (2) CALLS:

1. NORTH 00°01'45" WEST, A DISTANCE OF 833.92 FEET TO A 5/8-INCH IRON ROD FOUND FOR THE INTERSECTION OF THE EAST RIGHT-OF-WAY LINE OF SAID EATON AVENUE WITH THE NORTH RIGHT-OF-WAY LINE OF BRANTLEY DRIVE (A CALLED 25-FOOT PUBLIC RIGHT-OF-WAY) AND FROM WHICH A 1/2-INCH IRON ROD FOUND BEARS NORTH

03°33' EAST, A DISTANCE OF 13.4 FEET;

2. SOUTH 89°05'58" WEST, A DISTANCE OF 724.42 FEET TO A 1/2-INCH IRON ROD FOUND FOR THE INTERSECTION OF THE NORTH RIGHT-OF-WAY LINE OF SAID BRANTLEY DRIVE WITH THE EAST RIGHT-OF-WAY LINE OF PATMAN DRIVE (A CALLED 50-FOOT PUBLIC RIGHT-OF-WAY) AND FROM WHICH A 1/2-INCH IRON ROD FOUND BEARS SOUTH

00°53' EAST, A DISTANCE OF 6.7 FEET AND A 1/2-INCH IRON ROD FOUND BEARS NORTH 87°21' WEST, A DISTANCE OF 19.4 FEET;

THENCE NORTH 01°48'07" WEST, CONTINUING ALONG SAID COMMON LINE AT A DISTANCE OF 345.04 FEET PASSING THE INTERSECTION OF THE EAST RIGHT-OF-WAY LINE OF SAID PATMAN DRIVE WITH THE NORTH RIGHT-OF-WAY LINE OF SAID BRANTLEY DRIVE SAME BEING THE SOUTHEAST CORNER OF THE AFOREMENTIONED 1.595 ACRE TRACT OF LAND DESCRIBED TO JMJ DIRECTION OUTDOOR, LLC, CONTINUING ALONG THE COMMON LINE OF SAID 1.595 ACRE TRACT OF LAND AND SAID 25.4716 ACRE TRACT OF LAND IN ALL A TOTAL DISTANCE 533.50 FEET TO THE POINT OF BEGINNING;

CONTAINING A COMPUTED AREA OF 1,163;53 SQUARE FEET OR 25,33< ACRES OF LAND.

NOTE: COMPANY DOES NOT REPRESENT THAT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE CALCULATIONS ARE CORRECT.

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Opal Mauldin Robertson , City Manager of the City of Lancaster, a Texas non-profit corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said corporation, and that he executed the same as the act of said corporation for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND SEAL OF OFFICE this the ____ day of _____, 2014.

Notary Public, State of Texas

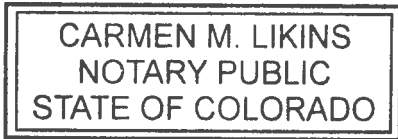
My Commission Expires:

ACKNOWLEDGMENT

STATE OF COLORADO §
§
COUNTY OF DENVER §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of COLORADO, on this day personally appeared PIHV SOUTH POINTE INDUSTRIAL, LLC,
CHRIS MANLEY, Chief Financial Officer _____, a Delaware corporation, known to me to be the person and agent whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said corporation, and that he executed the same as the act of said corporation for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND SEAL OF OFFICE this the 12th day of DECEMBER, 2014.



Carmen M. Likins
Notary Public, State of COLORADO

My Commission Expires:

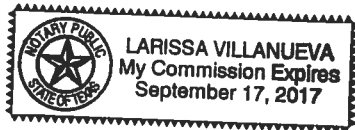
3/5/15

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Opal Mauldin-Robertson, City Manager of the City of Lancaster, a Texas non-profit corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said corporation, and that he executed the same as the act of said corporation for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND SEAL OF OFFICE this the 10th day of November, 2014.





Notary Public, State of Texas

My Commission Expires:
September 17, 2017

LANCASTER CITY COUNCIL

City Council Regular Meeting

4.

Meeting Date: 03/12/2018

Policy Statement: This request supports the City Council 2017-2018 Policy Agenda.

Goal(s): Financially Sound Government

Submitted by: Fabrice Kabona, Assistant to the City Manager

Agenda Caption:

Discuss and consider a resolution approving a tariff authorizing an annual rate review mechanism ("RRM") as a substitution for the annual interim rate adjustment process and as negotiated between Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), the Atmos Cities Steering Committee (ACSC); and requiring the company to reimburse the cities' reasonable rate making expenses.

Background:

The City of Lancaster, along with 171 other cities served by Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee (ACSC), referred to here as "Cities". In 2007, the Cities and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301 of the Texas Utilities Code for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability Infrastructure Program legislation). That settlement created a substitute rate review process, referred to as Rate Review Mechanism ("RRM") which allows participation by Cities in the rate review process, as a substitute for future filings under the GRIP statute.

Since 2007, there has been several modifications to the original RRM Tariff. The Resolution that resolved the Company's application under the RRM Tariff in 2017 also terminated the existing RRM Tariff and required a renegotiation of the terms of that tariff. Negotiations have taken place over the past several months, and have resulted in a revised RRM Tariff that has been agreed to by the Company. The ACSC's Executive Committee has recommended acceptance of the revised RRM Tariff, which is attached to the Resolution.

Cities strongly opposed the GRIP process because it constitutes piecemeal rate making by ignoring declining expenses and increasing revenues and rewarding the Company for increasing capital investment. The GRIP process does not allow any review of the reasonableness of capital investment and does not allow cities to participate in the Railroad Commission's review of annual GRIP filings or recover their rate case expenses. The Railroad Commission undertakes a mere administrative review of GRIP filings (instead of a full hearing) and rate increases go into effect without any material adjustments. In the Steering Committee's view, the GRIP process unfairly raises customers' rates without any regulatory oversight. In contrast, the RRM process has allowed for a more comprehensive rate review and annual evaluation of expenses and revenues, as well as capital investment.

The RRM Tariff on which the 2017 rates were based allowed a rate of return on equity of 10.50%. The revised RRM Tariff reduces that to 9.8%. The revised RRM Tariff also captures the reduction in federal income tax rates from 35% to 21%, and should result in a rate reduction effective by mid-March, 2018. Prior RRM tariffs allowed Cities only three months to review the Company's filing. The new revised Tariff expands that time period by two months. New applications by the Company should be made on or about April 1 of each year, with new rates effective October 1. A rate order from the Railroad

Commission in an Atmos Texas Pipeline rate case adopted the position of Cities with regard to incentive compensation related to Atmos' Shared Services Unit that reduced allowed expenses, and that reduced level of expenses will be applicable under the new RRM Tariff.

Operational Considerations:

The purpose of this item is to adopt a new rate review mechanism.

The regulatory authority having original jurisdiction over the Company's rates shall review and render a decision on the Company's proposed rate adjustment prior to the Effective Date. The Company shall provide all supplemental information requested to ensure an opportunity for adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within seven (7) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the proposed rate adjustment into compliance with the provisions of this tariff.

During the Review Period, the Company and the regulatory authority will work collaboratively and seek agreement on the level of rate adjustments. If, at the end of the Review Period, the Company and the regulatory authority have not reached agreement, the regulatory authority shall take action to modify or deny the proposed rate adjustments. The Company shall have the right to appeal the regulatory authority's action to the Railroad Commission of Texas. Upon the filing of an appeal of the regulatory authority's order relating to an annual RRM filing with the Railroad Commission of Texas, the regulatory authority having original jurisdiction over the Company's rates shall not oppose the implementation of the Company's proposed rates subject to refund, nor will the regulatory authority advocate for the imposition of a third party surety bond by the Company. Any refund shall be limited to and determined based on the resolution of the disputed adjustment(s) in a final, non-appealable order issued in the appeal filed by the Company at the Railroad Commission of Texas.

In the event that the regulatory authority and Company agree to a rate adjustment(s) that is different from the adjustment(s) requested in the Company's filing, the Company shall file compliance tariffs consistent with the agreement. No action on the part of the regulatory authority shall be required to allow the rate adjustment(s) to become effective on October 1. To the extent that the regulatory authority does not take action on the Company's RRM filing by September 30, the rates proposed in the Company's filing shall be deemed approved effective October 1.

To defray the cost, if any, of regulatory authorities conducting a review of the Company's annual RRM filing, the Company shall reimburse the regulatory authorities on a monthly basis for their reasonable expenses incurred upon submission of invoices for such review. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made. A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company no later than December 1 of the year in which the RRM filing is made and the Company shall reimburse regulatory authorities in accordance with this provision on or before December 31 of the year the RRM filing is made.

Legal Considerations:

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

Public Information Considerations:

This resolution is being considered at a regular meeting at City Council, in accordance with the Texas Open Meetings Act.

Options/Alternatives:

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

Recommendation:

Staff recommends approval of the resolution, as submitted.

Attachments

Resolution

New Rate Review Mechanism Tariff

Exhibit A

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING A TARIFF AUTHORIZING AN ANNUAL RATE REVIEW MECHANISM ("RRM") AS A SUBSTITUTION FOR THE ANNUAL INTERIM RATE ADJUSTMENT PROCESS DEFINED BY SECTION 104.301 OF THE TEXAS UTILITIES CODE, AND AS NEGOTIATED BETWEEN ATMOS ENERGY CORP., MID-TEX.

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 and similarly-situated Mid-Tex municipalities created the Steering Committee of Cities Served by Atmos to efficiently address all rate and service matters associated with delivery of natural gas; and

WHEREAS, the Steering Committee formed an Executive Committee to direct legal counsel and to recommend certain specific actions to all aligned Mid-Tex Cities through resolution or ordinance; and

WHEREAS, pursuant to the terms of a November 2007 agreement between the Steering Committee and Atmos Mid-Tex that settled the Company's interim rate filing under Section 104.301 of the Texas Utilities Code (a "GRIP" rate case), the Steering Committee and the Company collaboratively developed a Rate Review Mechanism ("RRM") Tariff, ultimately authorized by the City in 2008, that allows for an expedited rate review process as a substitute for the GRIP process; and

WHEREAS, the City has kept some form of a RRM Tariff in place until 2017 when it adopted a resolution approving an RRM Tariff filing settlement and specifically calling for termination of the existing RRM Tariff and negotiation of a replacement RRM Tariff following the Railroad Commission's decision in a then-pending Atmos Texas Pipeline case (GUD No. 10580); and

WHEREAS, the Steering Committee's Executive Committee has recently approved a settlement with the Company on the attached RRM Tariff that contains certain notable improvements, from a consumer perspective, over the prior RRM Tariff, including a reduced rate of return on equity, acceptance of certain expense adjustments made by the Railroad Commission in the Order in GUD No. 10580, and the addition of two months to the time for processing a RRM Tariff application; and

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

WHEREAS, the Steering Committee's Executive Committee recommends that all Steering Committee member cities adopt this resolution and the attached RRM Tariff; and

WHEREAS, the attached RRM Tariff is just, reasonable and in the public interest,

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 attached RRM Tariff re-establishing a form of Rate Review Mechanism is just and reasonable and in the public interest, and is hereby adopted.

SECTION 3. That Atmos Mid-Tex shall reimburse the Cities' reasonable expenses associated with adoption of this Resolution and the attached RRM Tariff and in processing future RRM Tariff applications filed pursuant to the attached tariff.

SECTION 4. That to the extent any resolution or ordinance previously adopted by the City is inconsistent with this Resolution, it is hereby repealed.

SECTION 5. 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 6. 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 this Resolution shall be interpreted as if the offending section or clause never existed.

SECTION 7. That this Resolution shall become effective from and after its passage.

SECTION 8. That a copy of this Resolution shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs, Atmos Energy Corporation, Mid-Tex Division, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to Mid-Tex Cities, 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 March, 2018.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

David T. Ritter, City Attorney

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	RRM – Rate Review Mechanism	
APPLICABLE TO:	ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE	
EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 1

I. Applicability

Applicable to Residential, Commercial, Industrial, and Transportation tariff customers within the city limits of cities identified in Exhibit A that receive service from the Mid-Tex Division of Atmos Energy Corporation (“Company”). This Rate Review Mechanism (“RRM”) provides for an annual adjustment to the Company’s Rate Schedules R, C, I and T (“Applicable Rate Schedules”). Rate calculations and adjustments required by this tariff shall be determined on a System-Wide cost basis.

II. Definitions

“Test Period” is defined as the twelve months ending December 31 of each preceding calendar year.

The “Effective Date” is the date that adjustments required by this tariff are applied to customer bills. The annual Effective Date is October 1.

Unless otherwise provided in this tariff the term Final Order refers to the final order issued by the Railroad Commission of Texas in GUD No. 10170 and elements of GUD No. 10580 as specified in Section III below.

The term “System-Wide” means all incorporated and unincorporated areas served by the Company.

“Review Period” is defined as the period from the Filing Date until the Effective Date.

The “Filing Date” is as early as practicable, but no later than April 1 of each year.

III. Calculation

The RRM shall calculate an annual, System-Wide cost of service (“COS”) that will be used to adjust applicable rate schedules prospectively as of the Effective Date. The Company may request recovery of its total cost of service but will include schedules showing the computation of any adjustments. The annual cost of service will be calculated according to the following formula:

$$\text{COS} = \text{OM} + \text{DEP} + \text{RI} + \text{TAX} + \text{CD}$$

Where:

OM = all reasonable and necessary operation and maintenance expenses from the Test Period adjusted for known and measurable items and prepared

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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consistent with the rate making treatments approved in the Final Order. Incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) related to Atmos' Shared Services Unit will be applied consistent with treatment approved in GUD 10580. Additionally, O&M adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date. OM may be adjusted for atypical and non-recurring items. Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Test Period, but the methodology used will be that approved in the Final Order in GUD 10580.

DEP = depreciation expense calculated at depreciation rates approved by the Final Order. Additionally, if depreciation rates are approved in a subsequent final order, not subject to appeal, issued by the Railroad Commission of Texas for the Mid-Tex division those rates would be applicable for subsequent RRM filings.

RI = return on prudently incurred investment calculated as the Company's pretax return multiplied by rate base at Test Period end. Rate base is prepared consistent with the rate making treatments approved in the Final Order, and as in GUD 10580 as specifically related to capitalized incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) for Atmos' Shared Services Unit. However, no post Test Period adjustments will be permitted. Additionally, adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Pretax return is the Company's weighted average cost of capital before income taxes. The Company's weighted average cost of capital is calculated using the methodology from the Final Order including the Company's actual capital structure and long term cost of debt as of the Test Period end (adjusted for any known and measurable changes that have occurred prior to the filing date) and the return on equity of 9.8%. However, in no event will the percentage of equity exceed 58%. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. Cash working capital will be calculated using the lead/lag days approved in the Final Order. With respect to pension and other postemployment benefits, the Company will record a regulatory asset or liability for these costs until the amounts are included in the next annual rate adjustment implemented under this tariff. Each year, the Company's filing under this Rider RRM will clearly state the level of pension

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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and other postemployment benefits recovered in rates.

TAX = income tax and taxes other than income tax from the Test Period adjusted for known and measurable changes occurring after the Test Period and before the Filing Date, and prepared consistent with the rate making treatments approved in the Final Order. Atmos Energy shall comprehensively account for, including establishing a regulatory liability to account for, any statutory change in tax expense that is applicable to months during the Test Period in the calculation to ensure recovery of tax expense under new and old income tax rates.

CD = interest on customer deposits.

IV. Annual Rate Adjustment

The Company shall provide schedules and work papers supporting the Filing's revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. The result shall be reflected in the proposed new rates to be established for the effective period. The Revenue Requirement will be apportioned to customer classes in the same manner that Company's Revenue Requirement was apportioned in the Final Order. For the Residential Class, 50% of the increase may be recovered in the customer charge. However, the increase to the Residential customer charge shall not exceed \$0.60 per month in the initial filing and \$0.70 per month in any subsequent year. The remainder of the Residential Class increase not collected in the customer charge will be recovered in the usage charge. For all other classes, the change in rates will be apportioned between the customer charge and the usage charge, consistent with the Final Order. Test Period billing determinants shall be adjusted and normalized according to the methodology utilized in the Final Order.

V. Filing

The Company shall file schedules annually with the regulatory authority having original jurisdiction over the Company's rates on or before the Filing Date that support the proposed rate adjustments. The schedules shall be in the same general format as the cost of service model and relied-upon files upon which the Final Order was based. A proof of rates and a copy of current and proposed tariffs shall also be included with the filing. The filing shall be made in electronic form where practical. The Company's filing shall conform to Minimum Filing Requirements (to be agreed upon by the parties), which will contain a minimum amount of information that will assist the regulatory authority in its review and analysis of the filing. The Company and regulatory authority will endeavor to hold a technical conference regarding the filing within twenty (20) calendar days after the Filing Date.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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A sworn statement shall be filed by an Officer of the Company affirming that the filed schedules are in compliance with the provisions of this Rate Review Mechanism and are true and correct to the best of his/her knowledge, information, and belief. No testimony shall be filed, but a brief narrative explanation shall be provided of any changes to corporate structure, accounting methodologies, allocation of common costs, or atypical or non- recurring items included in the filing.

VI. Evaluation Procedures

The regulatory authority having original jurisdiction over the Company's rates shall review and render a decision on the Company's proposed rate adjustment prior to the Effective Date. The Company shall provide all supplemental information requested to ensure an opportunity for adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within seven (7) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the proposed rate adjustment into compliance with the provisions of this tariff.

The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall constitute a finding that such net plant investment was prudently incurred. Such finding of prudence shall not be subject to further review in a subsequent RRM or Statement of Intent filing.

During the Review Period, the Company and the regulatory authority will work collaboratively and seek agreement on the level of rate adjustments. If, at the end of the Review Period, the Company and the regulatory authority have not reached agreement, the regulatory authority shall take action to modify or deny the proposed rate adjustments. The Company shall have the right to appeal the regulatory authority's action to the Railroad Commission of Texas. Upon the filing of an appeal of the regulatory authority's order relating to an annual RRM filing with the Railroad Commission of Texas, the regulatory authority having original jurisdiction over the Company's rates shall not oppose the implementation of the Company's proposed rates subject to refund, nor will the regulatory authority advocate for the imposition of a third party surety bond by the Company. Any refund shall be limited to and determined based on the resolution of the disputed adjustment(s) in a final, non-appealable order issued in the appeal filed by the Company at the Railroad Commission of Texas.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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In the event that the regulatory authority and Company agree to a rate adjustment(s) that is different from the adjustment(s) requested in the Company's filing, the Company shall file compliance tariffs consistent with the agreement. No action on the part of the regulatory authority shall be required to allow the rate adjustment(s) to become effective on October 1. To the extent that the regulatory authority does not take action on the Company's RRM filing by September 30, the rates proposed in the Company's filing shall be deemed approved effective October 1. Notwithstanding the preceding sentence, a regulatory authority may choose to take affirmative action to approve a rate adjustment under this tariff. In those instances where such approval cannot reasonably occur by September 30, the rates finally approved by the regulatory authority shall be deemed effective as of October 1.

To defray the cost, if any, of regulatory authorities conducting a review of the Company's annual RRM filing, the Company shall reimburse the regulatory authorities on a monthly basis for their reasonable expenses incurred upon submission of invoices for such review. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made. A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company no later than December 1 of the year in which the RRM filing is made and the Company shall reimburse regulatory authorities in accordance with this provision on or before December 31 of the year the RRM filing is made.

To the extent possible, the provisions of the Final Order shall be applied by the regulatory authority in determining whether to approve or disapprove of Company's proposed rate adjustment.

This Rider RRM does not limit the legal rights and duties of a regulatory authority. Nothing herein shall abrogate the jurisdiction of the regulatory authority to initiate a rate proceeding at any time to review whether rates charged are just and reasonable. Similarly, the Company retains its right to utilize the provisions of Texas Utilities Code, Chapter 104, Subchapter C to request a change in rates. The provisions of this Rider RRM are implemented in harmony with the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101-105).

The annual rate adjustment process set forth in this tariff shall remain in effect during the pendency of any Statement of Intent rate filing.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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VII. Reconsideration, Appeal and Unresolved Items

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

VIII. Notice

Notice of each annual RRM filing shall be provided by including the notice, in conspicuous form, in the bill of each directly affected customer no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;
- c) the service area or areas in which the proposed rates would apply;
- d) the date the annual RRM filing was made with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment can be obtained.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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Exhibit A

ACSC Cities

Abilene	Cleburne	Frost	Lincoln Park
Addison	Clyde	Gainesville	Little Elm
Albany	College Station	Garland	Lorena
Allen	Colleyville	Garrett	Madisonville
Alvarado	Colorado City	Grand Prairie	Malakoff
Angus	Comanche	Grapevine	Mansfield
Anna	Commerce	Groesbeck	Mckinney
Argyle	Coolidge	Gunter	Melissa
Arlington	Coppell	Haltom City	Mesquite
Aubrey	Copperas Cove	Harker Heights	Midlothian
Azle	Corinth	Haskell	Murphy
Bedford	Crandall	Haslet	Newark
Bellmead	Crowley	Hewitt	Nocona
Benbrook	Dalworthington Gardens	Highland Park	North Richland Hills
Beverly Hills	Denison	Highland Village	Northlake
Blossom	Denton	Honey Grove	Oak Leaf
Blue Ridge	Desoto	Hurst	Ovilla
Bowie	Draper	Hutto	Palestine
Boyd	Duncanville	Iowa Park	Pantego
Bridgeport	Eastland	Irving	Paris
Brownwood	Edgecliff Village	Justin	Parker
Buffalo	Emory	Kaufman	Pecan Hill
Burkburnett	Ennis	Keene	Petrolia
Burleson	Eules	Keller	Plano
Caddo Mills	Everman	Kemp	Ponder
Canton	Fairview	Kennedale	Pottsboro
Carrollton	Farmers Branch	Kerens	Prosper
Cedar Hill	Farmersville	Kerrville	Quitman
Celeste	Fate	Killeen	Red Oak
Celina	Flower Mound	Krum	Reno (Parker County)
Centerville	Forest Hill	Lake Worth	Rhome
Cisco	Forney	Lakeside	Richardson
Clarksville	Fort Worth	Lancaster	Richland
	Frisco	Lewisville	Richland Hills

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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River Oaks	Temple
Roanoke	Terrell
Robinson	The Colony
Rockwall	Trophy Club
Roscoe	Tyler
Rowlett	University Park
Royse City	Venus
Sachse	Vernon
Saginaw	Waco
Sansom Park	Watauga
Seagoville	Waxahachie
Sherman	Westlake
Snyder	Westover Hills
Southlake	Westworth Village
Springtown	White Settlement
Stamford	Whitesboro
Stephenville	Wichita Falls
Sulphur Springs	Woodway
Sweetwater	Wylie