# INTERLOCAL COOPERATION AGREEMENT CONCERNING SALES AND USE TAX COLLECTION REVENUE SHARING AND USE OF CAPITAL IMPROVEMENTS FOR FIRE AND EMERGENCY SERVICES

This Agreement ("Agreement") is entered into by and among the City of New Braunfels, Texas (the "City") and Comal County Master Water Improvement District, Comal County Water Improvement District No. 1A, Comal County Water Improvement District No. 1B, Comal County Water Improvement District No. 1C, Comal County Water Improvement District No. 1D, Comal County Water Improvement District No. 1E, and Comal County Water Improvement District No. 1F (the "Districts"). The City and the Districts may be referred to singularly as a "Party" or collectively as the "Parties".

#### **RECITALS**

WHEREAS, the City has been created, established, organized, and exists as a home-rule municipality under the laws of the State of Texas; and

WHEREAS, the Districts are organized and operate under the authority of Article XVI, Section 59, and Article III, Section 52, Texas Constitution, and Chapters 49 and 51, Water Code, as amended, and were each created through division of Comal County Water Improvement District No. 1, created by Senate Bill 2464, 81st Texas Legislature, Regular Session, and codified under Chapter 9038 of the Texas Special District Local Laws Code, effective June 19, 2009, as amended (the "Act"); and

WHEREAS, the Districts are wholly situated within the City's extraterritorial jurisdiction; and

WHEREAS, on February 25, 2013, the City approved an agreement pursuant to Section 43.0751, Texas Local Government Code (the "Strategic Partnership Agreement"), which set forth terms governing the City's limited purpose annexation of commercial and mixed commercial and residential development in the Districts (the "Commercial Areas"); and

WHEREAS, the Strategic Partnership Agreement obligates the City to annex the Commercial Areas for the purpose of imposing the City's municipal sales and use tax on all eligible taxable activities within the Commercial Areas permitted under Chapter 321, Texas Tax Code (the "Sales Tax") within 180 days following the recording of a final plat containing the Commercial Areas; and

WHEREAS, the Strategic Partnership Agreement obligates the City to allocate to the Districts an agreed-upon percentage of the revenues generated from the imposition of the City's Sales Tax in the Commercial Areas (the "Sales Tax Payment"); and WHEREAS, Comal County Emergency Services District No. 7 (the "ESD") is an emergency services district created under Chapter 775 of the Texas Health & Safety Code and is empowered to adopt a sales and use tax within its boundaries; and

WHEREAS, after the effective date of the Strategic Partnership Agreement but before the City's annexation of some of the Districts' Commercial Areas, the ESD adopted a sales and use tax within the ESD's boundaries, which includes the Districts' Commercial Areas; and

WHEREAS, the Interlocal Cooperation Act, Chapter 791, Texas Government Code, as amended, authorize political subdivisions of the State of Texas and municipalities to enter into agreements to provide and compensate for a governmental function or service that each party to the contract is authorized to perform; and

WHEREAS, the Districts, pursuant to subsections 9038.004(a)(2)(A) and (E) of the Act, are authorized to enter into agreements with the City concerning, among other items, the provision of emergency services to the Districts; and

WHEREAS, the City, pursuant to general law and its municipal charter, is authorized to undertake improvement projects separately or jointly with other persons or entities, to pay all or part of the costs of capital improvement projects, including capital improvement projects that improve, enhance, or support, among other matters, road construction, public infrastructure, water supply and distribution, and all such other projects that may directly and indirectly enhance public safety and security, fire protection, or emergency medical services; and

WHEREAS, the Districts have, among their powers, the power to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend public infrastructure, including, without limitation, water, sewer, drainage, and road facilities; and

WHEREAS, the Districts have constructed and financed certain public infrastructure improvements, including, without limitation, a system of water supply and distribution for fire-fighting purposes, a fire suppression system, and public road facilities for use by fire and emergency personnel; and

WHEREAS, the City and the ESD entered into that certain Allocation of Sales Tax Revenue for the Development of Fire and Emergency Services by the City of New Braunfels and Comal County Emergency Services District No. 7, dated August 28, 2023 (the "Interlocal Agreement"), which reflects the allocation between the City and the ESD of the sales and use tax collection revenue generated by the Districts' Commercial Areas upon the City's limited purpose annexation of such Commercial Areas (the "ESD Payment"); and

WHEREAS, the Interlocal Agreement contemplates an intention shared by the parties to undertake reasonable efforts to have the Texas Comptroller perform the Sales Tax allocation for the Commercial Areas, in accordance with Chapter 321, Texas Tax Code, and have the Texas Comptroller remit the amount equal to the ESD Payment (one and one-half percent of the Sales Tax generated in the Commercial Areas) directly to the City rather than to the ESD; and

WHEREAS, the Interlocal Agreement further contemplates that if the Texas Comptroller notifies the parties that it is unable to remit the ESD Payment directly to the City, then the ESD shall receive the ESD Payment and, in turn, promptly remit the ESD Payment to the City in accordance with the terms and timing of the Interlocal Agreement; and

WHEREAS, the City and the Districts agree that all funds used under this Agreement shall be from current revenues available to the City.

NOW, THEREFORE, for and in consideration as hereinafter expressed and the mutual conditions set out herein, it is agreed by and between the City and the Districts as follows:

#### **AGREEMENT**

#### ARTICLE I <u>PURPOSE</u>

Section 1.01. Capital Improvements for Emergency Services. The Parties acknowledge that the Districts have constructed and financed and are currently constructing and financing the public infrastructure and utilities serving the master planned community known as Veramendi. The Districts' improvements include a water supply and distribution system; a fire suppression system, including newly installed and maintained fire hydrants; and public road facilities necessary for fire and emergency vehicles to travel on and utilize for the provision of fire and emergency services to the public.

Section 1.02. Emergency Services and Public Improvements Agreements. The City has previously entered into certain agreements governing the Districts' development and provision of public infrastructure and utilities, including that certain Development Agreement between City of New Braunfels and Word-Borchers Ranch Joint Venture for Proposed Mixed Use Development, as amended (the "Development Agreement"); that certain Utility Construction Cost Sharing Agreement for the Veramendi Development, as amended (the "Utility Agreement"); and the Strategic Partnership Agreement (the Strategic Partnership Agreement, together with the Development Agreement and Utility

Agreement, the "City Agreements"). The City Agreements require the Districts to adhere to City design and construction standards relating to the provision of public infrastructure, including such standards and regulations applicable to the District's water supply and distribution system, fire suppression system, street, road, and drainage facilities. The Districts have fully performed and continue to perform under each of the City Agreements.

Section 1.03. Sales Tax Payment. In consideration of the Districts' performance of all the public infrastructure obligations, including fire and emergency improvements listed Section 1.01 of this Agreement, required under the City Agreements, and further including the Districts' expenditure of substantial capital for the purposes of construction of such public improvements in reliance of the Sales Tax Payment allocation to the Districts by the City under the Strategic Partnership Agreement, the City agrees to remit the Sales Tax Payment to the Districts in accordance with the terms of the Strategic Partnership Agreement.

#### ARTICLE II TERM

<u>Section 2.01.</u> Term. This Agreement shall be effective as of the Effective Date and shall continue until termination by mutual consent of the Parties. The Effective Date shall be the latest date of execution and approval by all Parties.

<u>Section 2.02.</u> <u>Survival.</u> Notwithstanding the foregoing, the Sales Tax Payment and the City's obligation to remit the Sales Tax Payment to the Districts under the terms set forth in this Agreement shall survive this Agreement or any other agreement terms governing the Sales Tax Payment, unless and until the City annexes the Districts for full purposes.

### ARTICLE III CITY OBLIGATIONS

Section 3.01. <u>Limited Purpose Annexation</u>. Subject to the terms of the City Agreements and the Interlocal Agreement, the Districts and the City agree that the City, from time to time, shall annex the Districts' Commercial Areas for the limited purpose of collecting Sales Tax revenues generated by the Districts' Commercial Areas. The City agrees that upon receipt of a platted Commercial Area, it shall undertake the limited purpose annexation process but in no event shall fail to fully effect such limited purpose annexation of a received platted Commercial Area within ninety (90) days of such receipt.

- <u>Section 3.02.</u> <u>Remittance of Sales Tax Payment.</u> For the purposes and consideration herein stated and contemplated, the City shall remit to the Districts the Sales Tax Payment within thirty (30) calendar days of receipt of ESD Payment in the amount equal to the sales and use tax revenue allocation set forth between the Parties in Section 5.2 of the Strategic Partnership Agreement (the "Sales Tax Payment Provision").
  - (a) <u>Sales Tax Payment During Initial Period</u>. For the purposes of this Agreement, the City shall pay to the Districts during the five (5) years (the "Initial Period") following the issuance of the certificate of occupancy for the initial sales tax producing commercial property within any portion of the Limited Purpose Tract on the applicable Sector Plan, an amount equal to forty percent (40%) of the reported Sales and Use Tax Revenues (as that term is defined in the Strategic Partnership Agreement) for the Commercial Areas, less the adjustment for District Type B Revenues.
  - (b) <u>Sales Tax Payment After Initial Period</u>. After the Initial Period, the City shall pay to the Districts an amount equal to fifty percent (50%) of the reported Sales and Use Tax Revenues for the Commercial Areas, less the adjustment for District Type B Revenues.
  - (c) Type B Revenues Earmarked to Districts. The adjustment for Type B Revenues means any portion of such sales and use tax as would have otherwise been levied by the City dedicated to the purposes described in Chapters 501-505 of the Texas Local Government Code. District Type B Revenues shall be a designated percentage of the Type B Revenues, twenty-five (25%) percent, which are earmarked exclusively for authorized uses within and benefitting the Districts.
  - (d) <u>Calculation of Sales Tax Payment</u>. For the purposes of clarity, during the Initial Period, the City shall remit to the Districts from current revenues in its General Fund an amount equal to 40% of eligible sales and use tax revenue that would have otherwise been collected by the City in the Commercial Areas (1.5 cents), less 25% in District Type B Revenues. After the Initial Period, the City shall remit to the Districts 50% of the eligible sales and use tax revenue that would have otherwise been levied and collected by the City in the Commercial Areas, less the 25% in District Type B Revenues, until the City annexes the Districts for full purposes. Of the District Type B Revenues, the City commits to set aside 40% of the District Type B Revenues in the Initial Period, and 50% of the District Type B Revenues following the Initial Period until full purpose annexation, and for eligible expenditures benefitting the Districts.
  - (e) Other Revenue. Neither the Strategic Partnership Agreement nor subsections 3.02(a)-(d) of this Agreement, above, shall in any event be interpreted to limit

or otherwise constrain the City or the City's Economic Development Corporation from allocating or contributing additional revenues that may be used to benefit the Districts.

**ESD Payment.** The City's obligation to remit the Sales Tax Payment Section 3.03. to the Districts is conditioned upon the receipt of the ESD Payment (whether such receipt comes from the Texas Comptroller or the ESD). The City's receipt of such payment is an express condition of the Sales Tax Payment to the Districts. The City shall take all steps within its chartered powers to impose, collect, or receive from the ESD or the Texas Comptroller, as the case may be, the ESD Payment prior to remittance to the Districts of the Sales Tax Payment. If the City fails to receive the ESD Payment, the City shall take measures included in Section 3.04, below, all such other audit, inspection, or enforcement rights the City may have under the Interlocal Agreement, and all other measures as otherwise may be available to the City under applicable law. Further, if there becomes a change in applicable law that serves to make this Agreement and the Interlocal Agreement unnecessary for the purposes of the remittance and payment of the ESD Payment, the Sales Tax Payment, or any other Sales Tax revenue sharing provisions included herein, the Parties agree to terminate this Agreement and execute the Strategic Partnership Agreement in accordance with the agreed-upon terms therein.

<u>Section 3.04.</u> <u>Covenant to Enforce.</u> The City shall take all steps reasonable and necessary to enforce its contractual rights against the ESD under such applicable agreement(s), including the Interlocal Agreement, governing the terms of the remittance and collection of the ESD Payment. The City shall ensure that such applicable agreement(s) contain a term and survival provision relating to the Sales Tax Payment consistent with this Agreement.

### ARTICLE IV DISTRICT OBLIGATIONS

<u>Section 4.01.</u> <u>Sales Tax Payment.</u> The Districts shall use the Sales Tax Payment remitted and received under this Agreement for any lawful purpose.

<u>Section 4.02.</u> <u>Limited Purpose Annexation.</u> The Districts shall notify the City within a reasonable time after the Districts' Commercial Areas are platted and ready to be annexed by the City for such limited purpose as stated herein and in the Strategic Partnership Agreement and cooperate with the City as reasonably necessary to ensure such annexation takes place.

### ARTICLE V ADMINISTRATIVE PROVISIONS

<u>Section 5.01.</u> <u>Inspection.</u> All records concerning the assessment and collection of the ESD Payment and the City's remittance of the Sales Tax Payment shall be kept and maintained by the City and a designated representative of the Master District (defined below), including the Master District's auditor, is authorized to examine the records maintained by the City at such reasonable time and interval as the District deemx necessary.

<u>Section 5.02.</u> <u>Recordkeeping.</u> All such books and records as necessary to determine the assessment and collection of the ESD Payment and the Sales Tax Payment will be kept in the offices of the City.

Section 5.03. District Administrator. The Districts hereby designate and appoint Comal County Master Water Improvement District (the "Master District") as the responsible party for the purposes of administration and receipt of the City's remittances of the Sales Tax Payment to the Districts. The Master District, in consultation with its bookkeeper and other consultants, shall use all commercially reasonable efforts to disburse the amounts received under this Agreement to each District consistent with the Sales Tax generated by each District's Commercial Areas. The City agrees to exercise all its rights under the Interlocal Agreement and Chapter 321, Tax Code, including any such right to request (or cause the same to be requested) all quarterly reports and additional reports from the Texas Comptroller as may be deemed necessary by the Master District to assist it in carrying out its administrative duties under this Agreement. This provision shall not be interpreted to limit the ability of any District to request an inspection and examination of the records included in Sections 5.01 and 5.02.

Section 5.04. <u>Districts</u>. The Districts together constitute the entirety of the land within the original boundaries of Comal County Water Improvement District No. 1, as such was legally described by metes and bounds in the Act. The legal boundaries of the Districts are included in and attached to each District's information form and any applicable amendment thereto as filed in the real property records of Comal County in accordance with Section 49.455 of the Texas Water Code. For illustrative purposes, attached to this Agreement as Exhibit 1 and Exhibits 1A – 1F are surveys of the current boundaries of each District as of the Effective Date of this Agreement.

#### ARTICLE VI LIABILITY

<u>Section 6.01.</u> <u>No Personal Liability.</u> Nothing in the Agreement is construed as creating any personal liability on the part of any officer, director, employee, or agent of any public body that may be a party to the Agreement, and the Parties expressly agree that the execution of the Agreement does not create any personal liability on the part of any officer, director, employee, or agent of the City or the Districts. The Parties agree that

no provision of this Agreement extends the City's or the Districts' liability beyond the liability provided in the Texas Constitution and the laws of the State of Texas.

<u>Government Code.</u> The Parties hereby agree that this Agreement constitutes an agreement for providing goods and/or services to the Districts, which is subject to the provisions of Subchapter I, Chapter 271, Texas Local Government Code, and any successor statutes. In accordance with Sections 271.152-.153, Texas Local Government Code, the Districts and the City hereby waive, to the maximum extent allowed by law, any constitutional, statutory, or common law right to sovereign immunity from liability or suit and expressly consent to be sued and held liable with respect to their performance and/or failure to fully and timely perform each and every obligation under this Agreement or a claim brought under this Agreement.

### ARTICLE VII MISCELLANEOUS

- <u>Section 7.01.</u> <u>Venue.</u> This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. Venue shall be in Comal County, Texas.
- <u>Section 7.02.</u> <u>Assignability.</u> No assignment of this Agreement or of any right accrued hereunder shall be made in whole or in part by either Party without the prior written consent of the other Party.
- <u>Section 7.03.</u> <u>Corporate Authorization.</u> The undersigned officer or agent of the Parties hereto are the properly authorized officials of the Party presented and have the necessary authority to execute this Agreement on behalf of the Parties hereto and each Party hereby certifies to the other that any necessary approvals have been duly passed and approved and are not in full force and effect.
- <u>Section 7.04.</u> <u>No Third-Party Beneficiaries.</u> The Parties to this Agreement do not intend by this Agreement that any specific third party may obtain a right by virtue of the execution of performance of this Agreement.
- <u>Section 7.05.</u> <u>Severability.</u> In the event that any one or more terms, provisions, or conditions 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 the other terms, provisions, or conditions; and the Agreement shall be construed as if such invalid, illegal, or unenforceable term, provision, or condition had never been contained in it.

<u>Section 7.06.</u> <u>Modification.</u> The Parties may not modify, amend or waive this Agreement, except by written agreement executed by both Parties.

<u>Section 7.07.</u> <u>Merger.</u> This executed instrument is understood and intended to be the final expression of the Parties' agreement and is a complete and exclusive statement of the terms and conditions with respect thereto, superseding all prior agreements or representations, oral or written, and all other communication between the parties relating to the subject matter of this agreement. Any oral representations or modifications concerning this instrument shall be of no force or effect, unless the modification is in writing and signed by all the parties hereto.

<u>Section 7.08.</u> <u>Counterparts.</u> This Agreement may be executed in several counterparts. Each counterpart is deemed an original and all counterparts together constitute one and the same instrument. In addition, each Party warrants that the undersigned is a duly authorized representative with the power to execute the Agreement.

<u>Section 7.09.</u> <u>Recitals.</u> The Recitals set forth in this Agreement are, by this reference, incorporated into and deemed a part of this Agreement.

### ARTICLE VIII NOTICES

<u>Section 8.01.</u> <u>Notice.</u> Any notice required to be given under the provisions of this Agreement shall be in writing and shall be delivered via certified mail, return receipt requested, to the City or the Districts at the following addresses:

If to the City:

City of New Braunfels

Attn: City Manager 550 Landa Street

New Braunfels, Texas 78130

If to the Districts:

Comal County Master Water Improvement

District

c/o: Allen Boone Humphries Robinson LLP

Attn: Paul Harle

919 Congress Avenue, Suite 1500

Austin, Texas 78701

<u>Section 8.02.</u> <u>Change of Notice Address</u>. Either Party may designate a different address by giving the other Party ten (10) days written notice thereof.

[SIGNATURE PAGES TO FOLLOW]

### CITY:

### CITY OF NEW BRAUNFELS, TEXAS

	By: Name: Title:
THE STATE OF TEXAS  COUNTY OF COMAL	§ § §
This instrument was acknowleds	ged before me on, 2024, , on behalf of the City of New Braunfels, Texas,
1	Notary Public in and for the State of Texas

## COMAL COUNTY MASTER WATER IMPROVEMENT DISTRICT

	By: Name: Title:
THE STATE OF TEXAS COUNTY OF COMAL	\$ \$ \$
This instrument was acknowledged before me on, 2024, by,, on behalf of the Comal County Master Water Improvement District, a Texas political subdivision.	
	Notary Public in and for the State of Texas

# COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1A

	By: Name: Title:
THE STATE OF TEXAS COUNTY OF COMAL	\$ \$ \$
This instrument was acknowledged before me on, 2024, by,, on behalf of the Comal County Water Improvement District No. 1A, a Texas political subdivision.	
	Notary Public in and for the State of Texas

# COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1B

	By: Name: Title:
THE STATE OF TEXAS	§ §
COUNTY OF COMAL	§
This instrument was acknowledged by,,	
	Notary Public in and for the State of Texas

# COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1C

	By: Name: Title:
THE STATE OF TEXAS COUNTY OF COMAL	§ § §
This instrument was acknowledg by, Improvement District No. 1C, a Texas p	ged before me on, 2024, _, on behalf of the Comal County Water olitical subdivision.
	Notary Public in and for the State of Texas

## COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D

	By: Name: Title:
THE STATE OF TEXAS	§ §
COUNTY OF COMAL	§
This instrument was acknowledged by,,,	
	Notary Public in and for the State of Texas

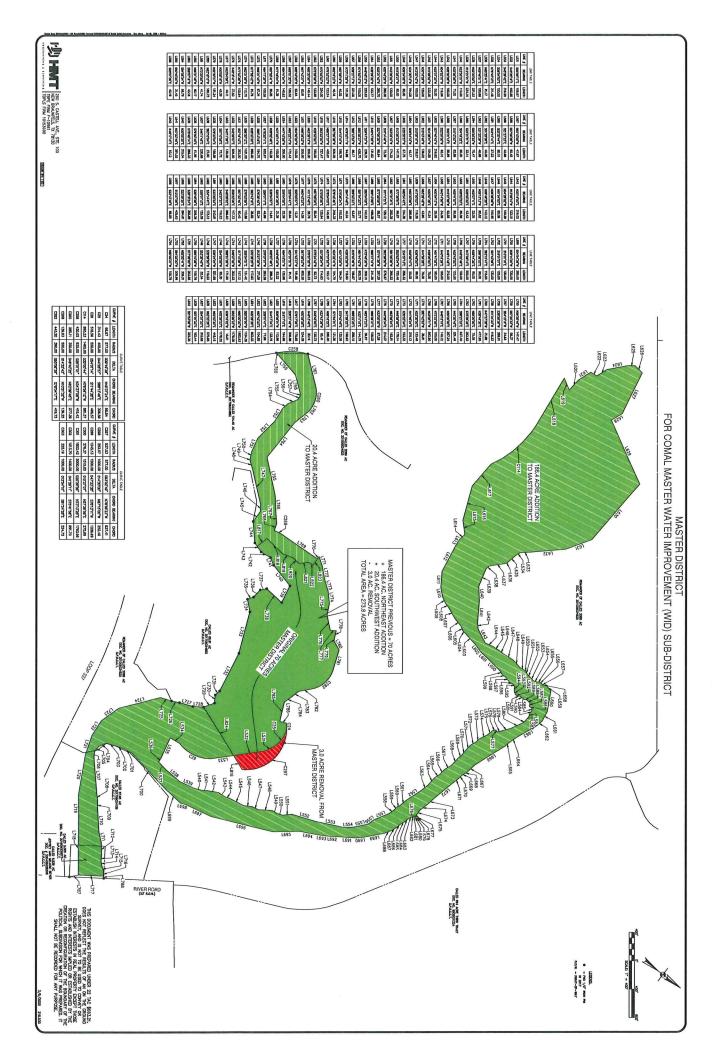
# COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1E

	By: Name: Title:
THE STATE OF TEXAS  COUNTY OF COMAL	\$ \$ \$
This instrument was acknowledged before me on, 2024 by, on behalf of the Comal County Water Improvement District No. 1E, a Texas political subdivision.	
	Notary Public in and for the State of Texas

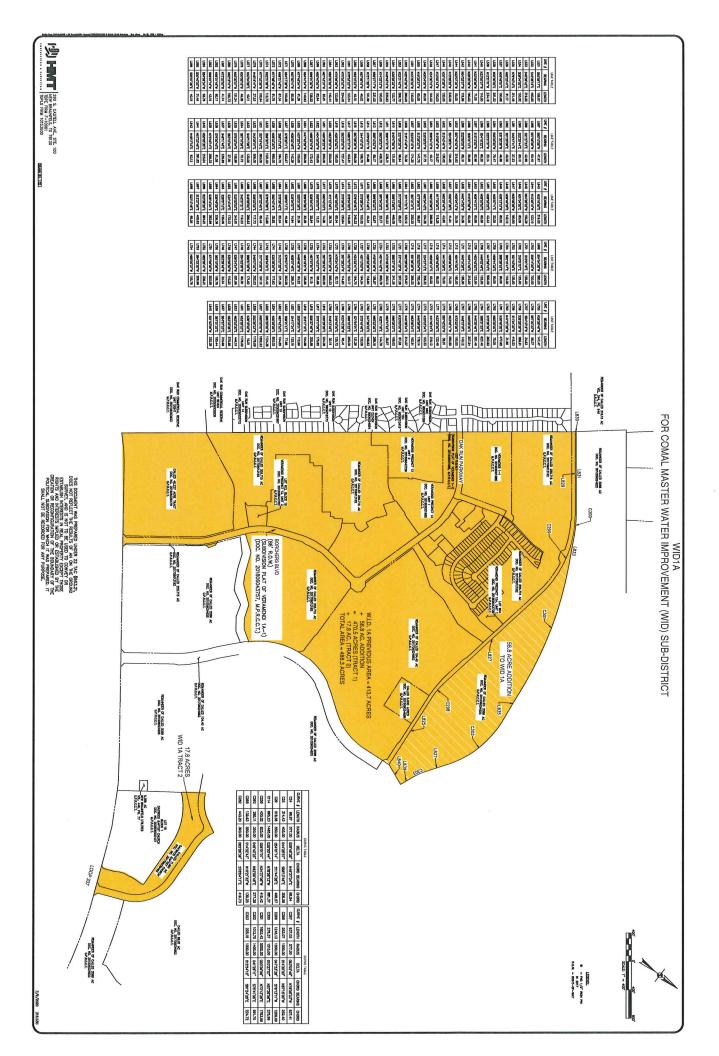
# COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1F

	By: Name: Title:
THE STATE OF TEXAS COUNTY OF COMAL	\$ \$ \$
This instrument was acknowledged before me on, 2024, by,, on behalf of the Comal County Water Improvement District No. 1F, a Texas political subdivision.	
	Notary Public in and for the State of Texas

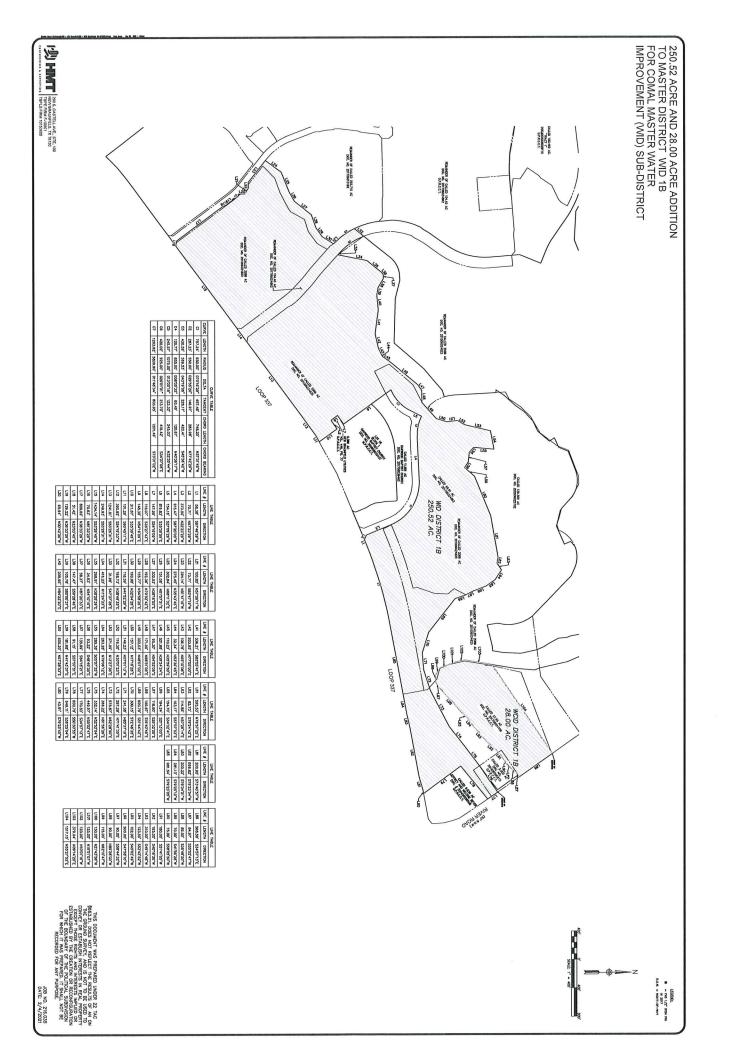
# EXHIBIT 1 BOUNDARY SURVEY COMAL COUNTY MASTER WATER IMPROVEMENT DISTRICT



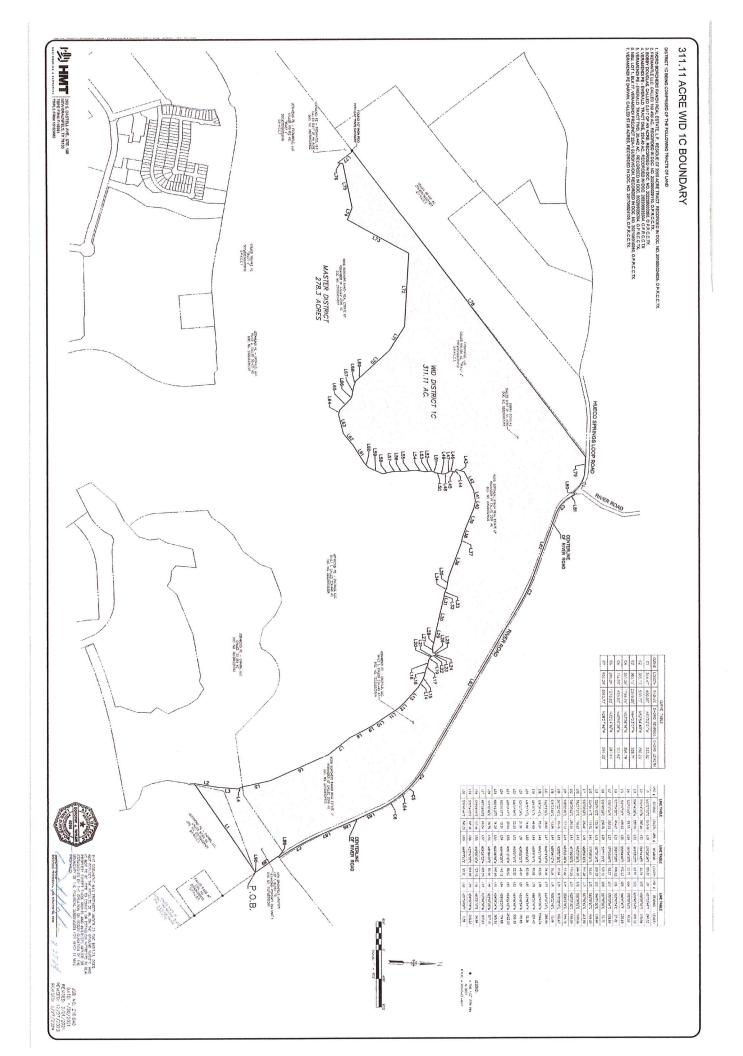
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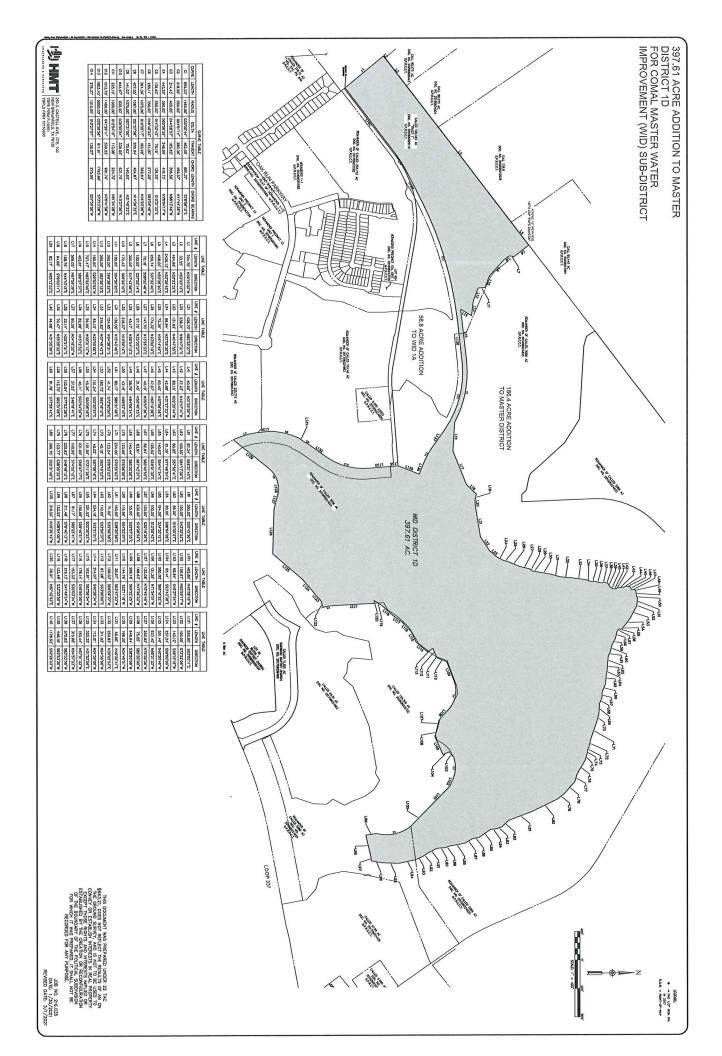
#### EXHIBIT 1B BOUNDARY SURVEY COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1B



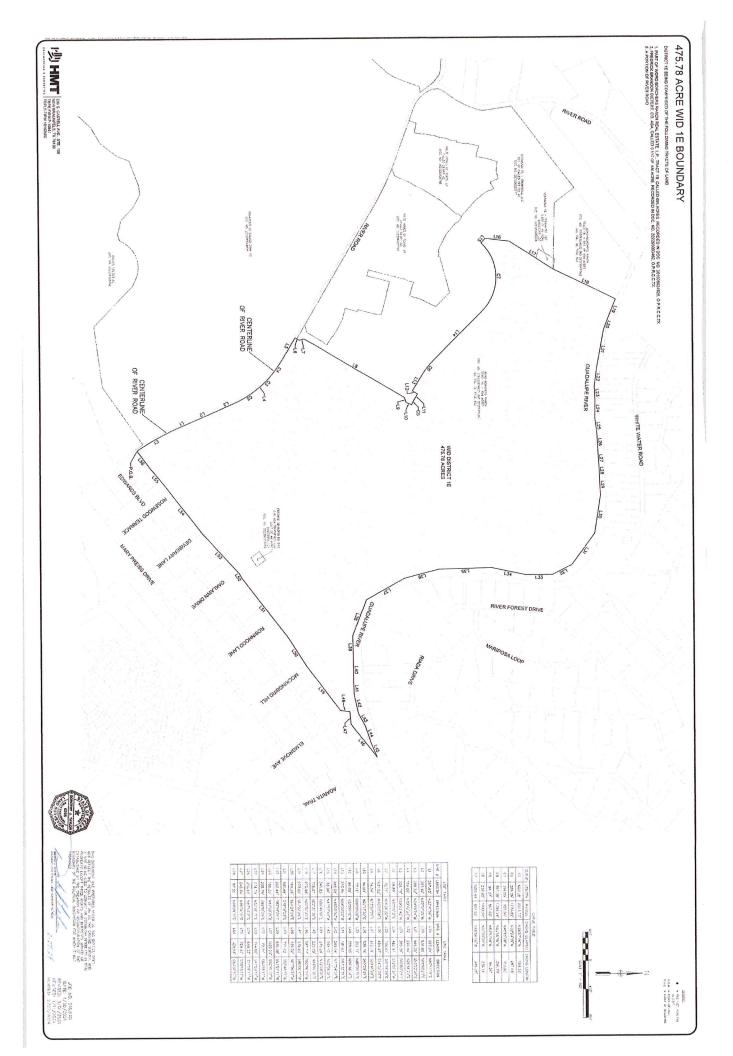
#### EXHIBIT 1C BOUNDARY SURVEY COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1C



#### EXHIBIT 1D BOUNDARY SURVEY COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D



#### EXHIBIT 1E BOUNDARY SURVEY COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1E



#### EXHIBIT 1F BOUNDARY SURVEY COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1F

