



REGULAR CITY COUNCIL MEETING

December 11, 2023 at 6:00 PM

City Council Chambers
1600 Avenue M, Hondo, TX

AGENDA

Notice is hereby given that a Regular City Council Meeting of the governing body of the City of Hondo will be held December 11, 2023 at 6:00 p.m. in the City Council Chambers, City Hall at 1600 Avenue M, Hondo, Texas, for the purpose of discussing matters incident and related to the City of Hondo. The following items will be discussed, to-wit:

The public may also access the meeting remotely through video/conference from your computer, tablet or smart phone at: <https://boxcast.tv/channel/aetaajdf64jalxx20o9a>

Persons may submit questions or comments for items on the agenda by email to: svelasquez@hondo-tx.org. Questions or comments submitted by email must be received by the city at least 1 hour prior to the scheduled start of the meeting in order to be presented to the City Council during the meeting

1. Call to order.
2. Quorum check.
3. Invocation by JPaul Bruhn-Hondo Methodist Church
4. Pledge of Allegiance.
5. Citizens'/Public Comments: *Persons who desire to address the City of Hondo City Council will be received at this time. Those persons wishing to speak should complete a Public Comment Form and submit it to the City Secretary prior to the meeting. If the speaker wishes to comment on a particular agenda item, then the speaker should indicate such item(s) to on the form. Public comment is limited to 3 minutes per speaker. Speakers must conduct themselves in a civil manner. In accordance with the Texas Open Meetings Act, the City of Hondo City Council cannot deliberate or take action on items not listed on the meeting agenda.*
6. City Manager's Report.
7. Public Works Report.

PRESENTATIONS

CONSENT

8. Discuss and consider confirming Polly Edlund to the Medina County 9-1-1 Emergency Communications District Board of Managers. (Mayor McAnelly)
9. Discuss and consider the 4th Quarter Financial Budget Report for the Fiscal Year ended September 30, 2023, as presented. (Chris Hill)
10. Discuss and consider approving the minutes from November 27, 2023. (Stephanie Velasquez)

OTHER BUSINESS

11. Discuss and consider the ongoing issues with water and wastewater services outages related to the company installing the fiber optic lines. (Council Member Ytuarte and Council Member Williams)
12. Discuss and consider the potential issuance of certificates of obligation including timing and fiscal impact of the proposed financing. (John Naron and Chris Hill)
13. Discuss and Consider authorizing the City Manager to execute a lease agreement with ARAS MRO at the South Texas Regional Airport. (Ryan Elder)

EXECUTIVE SESSION

- 14 Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code:
Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations); Section 551.086 (Meeting concerning municipally owned utility-competitive matters);
 - a. Discuss and consider Range Project (Ryan Elder)
15. Discuss and consider appropriate action on items resulting from Executive Session.
16. Adjourn.

ATTEST:

Stephanie Velasquez
Acting City Secretary

The City Council of the City of Hondo reserves the right to convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071 (Consultations with Attorney), Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section

551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations) on any of the above items.

NOTICE OF ASSISTANCE AT PUBLIC MEETINGS

The City of Hondo City Council Meetings is available to all persons regardless of disability. If you require special assistance, contact the City Secretary forty-eight (48) hours prior to the meeting time at 830-426-3378.



City Council Communication

Title: City Manager's Report.

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS:



City Council Communication

Title: Discuss and consider confirming Polly Edlund to the Medina County 9-1-1 Emergency Communications District Board of Managers. (Mayor McAnelly)

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. MC 911

STAFF CONTACTS:

MEDINA COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT

1613 Avenue K, Suite 101
Hondo, Texas 78861

Tele: 830-741-8997
Fax: 830-426-8988



Rec'd Nov 23, 2023

November 21, 2023

Mayor John McAnelly
1600 Ave. M
Hondo, Texas 78860

RE: Renewal of Appointment to the Medina County 9-1-1 Emergency Communications District, Board of Managers

Dear Mayor McAnelly:

I would appreciate your help by renewing the municipal appointment of Mrs. Polly Edlund to the Medina County 9-1-1 Emergency Communications District Board of Managers. Mrs. Edlund currently serves as President of the Medina County 911 Emergency Communications District.

This certainly is only a request as the city is free to appoint anyone they prefer so long as the other cities form a majority around that appointee.

Current legislation provides that cities must jointly appoint a member to the Board of Managers by a majority of the incorporated cities participating in the 911 District. The participating cities are Castroville, Devine, Hondo, La Coste, and Natalia. Therefore, I am requesting each Mayor and/or the City Councils of the participating cities to take up this matter and come to some consensus on an appointment to the Board of Managers of the Medina County 911 Emergency Communications District. This appointment, regardless of the city in which they reside, is a representative for all cities in the District. In the event your city acts on this issue I would also request that a copy of the ordinance or Council's minutes approving such an appointment be forwarded to my office or emailed to medco911@gmail.com.

The Current Board of Managers consists of the following Members.

President:	Polly Edlund, an administrator of Emergency Services District No. 1, Castroville, Texas – Municipal Appointee
Secretary:	Greg Atkisson, Fire Chief, Devine Volunteer Fire Department, Devine, Texas – Fire Departments Appointee
Member:	Gilbert Rodriguez, Chief Deputy, Medina County Sheriff's Office, Devine, Texas – Medina County Appointee
Member:	Roland DeLeon, Fire Chief, D'Hanis Volunteer Fire Department, D'Hanis, Texas – Medina County Appointee
Member:	Stacey Cross, Owner Cross Connections, Hondo, Texas – Municipal Appointee

Yours truly,

Robert J. Rothe
Executive Director
Medina County 911 ECD



City Council Communication

Title: Discuss and consider the 4th Quarter Financial Budget Report for the Fiscal Year ended September 30, 2023, as presented. (Chris Hill)

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. 4TH QUARTER BUDGET

STAFF CONTACTS:



December 11, 2023

Mayor and Member of City Council
City of Hondo, Texas

We are pleased to present the fourth quarter budget report for the City of Hondo, Texas. The attached schedules reflect activity Year to date ending September 30, 2023. This report reflects the unaudited complete annual fiscal year. All the debt service payments have been made. Detailed fund summaries are included in this document.

This report is based upon the accounting records of the City of Hondo, Texas Finance Department.

General Fund

As the primary operating fund for the City, the General Fund accounts for revenues dedicated to general government activities. These revenues, primarily made up of taxes and fees, fund general administration, public safety, parks, recreation, grants, and public works functions. The general fund was 94% of its budgeted revenues for the year. All the primary revenues were over budget but the grant revenue for housing program will fall into the next fiscal year. Over 100% of the property tax, sales tax and user fees have been collected. The city has received its loan proceeds but not all assets were received this fiscal year. The City is expecting to receive more grant funds next fiscal year.

Expenditures in the general fund are under budget (79.4%). No departments exceeded 100% of budgeted expenditures except animal service which was related to a vehicle funded by debt issuance which carried over from the previous fiscal year.

The City reported approximately \$1.7M surplus in the general fund due to reduced expenses.

Bond and Sinking Fund

This fund receives an allocation of the property tax levy and payment reimbursements from the Economic Development Corporation and Utility funds (Electric, Water/Wastewater and Airport). These resources are used to fund principal and interest payments on each fund's outstanding debt. Property taxes received have been slightly greater than budget. All principal and interest payments on debt has been made.

Electric Fund

The Electric Fund accounts for the fees received and the cost of service to the electricity customers of Hondo.

Revenues are above budget due to the utility billing rate increases in January, 2023. Expenses are above budget due to the new CPS wholesale contract. Also, the electric department has not received all of the capital items budgeted yet.

Water and Wastewater Fund

The Water/Wastewater Fund accounts for the fees received to fund the cost of water and wastewater services in Hondo. Water and wastewater revenue is under budget for the year, with both approximately 77% collected of the budgeted amounts. Revenue is down primarily due to the grant funds and projects which will fall into next fiscal year; however, water and sewer revenue is down compared to budget and prior years also. Expenditures were under budgeted amounts at 73% which results in the fund surplus.

Airport Fund

The City of Hondo Airport fund accounts for the activities of the South Texas Regional Airport and the related property given to the City by the War Assets Department in 1948. Fuel revenue is slightly lower than projected but corresponding expenses are also below budget. The fund is currently very close to breakeven or approximately \$6K deficit.

Sanitation Fund

This fund accounts for the user charges to residential and commercial customers that finance the cost of this service. The collection and disposal services are performed under contract.

This fund is showing revenues above budget by approximately \$122K offset by additional service expense payments. The fund is breakeven for the year.

Economic Development Corporation

The Hondo EDC is a 4B Type Corporation established for the creation and retention of new or expanded business enterprises that create or retain primary jobs. The Corporation is also authorized to fund the maintenance and operating expenses of eligible projects.

The EDC collected over 100% of budgeted revenue. The EDC has collected 110% of its budgeted sales tax revenue for the year. Expenditures are lower than budgeted mainly due to not having an EDC Director until August.

As always, we welcome your comments and questions.

HONDO

THIS IS GOD'S COUNTRY

4th QUARTER BUDGET REPORT
CITY OF HONDO

September 30, 2023

City of Hondo

Fiscal Year Overview: FY23

Period Ending: September 30, 2023



General Fund

Revenue Summary

Past 12 Months	Budget	YTD	% of Budget
Property Tax	1,278,219	1,313,655	102.77%
Sales Tax	1,300,000	1,415,968	108.92%
User Fees	1,029,150	1,222,911	118.83%
Transfers	5,957,142	5,746,889	96.47%
Loan Proceeds	1,334,143	1,236,828	92.71%
Sale of Assets	15,000	17,817	118.78%
Grants	1,086,898	337,800	31.08%
Total Revenue	12,000,552	11,291,867	94.09%

Key Revenue Sources

Past 12 Months	Budget	YTD	% of Budget
Sales Tax	1,300,000	1,415,968	108.92%
Property Tax	1,278,219	1,313,655	102.77%
Court Fines & Fees	60,000	71,150	118.58%
Building & Permits	176,250	247,071	140.18%
Recreation Fees	71,740	47,593	66.34%
Golf Course	60,000	76,356	127.26%
Interest Income	157,500	201,512	127.94%

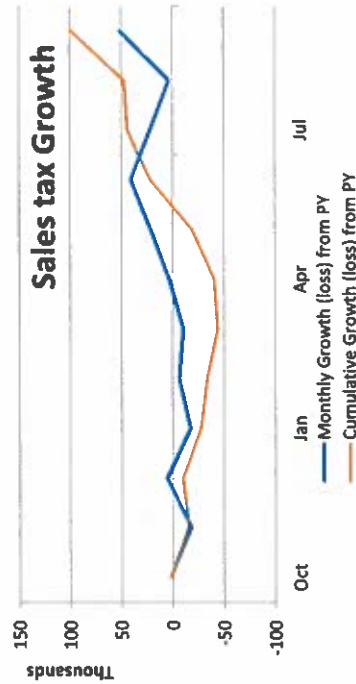
Expenditure Summary

Past 12 Months	Budget	YTD	% of Budget
Council	75,325	69,830	92.71%
Administration	1,194,040	702,808	58.86%
Tax	39,599	39,129	98.81%
Finance	388,216	349,902	90.13%
Police	2,856,234	2,708,481	94.83%
Legal & Courts	169,133	137,196	81.12%
Emergency Services	46,314	7,406	15.99%
Animal Control	176,373	181,661	103.00%
Streets	1,372,784	951,503	69.31%
Library	457,199	371,267	81.20%
Parks	849,344	763,903	89.94%
Facilities Division	565,509	510,874	90.34%
Recreation	780,488	636,226	81.52%
Golf Course	315,700	300,623	95.22%
Development Services	684,667	512,642	74.87%
City Secretary	120,166	106,733	88.82%
Non-profits	21,880	18,380	84.00%
Public Works	291,432	215,007	73.78%
Human Resources	191,280	147,449	77.09%
Information Technology	676,398	550,378	81.37%
Grants	815,450	316,115	38.77%
Total Expenditures	12,087,530	9,597,515	79.40%

Budget Surplus/Deficit

(86,978)	1,694,353
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Sales tax Growth



Property Tax Breakdown (M&O & I&S)

Original Roll	1,942,493
YTD Collections	1,959,832
% of Roll Collected	100.89%
Uncollected Balance	-

City of Hondo, Texas
Electric Fund
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Residential	4,000,000	4,000,000	4,612,404	612,404	115.31%
Commercial	4,300,000	4,300,000	4,641,423	341,423	107.94%
Industrial	850,000	850,000	717,720	(132,280)	84.44%
Penalties	125,000	125,000	103,185	(21,815)	82.55%
New Installs	5,000	5,000	46,597	41,597	931.94%
Loan Proceeds	355,000	355,000	170,000	(185,000)	47.89%
Transfer In	13,800	13,800	13,800	-	100.00%
Other	73,500	73,500	128,862	55,362	175.32%
Total Revenues	9,722,300	9,722,300	10,433,991	711,691	107.32%
Expenses					
Personnel	690,820	690,820	598,293	(92,527)	86.61%
Supplies	527,325	527,325	547,150	19,825	103.76%
Other Services	5,046,790	5,046,790	5,584,652	537,862	110.66%
Capital Outlay	368,800	368,800	16,026	(352,774)	4.35%
Debt Service	100,327	100,327	100,327	-	100.00%
Transfers	2,988,238	2,988,238	2,988,238	-	100.00%
Total Expenses	9,722,300	9,722,300	9,834,686	112,386	101.16%
Revenue over (under) expense	-	-	599,305	599,305	

City of Hondo, Texas
Water & Wasterwater Fund
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Operating Revenues					
Water					
Revenue	3,375,000	3,375,000	2,911,101	(463,899)	86.25%
EAA Aquifer Management	270,000	270,000	231,779	(38,221)	85.84%
Other Fees	102,500	102,500	130,774	28,274	127.58%
Wastewater					
Revenue	1,530,000	1,530,000	1,349,383	(180,617)	88.19%
Other Fees	28,000	28,000	27,687	(313)	98.88%
Interest	55,000	55,000	180,784	125,784	328.70%
Insurance proceeds	7,000	7,000	9,160	2,160	130.86%
Loan Proceeds	73,764	73,764	-	(73,764)	0.00%
Transfer in - Fund Balance	1,110,969	1,110,969	1,110,969	-	100.00%
Grants	2,255,567	2,255,567	842,812	(1,412,755)	37.37%
Total Revenues	8,807,800	8,807,800	6,794,448	(2,013,352)	77.14%
Expenses					
Water					
Personnel	497,526	497,526	540,917	43,392	108.72%
Supplies	640,100	640,100	315,116	(324,984)	49.23%
Other Services	368,820	368,820	368,661	(159)	99.96%
Capital Outlay	1,254,019	1,254,019	912,539	(341,480)	72.77%
Debt Service	635,412	635,412	635,412	-	100.00%
Transfers	1,556,365	1,556,365	1,556,365	0	100.00%
Total Water	4,952,241	4,952,241	4,329,010	(623,231)	87.42%
Wastewater					
Personnel	347,717	347,717	345,399	(2,318)	99.33%
Supplies	235,175	235,175	238,604	3,429	101.46%
Other Services	160,977	160,977	149,976	(11,001)	93.17%
Capital Outlay	264,965	264,965	125,887	(139,078)	47.51%
Transfers	879,995	879,995	879,994	(0)	100.00%
Total Wastewater	1,888,829	1,888,829	1,739,860	(148,969)	92.11%
Utility Billing					
Personnel	231,828	231,828	201,967	(29,861)	87.12%
Supplies	19,800	19,800	16,052	(3,748)	81.07%
Other Services	71,823	71,823	50,647	(21,176)	70.52%
Total Utility Billing	323,451	323,451	268,666	(54,786)	83.06%
Grants					
CDBG Grants	312,500	312,500	-	(312,500)	0.00%
Capital Outlay	90,000	90,000	36,750	(53,250)	40.83%
TWDB Projects	1,240,779	1,240,779	66,779	(1,174,000)	5.38%
Total Expenses	8,807,800	8,807,800	6,441,066	(1,946,199)	73.13%
Revenue over (under) expense	-	-	353,382	(67,153)	

City of Hondo, Texas
 Airport Fund
 Statement of Revenues and Expenses
 Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Aviation					
Fuel	441,000	441,000	389,738	(51,262)	88.38%
Hangars	361,374	361,374	360,721	(653)	99.82%
Other	48,670	48,670	41,610	(7,060)	85.49%
Non-Aviation		-			
Other	148,868	148,868	168,489	19,621	113.18%
Grants	135,000	135,000	90,902	(44,098)	67.33%
Total Revenues	1,134,912	1,134,912	1,051,459	(83,453)	92.65%
Expenses					
Personnel	355,485	355,485	365,967	10,482	102.95%
Supplies	332,600	332,600	317,755	(14,845)	95.54%
Other Services	158,100	158,100	151,621	(6,479)	95.90%
Debt Service	16,615	16,615	16,615	-	100.00%
Transfers	72,341	72,341	72,341	-	100.00%
Non-Airport Operating	1,000	1,000	-	(1,000)	0.00%
Grants	145,000	145,000	133,108	(11,892)	91.80%
Total Expenses	1,081,141	1,081,141	1,057,407	(23,734)	97.80%
Revenue over (under) expense	53,771	53,771	(5,948)	(59,719)	

City of Hondo, Texas
Sanitation Fund
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Charges for Services					
Residential	700,000	700,000	708,339	8,339	101.19%
Commercial	773,000	773,000	875,793	102,793	113.30%
Penalties	14,000	14,000	14,471	471	103.36%
Miscellaneous	500	500	532	32	106.44%
Interest	100	100	11,208	11,108	11208.03%
Total Revenues	1,487,600	1,487,600	1,610,344	122,744	108.25%
Expenses					
Services					
Residential	552,000	552,000	607,485	55,485	110.05%
Commercial	729,600	729,600	825,467	95,867	113.14%
Tires and TV Pickups	3,800	3,800	2,994	(806)	78.79%
Transfers	202,200	202,200	174,356	(27,844)	86.23%
Total Expenses	1,487,600	1,487,600	1,610,302	122,702	108.25%
Revenue over (under) expense	-	-	42	42	

City of Hondo, Texas
Bond Interest and Sinking Fund
Statement of Revenues and Expenditures
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Property Tax	620,260	620,260	646,177	25,917	104.18%
Transfers In					
EDC	130,972	130,972	130,972	-	100.00%
Electric Fund	100,327	100,327	100,327	-	100.00%
Water Fund	635,412	635,412	635,412	-	100.00%
Airport Fund	16,615	16,615	16,615	-	100.00%
Interest Revenue	-	-	1,508	1,508	0.00%
Total Revenues	1,503,586	1,503,586	1,531,010	27,424	101.82%
Expenditures					
Principal Retirements					
DWSRF	50,000	50,000	50,000	-	100.00%
2014 Refunding	174,000	174,000	174,000	-	100.00%
2016 CO	225,000	225,000	225,000	-	100.00%
2015 CO	140,000	140,000	140,000	-	100.00%
2017 CO	250,000	250,000	250,000	-	100.00%
2021 CO	130,000	130,000	65,000	(65,000)	(130,000)
2021 EDC Sales Tax	-	-	65,000	65,000	-
2022 Tax Notes	90,000	90,000	90,000	-	(90,000)
2022A Tax Notes	60,000	60,000	50,000	(10,000)	(60,000)
Interest					
Miscellaneous (payment to escrow)	2,800	2,800	2,400	(400)	85.71%
DWSRF	465	465	465	-	100.00%
2014 Refunding	14,009	14,009	14,009	-	100.00%
2016 CO	24,677	24,677	24,677	0	100.00%
2015 CO	63,094	63,094	63,094	(1)	100.00%
2017 CO	101,971	101,971	101,971	(1)	100.00%
2021 CO	119,475	119,475	109,125	(10,350)	91.34%
2021 EDC Sales Tax	-	-	10,350	10,350	0.00%
2022 Tax Notes	14,682	14,682	14,682	0	100.00%
2022A Tax Notes	43,413	43,413	36,484	(6,929)	84.04%
Total Expenditures	1,503,586	1,503,586	1,486,256	(17,330)	98.85%
Revenue over (under) expenditures	-	-	44,754	44,754	

City of Hondo, Texas
Court Technology/Security Fund
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Court Security Fee	1,200	1,200	126	(1,074)	10.50%
Court Technology Fees	1,700	1,700	176	(1,524)	10.35%
Interest Revenue	500	500	166	(334)	33.13%
Total Revenues	3,400	3,400	468	(2,932)	13.76%
Expenses					
Other Services	3,400	3,400	3,657	257	107.55%
Total Expenses	3,400	3,400	3,657	257	
Revenue over (under) expenses	-	-	(3,189)	(3,189)	

City of Hondo, Texas
Perpetual Care Fund
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Revenues	20,000	20,000	12,200	(7,800)	61.00%
Interest Revenue	1,000	1,000	9,453	8,453	945.33%
Total Revenues	21,000	21,000	21,653	653	103.11%
Expenses					
Mowing Fees to General Fund	20,000	20,000	20,000	-	100.00%
Bank Fees	-	-	83	83	0.00%
Cemetery Cleanup	1,000	1,000	456	(544)	45.60%
Total Expenses	21,000	21,000	20,539	(461)	97.80%
Revenue over (under) expenses	-	-	1,115	1,115	

City of Hondo, Texas
General Capital Projects
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Interest Revenue	-	-	110,815	110,815	0.00%
Transfer In	1,000,000	1,000,000	119,614	(880,386)	11.96%
Total Revenues	1,000,000	1,000,000	230,429	(769,571)	23.04%
Expenses					
Street Improvements	1,000,000	1,000,000	119,614	(880,386)	11.96%
Total Expenses	1,000,000	1,000,000	119,614	(880,386)	
Revenue over (under) expenses	-	-	110,815	110,815	

City of Hondo, Texas
American Rescue Plan Act
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Interest Income	-	-	43,324	43,324	0.00%
Total Revenues	-	-	43,324	43,324	0.00%
Expenses					
Transfers to Other funds	-	-	825,312	825,312	0.00%
Total Expenses	-	-	825,312	825,312	
Revenue over (under) expenses	-	-	(781,987)	(781,987)	

*Transfers to other funds represent reimbursing the fund for ARPA related expenses.

City of Hondo, Texas
Economic Development Corporation
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Sales Tax	635,000	635,000	701,327	66,327	110.45%
Interest Revenue	92,500	92,500	93,227	727	100.79%
Total Revenues	727,500	727,500	794,554	67,054	109.22%
Expenses					
Personnel	117,889	117,889	25,834	(92,054)	21.91%
Supplies	1,000	1,000	9,968	8,968	996.77%
Other Services	498,154	498,154	220,117	(278,037)	44.19%
Debt Service	130,972	130,972	130,972	-	100.00%
Total Expenses	748,015	748,015	386,891	(361,124)	51.72%
Revenue over (under) expenses	(20,515)	(20,515)	407,663	428,178	

City of Hondo, Texas
South Texas Regional Training Center
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
SWTJC Rent	49,405	49,405	49,405	-	100.00%
Alamo Workforce Office Lease	23,747	23,747	23,747	-	100.00%
Monthly Utility	8,868	8,868	8,423	(445)	94.98%
Admin Services & Support	20,280	20,280	20,280	-	100.00%
Miscellaneous	-	-	29,585	29,585	0.00%
Transfers	12,500	12,500	12,500	-	100.00%
Total Revenues	114,799	114,799	143,939	29,140	125.38%
Expenses					
Personnel	70,053	70,053	69,063	(990)	98.59%
Supplies	7,800	7,800	3,884	(3,916)	49.80%
Other Services	36,946	36,946	38,169	1,222	103.31%
Total Expenses	114,799	114,799	111,116	(3,683)	96.79%
Revenue over (under) expenses	-	-	32,823	32,823	

City of Hondo, Texas
Hotel/Motel Tax Fund
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Hotel/Motel Tax Revenues	135,000	135,000	108,560	(26,440)	80.41%
Interest Revenue	-	-	1,000	1,000	0.00%
Total Revenues	135,000	135,000	109,560	(25,440)	81.16%
Expenses					
Hondo Chamber of Commerce	65,000	65,000	65,000	-	100.00%
Medina County Museum	7,500	7,500	7,500	-	100.00%
Rodeo Association	10,000	10,000	4,190	(5,810)	41.90%
Airstrip Attack Race	-	-	-	-	0.00%
Medina Livestock Assoc	5,000	5,000	5,000	-	100.00%
Transfers	47,500	47,500	35,625	(11,875)	75.00%
Total Expenses	135,000	135,000	117,315	(17,685)	
Revenue over (under) expenses	-	-	(7,755)	(7,755)	

City of Hondo, Texas
Water Resource Fund
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Water Resource Revenues	30,000	30,000	31,357	1,357	104.52%
Interest Revenue	-	-	1,508	1,508	0.00%
Total Revenues	30,000	30,000	32,865	2,865	109.55%
Expenses					
Transfers	30,000	30,000	28,125	(1,875)	93.75%
Total Expenses	30,000	30,000	28,125	(1,875)	
Revenue over (under) expenses	-	-	4,740	4,740	

City of Hondo, Texas
Fair Hall & Livestock
Statement of Revenues and Expenses
Budget to Actual

September 30, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Fair Building Rental	50,000	50,000	29,607	(20,393)	59.21%
Fair Building Deposits	-	-	4,967	4,967	0.00%
Interest Income	-	-	121	121	0.00%
Transfers	87,500	87,500	35,625	(51,875)	40.71%
Total Revenues	137,500	137,500	70,320	(67,180)	51.14%
Expenses					
Personnel	65,990	65,990	10,562	(55,428)	16.01%
Supplies	50,510	50,510	26,360	(24,151)	52.19%
Other Services	21,000	21,000	18,832	(2,168)	89.68%
Total Expenses	137,500	137,500	55,753	(81,747)	
Revenue over (under) expenses	-	-	14,566	14,566	



City Council Communication

Title: Discuss and consider approving the minutes from November 27, 2023. (Stephanie Velasquez)

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. MINUTES1127

STAFF CONTACTS:

MINUTES
CITY OF HONDO
REGULAR CITY COUNCIL MEETING
November 27, 2023 at 6:00 p.m.

1. Called the meeting to order.

Mayor McAnelly called the meeting to order at 6:00 p.m.

2. Quorum check.

Mayor John McAnelly, Mayor Pro Tem Jose “Porky” Ytuarte, Council Member Bobby Vela, Council Member Rachel Ramirez, Council Member John E. Villa.

Absent: Council Member Brett Williams

Staff Present: City Manager John Naron, Chief Finance Officer Chris Hill, City Attorney Jessie Lopez, Acting City Secretary/Admin Assistant Stephanie Velasquez, IT Manager Josh Rodriguez, Director of Public Information and Recreation Jamie Kindred, Police Chief Justin Soza, Director of Aviation Ryan Elder, Wastewater Superintendent Stephen Winters, Electric Superintendent Val Sanchez.

3. Invocation by Beverly Kelling-St. Paul Lutheran Church.

4. Pledge of Allegiance.

5. Citizens’/Public Comments: Persons who desire to address the City of Hondo City Council will be received at this time. Those persons wishing to speak should complete a Public Comment Form and submit it to the City Secretary prior to the meeting. If the speaker wishes to comment on a particular agenda item, then the speaker should indicate such item(s) to on the form. Public comment is limited to 3 minutes per speaker. Speakers must conduct themselves in a civil manner. In accordance with the Texas Open Meetings Act, the City of Hondo City Council cannot deliberate or take action on items not listed on the meeting agenda.

PRESENTATIONS

6. City Managers Report. (John Naron)

City Manager John Naron began by acknowledging the slower pace of city government operations during the holiday season. Despite this, there was significant anticipation regarding the Certificate of Obligation projects presented to the council.

Naron expressed enthusiasm about these projects, emphasizing their importance in strategically preparing Hondo for future growth. These initiatives were described as proactive measures essential for the city's development.

Looking ahead to 2024, City Manager John Naron projected a substantial increase in such developmental activities. It was noted that various city departments are already gearing up, with multiple projects lined up and ready for initiation. These projects reflect the city's commitment to growth and advancement.

In conclusion, Naron conveyed confidence in the city's preparedness for these upcoming projects, underscoring a promising outlook for the future of Hondo.

7. Authorization to purchase Vape detectors for Hondo I.S.D. (Chief Soza)

Chief Soza presented a proposal to the council for the approval of purchasing 10 vape detectors for Hondo Independent School District (I.S.D.). The Chief referenced a successful trial run conducted by the school district last year with these detectors, which yielded positive results.

The purpose of these detectors, as explained, is to identify vapes containing either tobacco or THC. For full transparency, Chief Soza clarified the police department's policy: no citations are issued for tobacco-based vapes; involvement occurs only if a vape contains THC. Moreover, the department does not have the authority to issue citations for class C offenses (such as tobacco possession) committed by students on school property.

The program will include a four-year licensing agreement. The school district will manage the installation and maintenance of the detectors after purchase. The funding for this initiative will be sourced from the opioid abatement fund, a decision supported by consultations with the city attorney's office. This fund was previously utilized for reinstating the DARE program. The initiative represents a multifaceted approach to reducing drug presence in schools.

Chief Soza concluded by emphasizing the commitment to enhancing the safety and wellbeing of students in Hondo I.S.D. through this proactive measure.

Council Member Ytuarte motioned to approve the purchase of 10 Vape detectors for Hondo I.S.D. Seconded by Council Member Vela. The motion carried by the following vote: AYE: Ytuarte, Vela, Ramirez, Villa. NAY: None. ABSTAIN: None. ABSENT: Williams.

CONSENT

Council Member Ytuarte moved to approve consent agenda items 8 and 9; seconded by Council Member Vela. The motion carried by the following vote: AYE: Ytuarte, Vela, Ramirez, Villa. NAY: None. ABSTAIN: None. ABSENT: Williams.

8. Discuss and consider approving the minutes from November 13, 2023. (Stephanie Velasquez)
9. Discuss, Consideration, and possible action on TXCDBG Contract No. CDV21-0401 to award the construction contract for both the base bid in the amount of \$173,000 and the additive alternate bid in the amount of \$137,000 for a total of \$310,000 for the 2021- 2022 WWTP Clarifiers Rehabilitation Replacement Project to RGV Industrial Machine and Pump, LLC. (Stephen Winters)

OTHER BUSINESS

10. Discuss and consider the potential issuance of certificates of obligation including the timing and fiscal impact of the proposed financing. (Chris Hill and Andrew Friedman)

Chief Finance officer Chris Hill stated at our August meeting, we explored the possibility of issuing bonds totaling \$11,550,000 to fund a range of city projects. As we gather today, our objective is to confirm our commitment to these plans and ensure that all members, including our newly appointed City Manager, are in agreement.

The proposed bond issuance is intended to cover eight distinct projects. The largest allocation, amounting to \$7.2 million, is earmarked for the wastewater trunk main project. Additionally, \$1.7 million is set aside for various water-related projects, with the balance supporting a number of smaller initiatives.

Financial backing is further bolstered by a commitment from the Economic Development Corporation (EDC), which has agreed to contribute \$1 million over the next ten years. This funding, specifically directed towards the wastewater trunk main project, was approved by their board in August.

Our new City Manager has been extensively briefed on all the projects and is ready to provide additional details and guidance. Together with the financial advisor and project leaders who are also present, there is a unanimous recommendation to proceed with the projects as planned.

This meeting is pivotal in ensuring that we are making decisions that align with the city's infrastructure needs and community welfare. I encourage all council members to familiarize themselves with the project list and funding details to facilitate an informed discussion.

Chris Hill stated on the ongoing efforts to fund key city projects, we have adjusted the proposed bond issuance to \$11,550,000. This revision accommodates the generous contribution of \$100,000 annually from the Economic Development Corporation (EDC). Their commitment is specifically aimed at offsetting the payments for the wastewater project, thereby easing the financial burden on the city's budget.

We have strategically planned to issue this debt after February, ensuring that its impact on our tax rate is deferred to the next fiscal year. This timing aligns with our budget planning, as the bond issuance is not included in the current year's budget. Our intention is to maintain fiscal responsibility while advancing the city's infrastructure projects.

It's crucial that we are unified in our approach and have a clear direction from the Council on this matter. I am prepared to address any inquiries regarding the specifics of the projects and the anticipated timeline leading up to the preliminary stages.

While we seek guidance from the Council tonight, no immediate action will be taken. Depending on the Council's decision, we plan to present the Notice of Intent at our next meeting, should the Council agree to proceed as planned. This step is pivotal in ensuring our city's development proceeds smoothly and efficiently.

Councilman Vela requested a detailed breakdown of where these funds are going. We're dealing with large numbers, and it's important to clearly understand how we're planning to allocate them.

Parks and Facilities Director Len McVay presented that he has outlined a prioritized list of key projects, with a focus on six main areas in the Fair Hall. A top priority is ensuring our restrooms are both ADA-compliant and thoroughly renovated. This requires a complete overhaul, starting from scratch to meet current standards.

Len McVay stated in reviewing the Fair Hall renovation budget, he has done his best to interpret and apply the funds effectively. One area where we're exploring options is in ceiling construction. We're considering either installing a drop ceiling or applying a thick layer of spray insulation. This decision largely hinges on our need to maintain adequate air conditioning efficiency. Our aim is to ensure that the installation of new AC units not only meets our cooling requirements but does so efficiently, without the space remaining uncomfortably warm despite the new units.

Len also stated significant progress has already been made on several projects. In the kitchen, they have successfully installed a new drop ceiling, added fresh insulation, laid new tile, and upgraded the lighting. Additionally, we've revamped the first office you encounter upon entry. All old paneling has been removed, and the walls have been meticulously taped and floated, resulting in a noticeably improved aesthetic. We're committed to leveraging our

in-house capabilities wherever possible, aiming to maximize our efficiency and stay within the allocated budget.

Electric Superintendent Val Sanchez provided an update on the progress of our electrical infrastructure enhancements. A few years ago, we initiated upgrades to our street, focusing primarily on improving the electrical capabilities in the airport area. This strategic improvement is aimed at supporting any potential future growth, recognizing the airport's prime location as an attractive site for new businesses and development.

Most of the project, including the critical parts of the infrastructure, has been completed. The remaining task involves extending the upgrades from Avenue Y back to the substation. This final phase is crucial for ensuring a robust and reliable power supply to support the area's expanding needs.

Val stated for the next phase of our project, scheduled for the upcoming year, we plan to request additional funds to complete the electrical circuit upgrades in the entire airport area. When asked about the cost estimation for this phase, which involves a shorter route of approximately two miles, the initial projection was around \$550,000. However, considering the current economic conditions and the fluctuating prices, a more realistic estimate would be closer to \$300,000. This figure is a preliminary guesstimate, subject to adjustment as we refine our plans and account for market dynamics.

Director of Aviation Ryan Elder stated “in a previous discussion, we noted the allocation of \$500,000, initially considered for property acquisition. Acknowledging that property values tend to increase over time, it seems like a sound investment. However, I am currently reassessing if this is the optimal use of these funds at this point. I remain open to other suggestions and have outlined a few potential projects that could benefit from this budget. However, many of these projects, such as the airport concrete repairs currently estimated at \$1.5 million based on our ongoing taxiway project exceed the \$500,000 mark. This leads me to question if committing to such substantial projects is the most effective approach with the available funds.”

Andrew Friedman from Samco Capital Markets addressed the council regarding the process of issuing Certificates of Obligation (COs). He affirmed that the remaining decisions and the need for further detailed information on project scope and costs are well within the acceptable timeline of the CO issuance process. The first significant step for the council will be the Notice of Intention Resolution, where the maximum borrowing amount will be outlined, whether it's \$11,550,000 or a different figure. This resolution will cover broad project categories like park renovations, utility system improvements, airport and electric system enhancements. This broad definition is intentional, offering flexibility for unforeseen changes during the project execution phase.

The process involves several steps, including publishing the Notice of Intention, undergoing a rating review with Standard & Poor's, and eventually opening the COs for competitive bidding by investment banks. The council is proposed to officially approve the CO bids on February 12, with the funds anticipated to be available by March 6.

Friedman emphasized that the council retains control over project prioritization and allocation of funds, even after borrowing. Decisions on proceeding with specific projects like airport or park improvements can be revised at any time. This ensures that the council continues to have oversight and approval authority over significant expenditures throughout the project execution phases.

Executive Session

11. Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations); Section 551.086 (Meeting concerning municipally owned utility-competitive matters

None.

12. Discuss and consider appropriate action on items resulting from Executive Session.

13. Adjourn (6:52 p.m.)

Council Member Villa made motion to adjourn; seconded by Council Member Ytuarte. The motion carried by the following vote: AYE: Ytuarte, Vela, Ramirez, Villa. NAY: None. ABSTAIN: None. ABSENT: Williams.

PASSED AND APPROVED THIS 11TH DAY OF DECEMBER 2023

JOHN McANELLY, JR., MAYOR

ATTEST:

Stephanie Velasquez
Acting City Secretary/Admin



City Council Communication

Title: Discuss and consider the ongoing issues with water and wastewater services outages related to the company installing the fiber optic lines. (Council Member Ytuarte and Council Member Williams)

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS:



City Council Communication

Title: Discuss and consider the potential issuance of certificates of obligation including timing and fiscal impact of the proposed financing. (John Naron and Chris Hill)

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. 2024 PROJECT PORTFOLIO DRAFT

STAFF CONTACTS:



PROPOSED DEBT CAPITAL PROJECTS 2023/2024

Department	Fund	Description	Debt
PARKS	GENERAL	PARKS PROJECTS	\$400,000
FAIR HALL	GENERAL	FAIR HALL RENOVATION	\$400,000
	GENERAL	TOTAL	\$800,000
ELECTRIC	ELECTRIC	AIRPORT RE-CONDUCTOR PROJECT	\$550,000
	ELECTRIC	TOTAL	\$550,000
WATER	UTILITY WTR	DOWNTOWN GROUND STORAGE TANK	\$750,000
WATER	UTILITY WTR	WELL #2 ELECTRICAL UPGRADE	\$250,000
WATER	UTILITY WTR	WATER RIGHTS PURCHASE	\$1,500,000
WASTEWATER	UTILITY WTR	WEST SIDE TRUNK MAIN	\$7,200,000
	UTILITY WTR	TOTAL	\$9,700,000
AIRPORT	AIRPORT	AIRPORT IMPROVEMENTS	\$250,000
	AIRPORT	TOTAL	\$250,000
		TOTAL PROJECTS	\$11,300,000

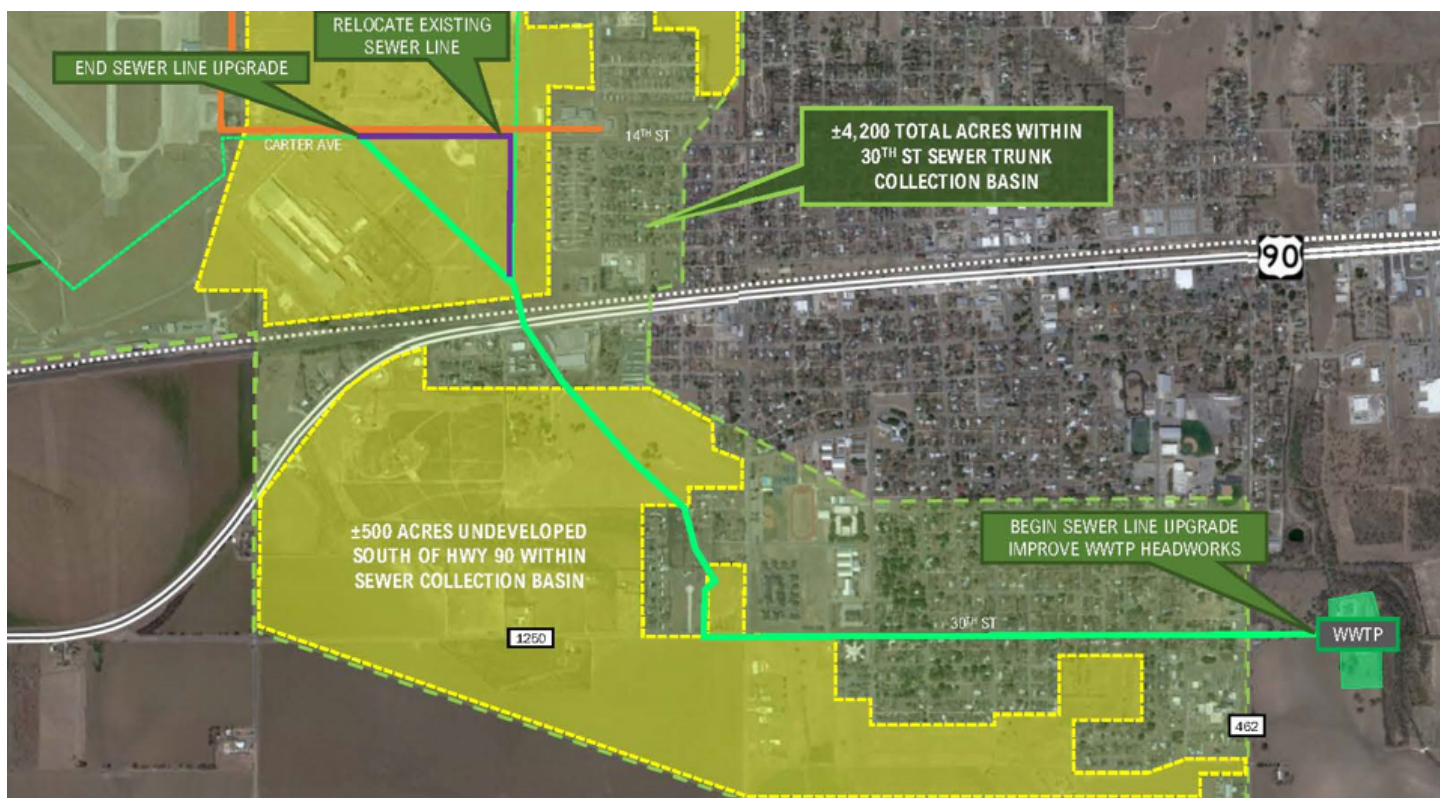
PROJECT NAME	30 TH STREET TRUNK LINE
PROJECT #	24-001
ESTIMATED COST	\$7,200,000.00
COST BASED ON	KSA OPC

Many of the collection system improvements identified in the 2010 Sanitary Sewer Evaluation Study have been completed. One of the exceptions is the 30th Street Trunk Main, which is still at capacity. It is surcharged at ordinary conditions and experiences overflows. Although the updated calculations completed as part of this infrastructure review indicate capacity remaining in the WWTP, it is assumed that this trunk main will limit development on the west side of the City including the industrial areas around the airport.

KSA estimated the upgrade costs of this line based on the upgrade beginning at Manhole **A13** on Carter Street (the point at which the **12** inch for AIN ends) all the way to the intersection of 30th and Avenue E. We have also assumed a **24** inch line from start to finish.

Description	Quantity	Unit	Unit Price	Total
Mobilization, Insurance, and Bonds (10%)	1	LS	\$742,000.00	\$ 742,000.00
Barricades, Signs, and Traffic Handling	1	LS	\$ 15,000.00	\$ 15,000.00
Care of Water During Construction	1	LS	\$ 40,000.00	\$ 40,000.00
Stormwater Pollution Prevention	1	LS	\$ 20,000.00	\$ 20,000.00
Miscellaneous Allowance	1	AL	\$250,000.00	\$ 250,000.00
Gravity Sewer Line and Manhole Testing	1	LS	\$ 35,000.00	\$ 35,000.00
Tie-in System	2	LS	\$ 15,000.00	\$ 30,000.00
24-in-115 Gravity Sewer Line (Less than 20-ft Trench)	12950	LF	\$ 300.00	\$ 3,885,000.00
Barbed Wire Fence Repair	200	LF	\$ 15.00	\$ 3,000.00
Open Cut and repair Gravel Drive	500	SY	\$ 40.00	\$ 20,000.00
Asphalt Street Repair	7228	SY	\$ 35.00	\$ 252,980.00
48-in Manholes	37	EA	\$ 15,000.00	\$ 555,000.00
30-in Bore & Casing	200	LF	\$ 800.00	\$ 160,000.00
Reconnect Services	60	EA	\$ 2,500.00	\$ 150,000.00
Hydromulch	1.72	AC	\$ 3,500.00	\$ 6,020.00
Erosion Control Matting	8333	SY	\$ 5.00	\$ 41,665.00
Filter Fabric Fence	7500	LF	\$ 4.00	\$ 30,000.00
Clearing and Grubbing	2.3	AC	\$ 5,500.00	\$ 12,650.00
Foundation Material for Trench	50	CY	\$ 50.00	\$ 2,500.00
Excavation Safety	1	LS	\$ 20,000.00	\$ 20,000.00
Trench Safety	13000	LF	\$ 2.00	\$ 26,000.00
			Total	\$ 6,296,815.00
			Construction Contingencies (14.5%)	\$ 913,038.18
			Opinion of Probable Cost	\$ 7,209,853.18

Figure 1: Map of the 30th Street Trunk



PROJECT NAME	DOWNTOWN GROUND STORAGE TANK REHAB
PROJECT #	24-002
ESTIMATED COST	\$750,000.00
COST BASED ON	FREESE AND NICKOLS OPC AND STAFF SOURCED BIDS

Critical maintenance and upgrades to a water storage tank that currently fails to meet standards of the Texas Commission on Environmental Quality (TCEQ). Key issues with the tank include extensive rusting, holes in the roof, absence of cathodic protection (a technique used to control the corrosion of a metal surface), and severely rusted roof beams.

This tank has consistently failed inspections and has been a proposed item for the Capital Improvement Plan (CIP) for three consecutive cycles, yet it remains unaddressed. The urgency of funding this project stems from the potential risks it poses. Non-compliance with TCEQ regulations is a primary concern, but more critically, there is a tangible risk of drinking water contamination.

Given the severity of these issues, this project is deemed the most crucial for the water division in this year's budget. Delaying or overlooking this project could lead to significant health and safety hazards, as well as legal and regulatory repercussions.

SAFETY CONDITIONS



Safety Rails

Safety rails installed and in good condition.



Tank Access

Tank access is proper size and configuration. Heavy rusting along the seams and panels around hatch.

EXTERIOR COATING CONDITIONS



Exterior Wall Coatings

Fair Condition, some signs of rusting. 7-10 mils of paint



Exterior Roof Coating

Poor condition. Numerous holes around hatches and vents.



Vent

Vent are in poor condition. Rusting out at base, allowing water and debris to enter tank.



Overflow

Overflow is compliant with current standards.



Exterior Coating: Roof

Poor Condition. The roof buckles and moves because beams are in poor condition.



Exterior Roof

Poor Condition. Low spots around hatch, numerous exterior rust areas

Description	Quantity	Unit	Unit Price	Total
Ground Storage Tank Painting				
Blast and Paint Tank Exterior	7428	SF	\$ 12.00	\$ 89,136.00
Blast and Paint Tank Interior	9451	SF	\$ 13.00	\$ 122,863.00
Dehumidication and Containment	1	LS	\$ 35,000.00	\$ 35,000.00
Safety Procedures and Waste Stablization	1	LS	\$ 10,000.00	\$ 10,000.00
Ground Storage Tank Repair Exterior				
Remove 24" Manhole and Install 36" Manhole	1	LS	\$ 20,000.00	\$ 20,000.00
Recoat Exterior Piping and Valves	1	LS	\$ 5,000.00	\$ 5,000.00
Remove and Replace Exterior Ladder System	40	LF	\$ 250.00	\$ 10,000.00
Remove and Replace Exterior Ladder Safety Device	1	LS	\$ 8,000.00	\$ 8,000.00
Remove 2 each 12" Vents and Replace with 24"Vent	1	LS	\$ 30,000.00	\$ 30,000.00
Remove and Replace 30" Square Interior Access Hatch with 42"Square Hatch	1	LS	\$ 30,000.00	\$ 30,000.00
Install Gate and Guardrail around New 42" Interior Access Hatch	1	LS	\$ 6,000.00	\$ 6,000.00
Install New 36" Square Hatch over New Overflow Weir	1	LS	\$ 15,000.00	\$ 15,000.00
Light Abrasive Blast of Concrete Foundation and Provide Non-Shrink Grout at Spalls, honeycombs, and cracks	1	LS	\$ 5,000.00	\$ 5,000.00
Concrete Repair of Foundation	1	LS	\$ 1,500.00	\$ 1,500.00
Install Guardrail around Tank perimeter	170	LF	\$ 250.00	\$ 42,500.00
Miscellaneous Electrical	1	LS	\$ 8,000.00	\$ 8,000.00
Miscellaneous Welding	40	MH	\$ 236.00	\$ 9,440.00
Install Sample Tap	1	EA	\$ 800.00	\$ 800.00
Roof Cp Handhole Repairs	11	EA	\$ 400.00	\$ 4,400.00
Ground Storage Tank Repair - Interior				
Replace Rafters	30	EA	\$ 1,500.00	\$ 45,000.00
Replace Shell Clip for Rafters Including Hardware	30	EA	\$ 500.00	\$ 15,000.00
Interior Shell Pit Welding	1	LS	\$ 7,500.00	\$ 7,500.00
Repair Tank Floor as Determined by Inspection	1	LS	\$ 10,000.00	\$ 10,000.00
Miscellaneous Roof Repairs	20	EA	\$ 400.00	\$ 8,000.00
Remove and Replace Interior Ladder System	31	LF	\$ 400.00	\$ 12,400.00
Install Interior Ladder System Safety Features	1	LS	\$ 6,000.00	\$ 6,000.00
Internal Overflow Repairs	1	LS	\$ 9,000.00	\$ 9,000.00
Repair Crows Nest Support	1	LS	\$ 12,000.00	\$ 12,000.00
Ground Storage Tank Piping Improvements				
Modify inlet Piping and install 12" Gate Valve	1	LS	\$ 12,000.00	\$ 12,000.00
Replace Butterfly Valve on Outlet Piping	1	LS	\$ 12,000.00	\$ 12,000.00
Replace Drain Gate Valve, Including Installing New Drain Nozzle	1	LS	\$ 12,000.00	\$ 12,000.00
Replace Overflow Pipe Flap Valve	1	LS	\$ 8,000.00	\$ 8,000.00
			SubTotal	\$ 621,539.00
			Contingency	\$ 125,000.00
			Total	\$ 746,539.00

PROJECT NAME	WELL SITE #2 ELECTRICAL UPGRADE
PROJECT #	24-003
ESTIMATED COST	\$250,000.00
COST BASED ON	STAFF ESTIMATE - WITHOUT BIDS

The funding request for the **Well Site # 2 (Golf Course Well)** project is driven by the critical need to update the antiquated electrical system, which is over 50 years old. The current system's age not only makes it unreliable but also poses a significant challenge in sourcing parts for repairs. This site plays a vital role in the city's water supply infrastructure, especially during emergencies. It serves as one of the primary backup sources for water distribution to crucial areas, including the city, the prison, and the industrial park.

In the event of a system failure at this site, and if it cannot be promptly restored, the risk escalates significantly. Should another site simultaneously experience downtime or a major leak occur, it could result in a substantial loss of water supply to a large portion of the city. This scenario could lead to severe consequences, potentially affecting residential areas, critical facilities, and industrial operations.

Therefore, the urgency of this funding request is underscored by the need to ensure the reliability and resilience of the city's water supply system, particularly in emergency situations. The upgrade of the electrical system at Well Site # 2 is not just a matter of maintenance; it's a crucial step in safeguarding the city's water security and preventing a potential water crisis.

JOB SPECIFICATIONS

277/480 Volts – 3 Ph 4 wire

600-amp MCB – with 3 phase Ammeter and Voltmeter with selector (or a Power Meter)

NEMA 1A

42K AIC

3 – Size 4 FVNR starters 50 Hp – with MCP, CPT, Phase Failure Relay, ETM, Timer, HOA, Red/Green Pilot Lights, Delay Start Timer

1 – 125 Hp Red Voltage Solid State Starter with Iso Contactor and By-pass Contactor (for FVNR Start)- Severe Duty-MCP – Delay Start Timer, ETM, Red and Green Pilot lights and HOA.

1 – 40 a/ 3 pole Feeder (Xfmr Feeder)

1 –30 KVA Xfmr

1 – Lighting Panel – 30 Circuit – 100 amp

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1 – 30 amp/ 3 pole Feeder Bkr – SPD Feeder

1 – 160 kA SPD

6 – 12" Space for Future

PROJECT NAME	WATER RIGHTS PURCHASE
PROJECT #	24-004
ESTIMATED COST	\$1,500,000.00
COST BASED ON	CURRENT FLUCTUATING MARKET RATES

The Edwards Aquifer Authority (EAA) regulates the use of water from the aquifer to ensure sustainable use and to protect endangered species that live in the aquifer system. Entities must have rights to legally draw water from the aquifer. As the region's population and economic activities grow, the demand for water increases. Purchasing water rights is essential for cities and businesses to secure their water supply. The EAA allows for the market based transfer of water rights, enabling entities that need more water to purchase rights from those who have excess. The cost of water rights can be significant and varies based on demand, availability, and regulatory conditions. The city will use the requested funds for the purchase of water rights

Without restrictions, the city can use **2,645.919 AF** of water. There are 5 stages of drought that can restrict the amount of water available. At current market rate we believe that we can hire a consultant to help us with the purchase of an additional **200 AF** of water.

PROJECT NAME	Airport Re-Conductor Project
PROJECT #	24-005
ESTIMATED COST	\$550,000
COST BASED ON	STAFF SOURCED BIDS

Companies are interested in the industrial area near the airport. As we continue to grow and attract new business this project will be vital to insure the city's ability to provide power. Current lines are in poor condition and over 2 miles of old copper infrastructure need to be replaced with ACSR wire to support future growth.

JOB SPECIFICATIONS

2 mile reconduct
 Replace 66 poles
 Add new anchors and guides at every junction and take off
 Lights transformers, capacitor banks transferred

PROJECT NAME	NEW BASEBALL FIELDS
PROJECT #	24-006
ESTIMATED COST	\$400,000.00
COST BASED ON	STAFF SOURCED BIDS

Staff has put forward a proposal for the construction of two new fields in the vicinity of the recreation center, adjacent to the existing practice fields. These fields are designed to meet Little League standards and will feature several key amenities:

1. **Turf Infields:** The infields of the proposed fields will be equipped with high-quality turf, ensuring a consistent playing surface and reduced maintenance.
2. **Backstops and Dugouts:** Each field will have backstops to protect spectators and dugouts for the teams, providing a professional and safe environment for the players.
3. **Sprinkler System:** An integrated sprinkler system will be installed for efficient maintenance of the grass outfields, ensuring they remain in top condition.
4. **Aluminum Bleachers:** Spectator seating will be provided through durable aluminum bleachers, offering comfortable viewing for games and events.
5. **Grass Outfields:** The outfields will be natural grass, providing an authentic playing experience and aesthetic appeal.
6. **Fencing:** Chain link fence, with a safety barrier on top, will be installed by staff.

Additionally, the existing red barn near the proposed field location will undergo renovation to serve as a multifunctional facility. This renovation will include:

- **Restrooms:** Modern, accessible restrooms to accommodate players and spectators.
- **Concession Stands:** The facility will house concession stands capable of serving up to four fields, enhancing the overall experience for visitors.

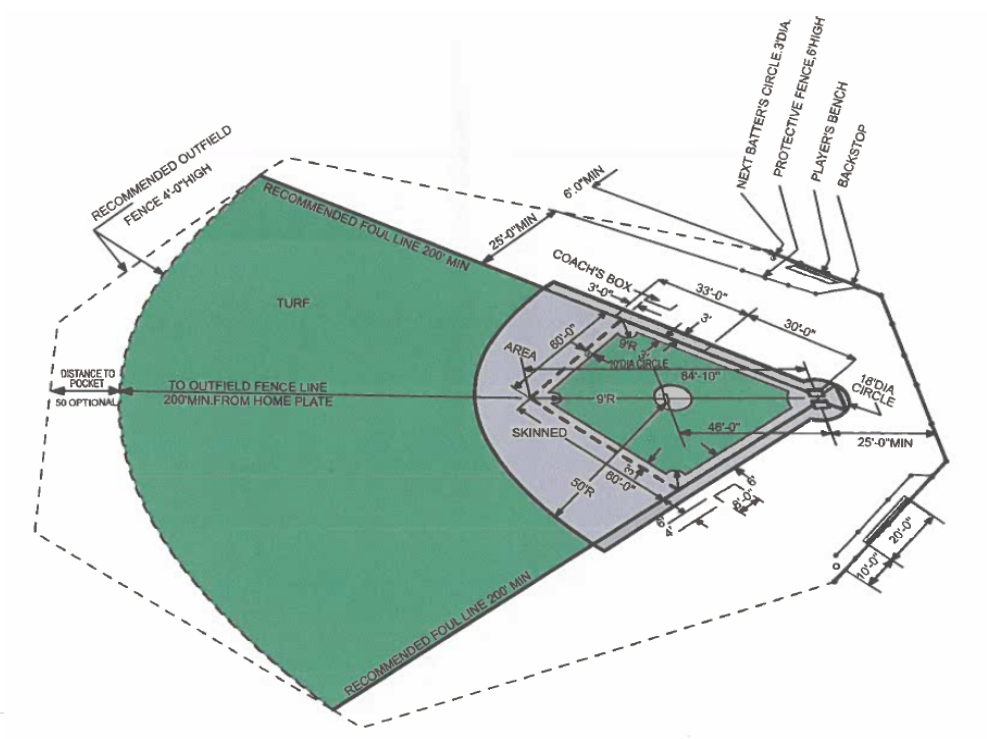
As part of this project, the old concession stand currently in use will be demolished to make way for these new, improved facilities. This development aims to enhance the local sports infrastructure, support youth activities, and provide a community space for various events.

Description	Total
Complete infield with tuff, sand, bases, and pitcher's mound	\$110,362.00
Fence, dugouts, and backstop	\$115,000.00
Bleachers	\$5,000.00
Outfield sprinkler system + hydro mulch	\$68,000.00
Renovate red barn (restrooms, concession)	\$77,000.00
	\$375,362.00

Figure 1: Proposed Location



Figure 2: Little League Baseball Field Dimensions



PROJECT NAME	Fair Hall
PROJECT #	24-007
ESTIMATED COST	\$400,000
COST BASED ON	STAFF SOURCED BIDS

The Fair Hall in Hondo, a cherished venue for community events, is poised for a significant remodel. Staff is evaluating bids for two main ceiling options: a modern drop-down ceiling and a similarly priced spray foam ceiling, each offering distinct benefits in aesthetics, insulation, and acoustics. However, to fully realize the council's vision for the hall, additional funding may be necessary, particularly if the renovation work is outsourced rather than conducted in-house, underscoring the need for careful budgetary planning to ensure the project's success and the hall's continued appeal and functionality. Please see the pictures below.



Description	Total
Remove Garage Doors and Enclose	\$ 11,500.00
Remove two garage doors and enclose walls	
Match existing t-11 plywood and insulate between walls	
Purchase R Panel match color as close as possible to exterior.	
Get wall ready to paint on the interior	
Paint Walls In Fair Hall Area	\$ 17,500.00
Prime all t1-11 walls	
Prep walls for paint. Fill in all holes and seams. Caulk trim as needed	
Paint all walls in Fair Hall 10.5 high	
Paint exposed purlin	
Men's and Women's Restroom	\$ 72,000.00
Women's	
Patch concrete that is chipped and toilets that will be removed and plumbing capped off	
Apply a non slip paint and paint flooring in restroom	
5 new restroom stalls commercial grade	
remove two stalls	
leave a changing room on the end	
can lighting and vent fan needs to be added in restroom	
2 new granite counterops with under mount sinks added	
sinks to be ADA with one ADA restroom stall	
Patch walls and Ceilings	
Men's	
Patch concrete that is chipped and toilets that will be removed and plumbing capped off	
Apply a non slip paint and paint flooring in restroom	
Install 3 new toilet stalls	
5 urinals for men's restroom plumbed in and installed	
Leave a changing room on the end	
Can lighting and vent fan needs to be added in restroom	
2 new granite counterops with under mount sinks added	
sinks to be ADA with one ADA restroom stall	
Patch walls and ceiling	
Drop Ceiling	\$ 146,850.00
Install new ceiling grid in entire fair hall reception area	
Lights for drop ceiling (210)	
Wiring for switches and Lighting	
HVAC	\$ 200,000.00
10 Ton unit (4)	
5 Ton unit (1)	
Total	\$ 447,850.00

PROJECT NAME	Airport Concrete Repair
PROJECT #	24-006
ESTIMATED COST	\$250,000
COST BASED ON	STAFF SOURCED BIDS

The concrete ramp and apron areas at the airport, crucial for operations, are currently in dire need of maintenance and repair. Particularly, the panels near the fuel area are in the poorest condition, with 17 of them requiring full replacement. After a thorough review of the airport's funding and budget, it has been concluded that addressing this project would yield the highest benefit. Importantly, it can be undertaken without imposing an excessive financial burden on the airport's budget, making it a feasible and necessary improvement.



Description	Quantity	Unit	Unit Price	Total
Installation	888	SQYD	\$ 155.00	\$ 137,640.00
Demo	8000	SQFT	\$ 4.00	\$ 32,000.00
Mobilization	1	N/A	\$ 4,000.00	\$ 4,000.00
Engineering	1	N/A	\$ 35,000.00	\$ 35,000.00
			Total	\$ 208,640.00
			Construction Contingencies (15.0)	\$ 31,296.00
			Opinion of Probable Cost	\$ 239,936.00



PROPOSED DEBT CAPITAL PROJECTS 2023/2024

Department	Fund	Description	Debt
PARKS	GENERAL	PARKS PROJECTS	\$400,000
FAIR HALL	GENERAL	FAIR HALL RENOVATION	\$400,000
	GENERAL	TOTAL	\$800,000
ELECTRIC	ELECTRIC	AIRPORT RE-CONDUCTOR PROJECT	\$550,000
	ELECTRIC	TOTAL	\$550,000
WATER	UTILITY WTR	DOWNTOWN GROUND STORAGE TANK	\$750,000
WATER	UTILITY WTR	WELL #2 ELECTRICAL UPGRADE	\$250,000
WATER	UTILITY WTR	WATER RIGHTS PURCHASE	\$1,500,000
WASTEWATER	UTILITY WTR	WEST SIDE TRUNK MAIN	\$7,200,000
	UTILITY WTR	TOTAL	\$9,700,000
AIRPORT	AIRPORT	AIRPORT IMPROVEMENTS	\$250,000
	AIRPORT	TOTAL	\$250,000
		TOTAL PROJECTS	\$11,300,000

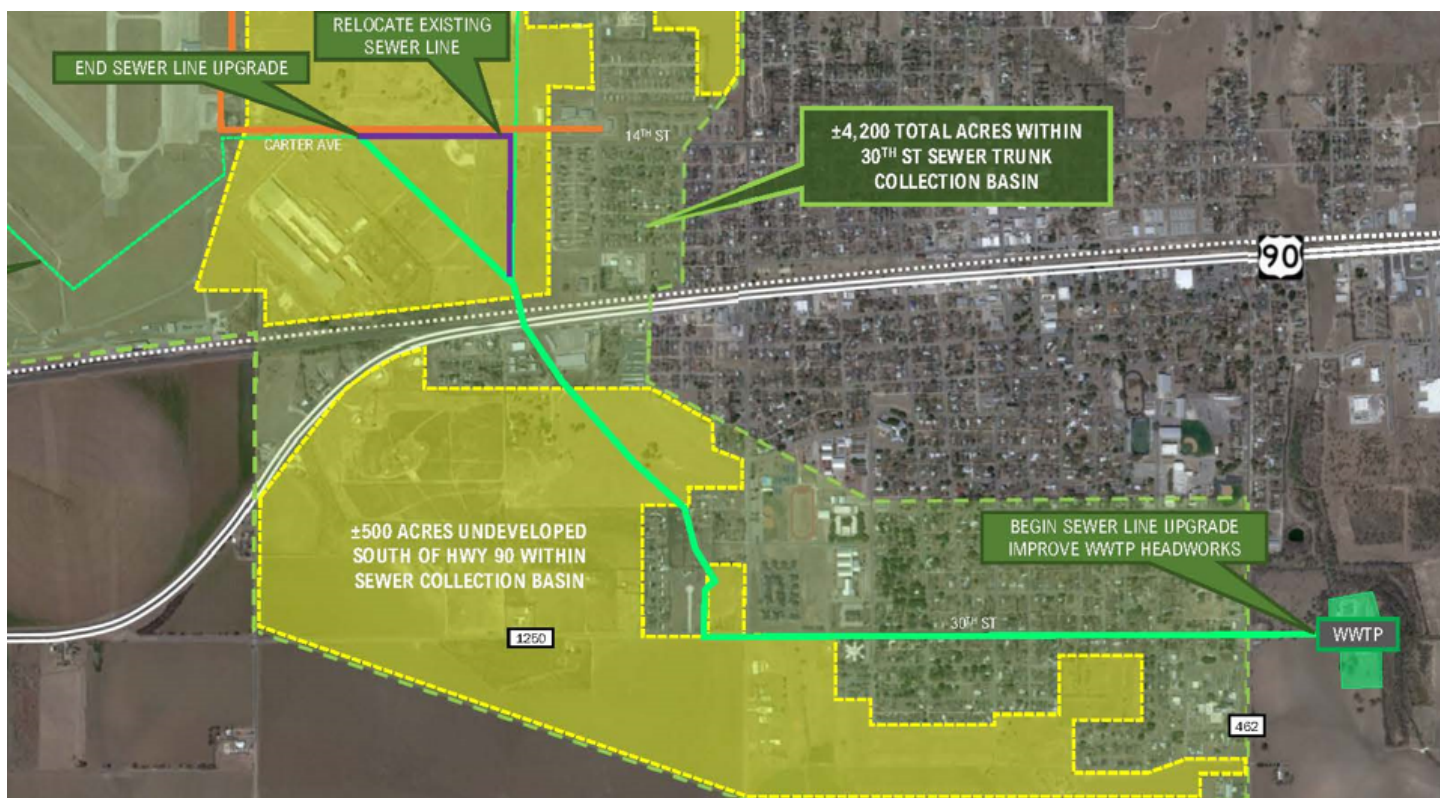
PROJECT NAME	30 TH STREET TRUNK LINE
PROJECT #	24-001
ESTIMATED COST	\$7,200,000.00
COST BASED ON	KSA OPC

Many of the collection system improvements identified in the 2010 Sanitary Sewer Evaluation Study have been completed. One of the exceptions is the 30th Street Trunk Main, which is still at capacity. It is surcharged at ordinary conditions and experiences overflows. Although the updated calculations completed as part of this infrastructure review indicate capacity remaining in the WWTP, it is assumed that this trunk main will limit development on the west side of the City including the industrial areas around the airport.

KSA estimated the upgrade costs of this line based on the upgrade beginning at Manhole **A13** on Carter Street (the point at which the **12** inch for AIN ends) all the way to the intersection of 30th and Avenue E. We have also assumed a **24** inch line from start to finish.

Description	Quantity	Unit	Unit Price	Total
Mobilization, Insurance, and Bonds (10%)	1	LS	\$742,000.00	\$ 742,000.00
Barricades, Signs, and Traffic Handling	1	LS	\$ 15,000.00	\$ 15,000.00
Care of Water During Construction	1	LS	\$ 40,000.00	\$ 40,000.00
Stormwater Pollution Prevention	1	LS	\$ 20,000.00	\$ 20,000.00
Miscellaneous Allowance	1	AL	\$250,000.00	\$ 250,000.00
Gravity Sewer Line and Manhole Testing	1	LS	\$ 35,000.00	\$ 35,000.00
Tie-in System	2	LS	\$ 15,000.00	\$ 30,000.00
24-in-115 Gravity Sewer Line (Less than 20-ft Trench)	12950	LF	\$ 300.00	\$ 3,885,000.00
Barbed Wire Fence Repair	200	LF	\$ 15.00	\$ 3,000.00
Open Cut and repair Gravel Drive	500	SY	\$ 40.00	\$ 20,000.00
Asphalt Street Repair	7228	SY	\$ 35.00	\$ 252,980.00
48-in Manholes	37	EA	\$ 15,000.00	\$ 555,000.00
30-in Bore & Casing	200	LF	\$ 800.00	\$ 160,000.00
Reconnect Services	60	EA	\$ 2,500.00	\$ 150,000.00
Hydromulch	1.72	AC	\$ 3,500.00	\$ 6,020.00
Erosion Control Matting	8333	SY	\$ 5.00	\$ 41,665.00
Filter Fabric Fence	7500	LF	\$ 4.00	\$ 30,000.00
Clearing and Grubbing	2.3	AC	\$ 5,500.00	\$ 12,650.00
Foundation Material for Trench	50	CY	\$ 50.00	\$ 2,500.00
Excavation Safety	1	LS	\$ 20,000.00	\$ 20,000.00
Trench Safety	13000	LF	\$ 2.00	\$ 26,000.00
			Total	\$ 6,296,815.00
			Construction Contingencies (14.5%)	\$ 913,038.18
			Opinion of Probable Cost	\$ 7,209,853.18

Figure 1: Map of the 30th Street Trunk



PROJECT NAME	DOWNTOWN GROUND STORAGE TANK REHAB
PROJECT #	24-002
ESTIMATED COST	\$750,000.00
COST BASED ON	FREESE AND NICKOLS OPC AND STAFF SOURCED BIDS

Critical maintenance and upgrades to a water storage tank that currently fails to meet standards of the Texas Commission on Environmental Quality (TCEQ). Key issues with the tank include extensive rusting, holes in the roof, absence of cathodic protection (a technique used to control the corrosion of a metal surface), and severely rusted roof beams.

This tank has consistently failed inspections and has been a proposed item for the Capital Improvement Plan (CIP) for three consecutive cycles, yet it remains unaddressed. The urgency of funding this project stems from the potential risks it poses. Non-compliance with TCEQ regulations is a primary concern, but more critically, there is a tangible risk of drinking water contamination.

Given the severity of these issues, this project is deemed the most crucial for the water division in this year's budget. Delaying or overlooking this project could lead to significant health and safety hazards, as well as legal and regulatory repercussions.

SAFETY CONDITIONS



Safety Rails

Safety rails installed and in good condition.



Tank Access

Tank access is proper size and configuration. Heavy rusting along the seams and panels around hatch.

EXTERIOR COATING CONDITIONS



Exterior Wall Coatings

Fair Condition, some signs of rusting. 7-10 mils of paint



Exterior Roof Coating

Poor condition. Numerous holes around hatches and vents.



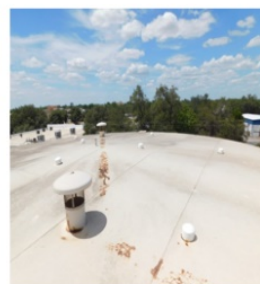
Vent

Vent are in poor condition. Rusting out at base, allowing water and debris to enter tank.



Overflow

Overflow is compliant with current standards.



Exterior Coating: Roof

Poor Condition. The roof buckles and moves because beams are in poor condition.



Exterior Roof

Poor Condition. Low spots around hatch, numerous exterior rust areas

Description	Quantity	Unit	Unit Price	Total
Ground Storage Tank Painting				
Blast and Paint Tank Exterior	7428	SF	\$ 12.00	\$ 89,136.00
Blast and Paint Tank Interior	9451	SF	\$ 13.00	\$ 122,863.00
Dehumidication and Containment	1	LS	\$ 35,000.00	\$ 35,000.00
Safety Procedures and Waste Stablization	1	LS	\$ 10,000.00	\$ 10,000.00
Ground Storage Tank Repair Exterior				
Remove 24" Manhole and Install 36" Manhole	1	LS	\$ 20,000.00	\$ 20,000.00
Recoat Exterior Piping and Valves	1	LS	\$ 5,000.00	\$ 5,000.00
Remove and Replace Exterior Ladder System	40	LF	\$ 250.00	\$ 10,000.00
Remove and Replace Exterior Ladder Safety Device	1	LS	\$ 8,000.00	\$ 8,000.00
Remove 2 each 12" Vents and Replace with 24"Vent	1	LS	\$ 30,000.00	\$ 30,000.00
Remove and Replace 30" Square Interior Access Hatch with 42"Square Hatch	1	LS	\$ 30,000.00	\$ 30,000.00
Install Gate and Guardrail around New 42" Interior Access Hatch	1	LS	\$ 6,000.00	\$ 6,000.00
Install New 36" Square Hatch over New Overflow Weir	1	LS	\$ 15,000.00	\$ 15,000.00
Light Abrasive Blast of Concrete Foundation and Provide Non-Shrink Grout at Spalls, honeycombs, and cracks	1	LS	\$ 5,000.00	\$ 5,000.00
Concrete Repair of Foundation	1	LS	\$ 1,500.00	\$ 1,500.00
Install Guardrail around Tank perimeter	170	LF	\$ 250.00	\$ 42,500.00
Miscellaneous Electrical	1	LS	\$ 8,000.00	\$ 8,000.00
Miscellaneous Welding	40	MH	\$ 236.00	\$ 9,440.00
Install Sample Tap	1	EA	\$ 800.00	\$ 800.00
Roof Cp Handhole Repairs	11	EA	\$ 400.00	\$ 4,400.00
Ground Storage Tank Repair - Interior				
Replace Rafters	30	EA	\$ 1,500.00	\$ 45,000.00
Replace Shell Clip for Rafters Including Hardware	30	EA	\$ 500.00	\$ 15,000.00
Interior Shell Pit Welding	1	LS	\$ 7,500.00	\$ 7,500.00
Repair Tank Floor as Determined by Inspection	1	LS	\$ 10,000.00	\$ 10,000.00
Miscellaneous Roof Repairs	20	EA	\$ 400.00	\$ 8,000.00
Remove and Replace Interior Ladder System	31	LF	\$ 400.00	\$ 12,400.00
Install Interior Ladder System Safety Features	1	LS	\$ 6,000.00	\$ 6,000.00
Internal Overflow Repairs	1	LS	\$ 9,000.00	\$ 9,000.00
Repair Crows Nest Support	1	LS	\$ 12,000.00	\$ 12,000.00
Ground Storage Tank Piping Improvements				
Modify Inlet Piping and install 12" Gate Valve	1	LS	\$ 12,000.00	\$ 12,000.00
Replace Butterfly Valve on Outlet Piping	1	LS	\$ 12,000.00	\$ 12,000.00
Replace Drain Gate Valve, Including Installing New Drain Nozzle	1	LS	\$ 12,000.00	\$ 12,000.00
Replace Overflow Pipe Flap Valve	1	LS	\$ 8,000.00	\$ 8,000.00
			SubTotal	\$ 621,539.00
			Contingency	\$ 125,000.00
			Total	\$ 746,539.00

PROJECT NAME	WELL SITE #2 ELECTRICAL UPGRADE
PROJECT #	24-003
ESTIMATED COST	\$250,000.00
COST BASED ON	STAFF ESTIMATE - WITHOUT BIDS

The funding request for the **Well Site # 2 (Golf Course Well)** project is driven by the critical need to update the antiquated electrical system, which is over 50 years old. The current system's age not only makes it unreliable but also poses a significant challenge in sourcing parts for repairs. This site plays a vital role in the city's water supply infrastructure, especially during emergencies. It serves as one of the primary backup sources for water distribution to crucial areas, including the city, the prison, and the industrial park.

In the event of a system failure at this site, and if it cannot be promptly restored, the risk escalates significantly. Should another site simultaneously experience downtime or a major leak occur, it could result in a substantial loss of water supply to a large portion of the city. This scenario could lead to severe consequences, potentially affecting residential areas, critical facilities, and industrial operations.

Therefore, the urgency of this funding request is underscored by the need to ensure the reliability and resilience of the city's water supply system, particularly in emergency situations. The upgrade of the electrical system at Well Site # 2 is not just a matter of maintenance; it's a crucial step in safeguarding the city's water security and preventing a potential water crisis.

JOB SPECIFICATIONS

277/480 Volts – 3 Ph 4 wire

600-amp MCB – with 3 phase Ammeter and Voltmeter with selector (or a Power Meter)

NEMA 1A

42K AIC

3 – Size 4 FVNR starters 50 Hp – with MCP, CPT, Phase Failure Relay, ETM, Timer, HOA, Red/Green Pilot Lights, Delay Start Timer

1 – 125 Hp Red Voltage Solid State Starter with Iso Contactor and By-pass Contactor (for FVNR Start)- Severe Duty-MCP – Delay Start Timer, ETM, Red and Green Pilot lights and HOA.

1 – 40 a/ 3 pole Feeder (Xfmr Feeder)

1 –30 KVA Xfmr

1 – Lighting Panel – 30 Circuit – 100 amp

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1 – 30 amp/ 3 pole Feeder Bkr – SPD Feeder

1 – 160 kA SPD

6 – 12" Space for Future

PROJECT NAME	WATER RIGHTS PURCHASE
PROJECT #	24-004
ESTIMATED COST	\$1,500,000.00
COST BASED ON	CURRENT FLUCTUATING MARKET RATES

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Companies are interested in the industrial area near the airport. As we continue to grow and attract new business this project will be vital to insure the city's ability to provide power. Current lines are in poor condition and over 2 miles of old copper infrastructure need to be replaced with ACSR wire to support future growth.

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PROJECT NAME	NEW BASEBALL FIELDS
PROJECT #	24-006
ESTIMATED COST	\$400,000.00
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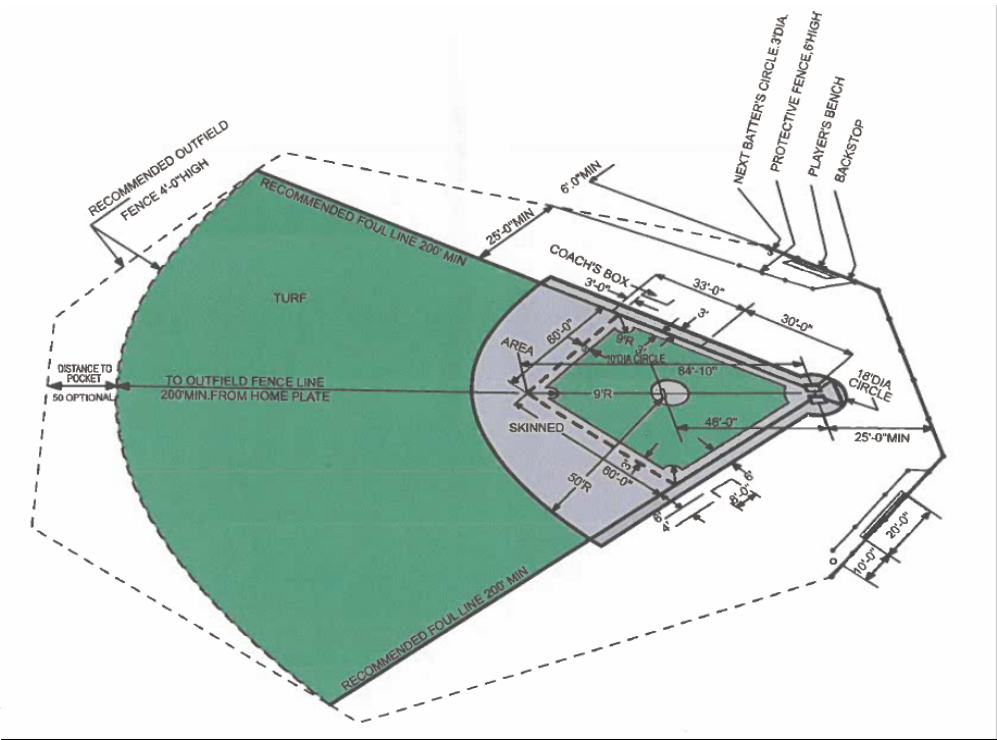
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Figure 1: Proposed Location



Figure 2: Little League Baseball Field Dimensions



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ESTIMATED COST	\$400,000
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			Construction Contingencies (15.0)	\$ 31,296.00
			Opinion of Probable Cost	\$ 239,936.00



City Council Communication

Title: Discuss and Consider authorizing the City Manager to execute a lease agreement with ARAS MRO at the South Texas Regional Airport. (Ryan Elder)

Date: December 11, 2023 **From:** Ryan Elder, Director of Aviation

INFORMATION:

ARAS MRO expressed interest in leasing Ramp space at the Airport to park and store heavy commercial aircraft as phase 1 of their proposed operations. The lease is for 120,000sqft of Ramp space not currently leased or used. The lease agreement is for one (1) year with an additional one (1) year option. ARAS MRO has also expressed interest in building future hangars for maintenance and repair of heavy commercial-sized aircraft, in addition to parts harvesting functions.

FINANCIAL IMPACT:

Annual Lease - \$20,400 (\$1,700/month)

STAFF RECOMMENDATION:

Staff recommends discussing and considering authorizing the City Manager to execute a lease agreement with ARAS MRO

MOTION:

Motion to approve the City Manager to execute a lease agreement with ARAS MRO

ATTACHMENTS:

1. 231119 ARAS-Parking-Agreement-V4_11-29-2023)- Final Draft

STAFF CONTACTS:

Ryan Elder

GROUND LEASE AGREEMENT

Between

**CITY OF HONDO, a Texas municipal corporation and as
owner of the South Texas Regional Airport at Hondo**

"Landlord"

and

ARAS MRO Corporation

"Tenant"

Covering approximately 120,000 ft² of Ramp Space

located at

The South Texas Regional Airport at Hondo

HONDO, TEXAS

APPENDIX 1

BASIC TERMS

Lease Execution Date: _____

Tenant: ARAS MRO CORP

Address of Tenant: 4103 Factory Hill St. Suite 2
San Antonio, TX 78219

Contact: Jaime Mejia **Telephone:** +1 786 376-0885
Email: jaime.mejia@aras.aero
info@arasmro.aero for Notifications

Landlord: CITY OF HONDO

Address: 700 Vandenberg Rd
Hondo, Texas 78861

Contact: Ryan Elder, Director of Aviation **Telephone:** 830-426-3810
Email: relder@hondo-tx.org

Premises: The "Premises" is a 120,000 ft² area of ramp space (the "Ramp") situated on the South Texas Regional Airport, in Hondo, Medina County, Texas, and being more particularly described in the property drawing included on **APPENDIX A** attached hereto, together with all rights, privileges, easements, and appurtenances belonging to or in any way appertaining to the Land and/or Improvements.

Term: The period beginning on the Commencement Date and continuing until One (1) Year of such date.

Commencement Date: _____, 2023

Termination Date: _____, 20__

Base Rental: \$1,700.00 per month for the Term, the Tenant makes Payment on Demand, with the first month Rental to be due and payable on the Commencement Date. Subsequent payments are due on the 1st and no later than the 15th of each month. Payments not received within 30 days of a bona fide invoice are subject to interest late fees. (See paragraph 25.6).

Tenant Liability Insurance: Tenant will maintain a commercial general liability policy of not less than \$1 million each for general aggregate limit and products/completed operations aggregate limit; and \$2 million each for personal/advertising injury limit and per occurrence limit; \$100,000 for fire damage in any one fire and \$5,000 medical expense

limit for any one person., such limits can be a combination of primary and excess liability insurance. (See paragraph 14.2(A))

Security Deposit: **None**

Permitted Use: Tenant will utilize approximately 120,000 ft² of Ramp space as shown on Appendix "A" to conduct parking and storage of commercial size aircraft including, but not limited to, A320's & B737's at the Airport. Tenant may request during the term to erect a temporary tent and/or temporary hangar on the premises. Request for construction of any improvements shall be done so in writing and is subject to additional terms and restrictions (See Paragraph 6). As required by Texas law, Tenant will obtain a payment bond for all improvements over \$25,000 and a performance bond for all improvements over \$100,000.

This **APPENDIX 1** containing the Basic Terms is incorporated into and made a part of the lease attached hereto (the "Lease").

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GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT ("Lease") is made and entered into by and between **CITY OF HONDO**, a Texas municipal corporation, which is a political subdivision of the state of Texas, and owner of the South Texas Regional Airport at Hondo ("Landlord") as Landlord, and **ARAS MRO Corporation**, with a registered address at 4103 Factory Hill St. Suite 2 San Antonio, TX 78219 ("Tenant"), as Tenant.

1. RECITALS. Tenant has requested access to the Premises in order to park and store commercial size aircraft to include, but not limited to, A320's & B737's. Landlord therefore desires to lease to Tenant, and Tenant desires to lease from Landlord the Premises, located on Airport (defined below), at the Base Rental and subject to the terms, covenants and conditions set forth in this Lease.

2. GRANT OF LEASE. In consideration of the mutual obligations of Landlord and Tenant set forth in this Lease, as of the Rent Commencement Date, Landlord leases to Tenant and Tenant takes from Landlord, the Premises to have and to hold, subject to the terms, covenants and conditions in this Lease.

3. TERM AND DUE DILIGENCE.

3.1 Primary Term. The primary term of this Lease is set out on **APPENDIX 1**. If the Extended Term (defined in Paragraph 3.1.1) is exercised as permitted, then all references to the "Term" in this Lease will also include the period of time covered by the Extended Term.

3.1.1 Extended Term. Tenant shall have an option to extend and renew the Term of this Lease for an additional one (1) year on the same terms, covenants, and conditions and subject to the same restrictions and exceptions herein contained. The option shall be exercised by Tenant delivering to Landlord, not less than thirty (30) days prior to the expiration of the then applicable Term, written notice of Tenant's election to extend and renew the Term of this Lease as herein Paragraph 29. If Tenant does not provide written notice of Tenant's election to extend and renew the Term of this Lease within thirty (30) days prior to the expiration of the then applicable Term, Tenant shall be deemed to have elected to allow this Lease to expire as of the expiration date of the then current Term. The Primary Term, and to the extent renewed and extended for one or more Extended Terms, are hereafter collectively called the "Term." Tenant hereby waives any notice of termination of this Lease upon the expiration of the Term.

3.1.2 Intentionally Deleted.

3.1.3 Termination, Use of Premises and Obligations at Termination. Notwithstanding anything else in this Lease, this Lease will automatically terminate in the event Tenant or Landlord terminate this Lease as provided herein.

(a) During the Term, Tenant may access and use the Premises and perform such activities necessary to carry out the intended use of parking and storing Aircraft to include any support staff or equipment of Tenant or its contractors as Tenant may deem reasonably necessary in connection with its proposed use of the Premises. Tenant shall follow the Best Maintenance Practices (BMPs) in conjunction with performing the intended activities to include environmental practices.

(b) Tenant shall, at the end of the Term (or at such earlier date if this Lease is terminated), ensure that all debris and hazardous substances that are a result of the Tenants activities are properly cleaned up and disposed of in accordance with any applicable laws. Tenant shall restore the entire leased premises to its condition prior to occupancy by tenant including, without limitation, restoration of the condition of the apron and ramp pavement to its pre-lease condition, subject to normal wear and tear for the purpose of this Lease.

(c) The Tenant or Landlord, at their discretion, could terminate this Lease without incurring further liabilities. The termination of this Lease will take effect upon a written notice provided at least 60 days in advance by either party to their respective address for notice.

3.2 Intentionally Deleted.

3.3 Condition of the Premises. The Premises shall be taken by the Tenant in their “**AS IS - WHERE IS, WITH ALL FAULTS**” condition as of the Commencement Date as to all aspects of the condition of the Premises. Except as expressly provided in this Lease or for those faults not reasonably discoverable upon visual inspection at the time of delivery of the premises and which impede the ordinary use thereof by the Tenant.

3.4 Landlord's Easement. Landlord retains a non-exclusive easement to itself and its successors and assigns, on, over, under and across the Premises as may be needed for the extension of utilities, storm water drainage and any other similar land use or infrastructure feature, whether to the benefit of the of Premises or not, provided that (a) Landlord notifies Tenant in writing in advance of any exercise of such easement rights; (b) Landlord bears all costs in connection with the use of such easement, unless otherwise agreed to by Tenant in a recordable writing; (c) such easement will not unreasonably interfere with Tenant's use of the Premises or the Improvements; (d) Landlord shall not grant any easements or impose any restrictive covenants against the Premises that are superior to this Lease other than the Permitted Exceptions, without the express written approval of Tenant and any Leasehold Mortgagee; and (e) Landlord shall not seek to change the zoning or enter into any agreements that modify or alter Tenant's rights and obligations under this Lease without Tenant's and any Leasehold Mortgagee's prior written consent.

3.4.1. Intentionally Deleted

3.5 Reserved Rights. Landlord, reserves unto itself, its successors and assigns for the use and benefit of the public a right of flight for the passage of aircraft in the airspace above the surface of the Premises, including any Improvements located on the Premises, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft, now known or hereafter used, for navigation of or flight in the said airspace, and for use of said airspace for landing on, taking off from, or operating on the Airport.

3.5.1. Tenant, expressly agrees for itself, its successors and assigns to restrict the height of structures, objects of natural growth and other obstructions on the Premises to a height of not exceeding 150 feet AGL, being the elevation established by the Airport zoning ordinance in effect at the time of the execution of this Lease; and

3.5.2. Tenant expressly agrees for itself, its successors and assigns will not authorize any use of the Premises which would interfere with landing or taking off of aircraft at the Airport, or which would otherwise constitute an Airport hazard.

3.6 Airport Standards. Tenant hereby agrees that Tenant will comply fully with all rules, policies, procedures, regulations, plans and operations as promulgated or may be promulgated and amended by Landlord. Tenant accepts and agrees to pay the rates and charges found therein and as revised by Landlord from time to time, providing same are non-discriminatory.

4. RENT.

4.1 Rent. Tenant agrees to pay rent, as follow:

4.1.1 Base Rental. Tenant agrees to pay to Landlord the Base Rental as set out on **APPENDIX 1**. The amount set for Base Rental is fixed and will not be adjusted in the event that a discrepancy is found in the actual square footage of the Premises.

4.1.2. Additional Rent. As "Additional Rent," Tenant will pay any other amounts payable by Tenant to Landlord under the terms of this Lease. The Additional Rent will be prepaid annually, with the first payment made on the Commencement Date, and on the first day of each annual anniversary date thereafter until the end of the Term. Landlord will send an invoice to Tenant for the Base Rental or Additional Rent, which Tenant is expected to timely pay as set out in this Lease.

4.2 Intentionally deleted.

5. INTENTIONALLY DELETED

6. CONSTRUCTION OF IMPROVEMENTS.

6.1 Tenant Improvements. Prior to Tenant commencing construction of any improvements ("Improvements" or "Building") on the Premises, the plans and specifications (the "Plans") shall be delivered to Landlord for Landlord's approval in advance, which approval will not be unreasonably withheld or delayed. The Improvements will be (i) constructed at the sole cost of Tenant, subject to any reimbursement or credits that may be granted under any Incentives; (ii) in accordance with Landlord's Airport standards that are delivered to Tenant; (iii) applicable federal, state and local codes; (iv) deed restrictions and other applicable Government use restrictions that are delivered to Tenant; and (v) in accordance with all the conditions set out in Section 12 hereof. Any Improvements paid for by Tenant may be subject to Texas state sales taxes.

6.1.1 Grant of Easements by Landlord; Dedication; Modification or Abandonment of Easements. Landlord hereby acknowledges and agrees that as part of the development of the Premises, certain new easements may be necessary and it is expected that existing easements, if any, may be modified, relocated or abandoned. Landlord agrees to cooperate in good faith with Tenant with respect to the documentation required to so grant, modify, relocate or abandon any such easements. Landlord will execute any such documents in recordable form as required by the public or private counterparties to the easements. In the event that Tenant is required by any applicable governmental authority to dedicate any portion of the Premises for use as right-of-way in connection with the development of the Premises, Landlord agrees to cooperate with Tenant in good faith and to enter into such dedications.

6.2 Ownership of Improvements.

(A) All of the Improvements of any nature constructed by Tenant on the Land will be owned by and will be the property of Tenant during the Term. The term "Improvements" means the improvements from time to time on the Premises, including, without limitation, the construction of one or

more “Buildings” and alterations of or additions to the Improvements pursuant to the provisions of this Lease. While this Lease is in effect, Tenant shall be entitled to take all depreciation allocated to the Improvements.

(B) Upon the termination of this Lease, whether by expiration of the Term hereof or by reason of default on the part of Tenant, or for any other reason whatsoever, the Improvements erected (now or in the future) on the Land by Tenant will merge with the title of the Land and will be owned by the fee owner free of any claim of third parties (subject to the provisions of Section 27) claiming under or through Tenant (except for purchase money security interests in equipment and except for trade fixtures and personal property of Tenant that can be removed without damage to the Building). If this Lease expires or terminates, and Tenant is not the fee owner of the Premises, Tenant will deliver the Premises to Landlord in reasonably good condition, actual wear and tear excepted, upon the termination or expiration of the Term. Upon the termination of this Lease Tenant, at Landlord's request, will execute a recordable instrument evidencing the termination of this Lease and stating the termination date.

6.3 Construction Costs. Tenant will pay the actual cost and expense incurred in construction of the Improvements, in accordance with the Plans prepared by Tenant and approved by Landlord. Landlord will not be obligated to make any payments or incur any expense in connection with construction of the Improvements, except for (a) any expenses that are included as Incentives, or (b) the increased costs and expenses occasioned by any changes, alterations, or additions to the Plans requested by Landlord after approval thereof by the parties.

6.4 Force Majeure. The time for the performance of Tenant's obligations relative to the construction, restoration, repair, operation and maintenance of the Improvements as provided for in this Lease will be extended for the period that such performance is prevented by failure of Landlord to perform actions hereunder required to be performed by Landlord; any arbitration, legal proceeding or other litigation against Tenant relative to the construction, restoration or repair of Improvements in which Tenant is involved in good faith and not merely for purposes of delay; acts of God, Force Majeure, strikes, labor disputes, work stoppages, riots, insurrections, or by the act of any governmental agency or authority restricting or curtailing the erection, restoration or repair of Improvements on the Land; or other causes beyond the reasonable control of Tenant, including, but not limited to inclement weather or the inability of Tenant to procure and obtain building materials as a result of any irregular price increases, supply shortages, order, law or decree of any governmental authority or agency; or any other Unavoidable Delay. "Unavoidable Delay" will mean all failures or delays in a party's performance of its obligations hereunder not within such party's reasonable control, including without limitation, the impossibility of such performance which will result from or be caused by any arbitration, legal proceedings or other litigation threatened, instituted against or defended by such party, in good faith, and not merely for purposes of delay, act of God, acts of the public enemy, wars, blockades, epidemics, pandemics, earthquakes, storms, floods, explosions, strikes, labor disputes, work stoppages, riots, insurrections, breakage or accident to machines or lines or pipe or mains, lawful acts of any governmental agency or authority restricting or curtailing the construction of the Improvements or withholding or revoking necessary consents, approvals, permits or licenses, equipment failures, inability to procure and obtain needed building materials (provided such party who is unable to do so makes reasonable efforts to procure satisfactory substitute materials if practical) whether as a result (directly or indirectly) of any lawful order, law or decree of any governmental authority or agency or otherwise, and any other cause whether of the kind referred to or otherwise; provided, that such party will pursue with reasonable diligence the avoidance or removal of such delay. The inability or refusal of a party to settle any labor dispute will not qualify or limit the effect of Unavoidable Delay. The inability of a party to secure funds required to perform its agreements hereunder will not constitute Unavoidable Delay unless by virtue of governmental regulation it is not commercially reasonable to obtain mortgage funds from an institutional lender. Landlord's inability to obtain DOT and/or FAA of Tenant's

lease and/or sale of the property to Tenant as contemplated under Section 3.1 will not constitute an Unavoidable Delay.

6.5 Tenant's Work. Tenant will have no right, authority or power to bind Landlord, or any interest of Landlord in the Premises, for any claim for labor or material or for any other charge or expense incurred in connection with any construction work done by Tenant within the Premises or any change, alteration or addition thereto, or replacement or substitution therefor, nor to render the Landlord's interest in the Premises liable to any lien or right of lien for any labor or material or any other charge or expense incurred in connection therewith, and Tenant will in no way be considered as the agent of Landlord in the construction or operation of the Improvements or any replacement or substitution therefor. All work done by Tenant within the Premises will be performed in a good and workmanlike manner, in compliance with all governmental requirements, and in such manner as to cause a minimum of interference with other construction in progress. **Tenant agrees to indemnify Landlord and hold Landlord harmless against any loss, liability or damage resulting from Tenant's work, and Tenant will, if requested by Landlord, furnish bond or other security satisfactory to Landlord against any such loss, liability or damage.**

6.6 Permits. Landlord's obligations hereunder are conditioned upon Tenant obtaining the issuance of all permits, licenses and approvals by all public authorities, which are required for the construction of the Improvements in order for Tenant to carry on its business upon the Premises. In the event Tenant has not affected the fulfillment of all of the conditions in the preceding sentence prior to the third anniversary of the Commencement Date, then Tenant or Landlord may, at its option, terminate this Lease without further liability, and this Lease will then terminate upon written notice from either party at its address for notice. Tenant will in good faith diligently use its best efforts to fulfill the conditions set forth in this Lease. Landlord hereby agrees to cooperate fully with Tenant in securing the aforesaid permits and approvals and hereby grants Tenant the right to make application for them in the name of Landlord, if necessary. All expenses incurred by Tenant in obtaining permits and authorizations referred to in this paragraph will be the responsibility of Tenant and Landlord will have no liability therefor.

7. REAL PROPERTY TAXES AND PERSONAL PROPERTY TAXES

7.1 Landlord Tax Exempt. At the Commencement Date, no real property taxes are being assessed against the Premises due to Landlord's status as a local government.

7.2 Landlord's Ad Valorem Taxes.

(A) In the event that Landlord's Ad Valorem Taxes accrue against the Premises, Tenant will be liable for and pay 100% of the Landlord's Ad Valorem Taxes assessed against the Premises. Landlord shall cooperate with Tenant in separating the Premises into one or more separate property tax parcels, including without limitation, platting and replatting the Premises in one or more lots; provided, however, that Landlord shall not be obligated to incur any cost or expense in connection therewith unless such cost or expense is part of any Incentives. Tenant shall direct, in writing to each taxing authority to designate Tenant as the party to be billed for, and responsible for receiving, all appraisal and related notices, as well as all bills, assessment, notices, demands, warnings, or other communications concerning any taxes pertaining to the Premises. Tenant agrees to pay all taxes (including penalties and interest) prior to the date of delinquency, subject to subparagraph (C) below.

(B) If, at any time during the Term of this Lease, there is levied, assessed or imposed on Landlord a tax directly on the rents received therefrom and/or a franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon rents from the Premises, in lieu of ad valorem taxes

(collectively, the "Other Taxes"), then Other Taxes will be paid by Tenant to the appropriate authority in a timely manner or to Landlord upon demand.

(C) Tenant shall have the right to contest the amount or validity of any Ad Valorem Taxes assessed against the Premises. Any additional tax or refund of tax resulting from such proceeding shall belong solely to Tenant.

7.3 Tenant's Leasehold Taxes. Tenant will promptly pay when due any taxes assessed by local, state or federal governments on Tenant's real property leasehold interest.

7.4 Personal Property Taxes. Tenant will be liable for all taxes levied or assessed against any personal property or fixtures placed in or on the Premises by Tenant. If any taxes are levied or assessed against the Premises and (i) Landlord pays them or (ii) the assessed value of the Premises is increased by inclusion of personal property and fixtures installed by or on behalf of Tenant, and Landlord pays the increased taxes, then Tenant will reimburse Landlord, upon demand.

8. LANDLORD'S REPAIRS AND MAINTENANCE. Landlord will have no obligation to maintain or repair any part of the Premises, including, without limitation, any Improvements existing or constructed thereon during the Term of this Lease.

9. TENANT'S REPAIRS AND MAINTENANCE

9.1 Maintenance and Repair. Tenant will maintain in good repair and condition the entire Premises and all of the Improvements, fixtures, equipment and personal property on the Premises, and keep them free from waste or nuisance. At the expiration of the Lease, Tenant will deliver the Premises and the Improvements to Landlord in good condition, subject to normal wear and tear.

9.2 Option to Maintain Premises. Landlord reserves the right to perform, in whole or in part, any necessary maintenance, repairs and replacements to the Premises, paving, common area, landscape, exterior painting, common sewage line plumbing and any other items that are otherwise required Tenant's obligations under this Section 9, upon written notice to Tenant. If Tenant fails or refuses to perform such maintenance or repairs within thirty (30) business days after receipt of Landlord's notice, then Landlord may exercise its right to perform such work, in which event, Tenant will be liable the cost and expense of such repair, replacement, maintenance and other such items and will reimburse Landlord therefor within 10 days after delivery of an itemized invoice for same.

10. RESERVED.

11. ALTERATIONS.

(A) Tenant will not make any alterations, additions or improvements to the Premises without the prior approval of Landlord, which will not be unreasonably withheld or conditioned. Tenant will provide prior written notice to Landlord accompanied by a detailed written description for any proposed alterations, which may impede or impair any Airport operations and activities.

(B) All alterations, installations, removals and restorations will be performed in compliance with all applicable federal, state and local laws, regulations, codes or ordinance and in a good and workmanlike manner.

(C) As required by Texas law, Tenant will obtain a payment bond for all improvements over \$25,000 and a performance bond for all improvements over \$100,000.

12. SIGNS. Signs, including the size, location, design and content, will comply with the criteria set out in Landlord's Airport standards and applicable local signage ordinances. Tenant may not place any other signs, install any exterior lights, decorations, flags, or banners on the exterior of the Premises without Landlord's prior written approval, which approval will not be unreasonably withheld, conditioned or delayed.

13. UTILITIES.

13.1 Utilities at Tenant's Cost. Tenant shall be responsible for payment, directly to the appropriate supplier, of all utilities including water, electricity, gas, sewer, telephone and all other utilities used on the Premises throughout the Term, including any connection fees, impact fees and late charges. Tenant shall be responsible for procuring any utility connections required by Tenant. In the event any utilities used on the Premises are jointly metered with other property, Tenant shall pay the cost of such utilities, as reasonably determined by Landlord on a fairly devised pro-rata basis that is reflective of the use of utilities, by Tenant, as Additional Rent, to be paid within thirty (30) calendar days following delivery of an invoice for payment to Tenant. Tenant will pay on demand to the utility provider as applicable for utilities and services used by Tenant on or at the Premises, together with any taxes, penalties, or surcharges pertaining to the Tenant's utility use and any maintenance charges for utilities imposed by the utility providers.

13.2 Interruption of Utility Service. Landlord will not be liable for any interruption or failure of utility service on the Premises, and Tenant has no rights or claims as a result of any failure, except that if the Premises are rendered unusable by Tenant in whole, or in substantial part, by reason of a material interruption in the supply of any utility service, which continues for more than 48 hours after written notice to Landlord by Tenant, rent will abate with respect to the portion of the Premises so affected from the end of the 48 hour period until the utility service is restored, unless the interruption is caused by the act or omission of Tenant, its employees, agents, contractors, invitees or acts of God or failure caused by the third party utility provider, in which event rent will not abate.

14. INSURANCE.

14.1 Reserved.

14.2 Tenant's Insurance. During the Term of this Lease, Tenant, at its expense, will maintain in effect:

(A) A policy of commercial general liability insurance, on an "occurrence basis," covering against all claims on account of death, bodily injury, personal injury and property damage, occurring in connection with Tenant's use or occupancy of the Premises with policy limits as set out on **APPENDIX 1** ("Tenant's Liability Insurance").

(B) Workers' compensation or similar insurance affording not less than statutory coverage and providing not less than statutory limits of benefits ("Tenant's Workers' Compensation Insurance"); and

14.3 Landlord as Additional Insured. Tenant's Liability Insurance will name Landlord as an additional insured with a waiver of subrogation. Such insurance will be issued by an insurance company which is reasonably acceptable to the Landlord and will not be canceled or materially changed, during the term of the agreement, unless 30 days prior written notice has been given to Landlord.

14.4 Prohibited Uses. If any increase in the cost of any insurance on the Premises or the Buildings is caused by Tenant's use of the Premises or because Tenant vacates the Premises, then Tenant will pay the amount of such increase to Landlord upon demand. Tenant will not permit the Premises to be used for any purpose or in any manner not permitted by this Lease that would: void the insurance thereon; increase by any material amount the insurance risk or cost thereof unless Tenant makes the payment required pursuant to the last sentence of this Paragraph 14.4; or cause the disallowance of any sprinkler credits; including without limitation, use of the Premises for the receipt, storage, handling or use of any product, material or merchandise that is explosive or highly inflammable, except as used by Tenant in the ordinary course of its business and in accordance with all applicable state and federal law.

15. FIRE AND CASUALTY DAMAGE. If the Improvements are damaged or destroyed by fire or other casualty, Tenant agrees to use commercially reasonable efforts to re-build or repair all damage or destroyed Improvements, subject to payment of adequate insurance proceeds from its insurance carriers and approved from its mortgage holders.

16. LIABILITY AND INDEMNIFICATION

16.1 Tenant's Indemnification of Landlord, et al.

Tenant will indemnify, defend, and hold harmless Landlord together with its city council, agents, employees and officers, individually or collectively (the "Indemnitees"), from and against all suits, actions, losses, damages, demands, judgments, claims, or liability of any character, type or description, including without limiting the generality of the foregoing, all expenses of litigation, court costs, and reasonable attorneys' and experts' fees, for injury or death to any person, or loss or damage to any property, received or sustained by any person, or persons or property (the "losses"), to the extent arising out of, or occasioned by, acts or omissions of the Tenant arising out of Tenant's use of the Premises, or elsewhere on Airport, or from the conduct of Tenant's business, or from any activity, work or thing done, permitted, or suffered by Tenant, in or about the Premises or elsewhere on Airport.

16.2 Limits on Liability of Landlord, et al. Neither Landlord, nor its city council, agents, employees, officers or representatives, individually and collectively ("Landlord, Et Al") will be liable in any event for personal injury or loss of Tenant's property caused by fire, flood, water leaks, rain, hail, ice, snow, smoke, lightning, wind, explosion, interruption of utilities or other occurrences. Tenant will give prompt notice to Landlord of any significant accidents involving injury to persons or property. Furthermore, Landlord, Et Al, will not be responsible for lost or stolen personal property, equipment, money or jewelry from the Premises or from the public areas of Airport, regardless of whether such loss occurs when the area is locked against entry. Landlord, Et Al will not be liable to Tenant or Tenant's employees, customers or invitees for any damages or losses to persons or property caused by any subtenant or their agents or invitees anywhere on Airport, or for any damages or losses caused by theft, burglary, assault, vandalism or other crimes. Tenant will give Landlord prompt notice of any criminal conduct it actually observes within or about the Premises, or any personal injury or property damage caused thereby. Landlord may, but is not obligated to, enter into agreements with third parties for the provision, monitoring, maintenance and repair of any courtesy patrols or similar services or fire protective systems and equipment and, to the extent these are obtained at Landlord's sole discretion, Landlord, Et Al, will not be liable to Tenant for any damages, costs or expenses which occur for any reason in the event any such system or equipment is not properly installed, monitored or maintained or any such services are not properly provided. Landlord will use reasonable diligence in the maintenance of existing lighting, if any, in the parking

areas servicing the Premises, and Landlord will not be responsible for additional lighting or any security measures in Airport, the Premises, or the parking areas.

17. USE. The Premises will be used for the purpose set out on **APPENDIX 1** and for no other use or purpose without the prior written consent of Landlord. Tenant will comply with all governmental laws, ordinances and regulations including but not limited to the Community Right to Know Act regarding hazardous materials stored on the Premises and will promptly comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in, upon or connected with the Premises, all at Tenant's sole expense. Tenant will not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises, nor take any other action that would constitute a nuisance or would disturb, unreasonably interfere with or endanger Landlord or any other Tenants at Airport.

18. HAZARDOUS WASTE AND ENVIRONMENTAL LAW VIOLATIONS.

18.1 Definitions. The term "Hazardous Substances," as used in this Lease, means pollutants, contaminants, pesticides, toxic or hazardous wastes, radioactive materials or any other substances, the use or the removal of which is required or the use of which is restricted, prohibited or penalized by any "Environmental Law(s)," which term means any federal, state or local statute, ordinance, regulation or other law of a governmental authority relating to pollution or protection of the environment or the regulation of the storage or handling of Hazardous Substances.

18.2 Tenant's Activities Related to Hazardous Waste. Tenant agrees that:

(A) No activity will be conducted on the Premises that will produce any Hazardous Substances, except for activities that are part of the ordinary course of Tenant's business activities (the "Permitted Activities"), provided that the Permitted Activities are conducted in accordance with all Environmental Laws and timely written notice of compliance is provided to Landlord. Tenant is responsible for obtaining any required permits or authorizations and paying any fees and providing any testing required by any governmental agency and Tenant will provide Landlord with copies of all permits, authorization, notices of non-compliance and administrative actions;

(B) The Premises will not be used in any manner for the storage of any Hazardous Substances, except for the temporary storage of materials required to conduct Permitted Activities ("Permitted Materials") provided that the Permitted Materials are properly stored in a manner and location meeting the requirements of all Environmental Laws. Tenant is responsible for obtaining any required permits or authorizations and paying any fees and providing any testing required by any governmental agency, and Tenant must provide Landlord, upon request, documentation as reasonably required to satisfy Landlord of Tenant's compliance;

(C) Except for the Permitted Materials, Tenant will not permit any Hazardous Substances to be brought onto the Premises, and if so brought, they will be immediately removed, properly disposed of and, if spilled, all required clean-up procedures will be diligently undertaken by Tenant in accordance with all Environmental Laws and at Tenant's cost. Tenant will also develop Hazardous Substances management and spill response plans.

18.3 Inspection and Correction. Landlord and its agents and representatives have the right, but not the obligation, to enter the Premises upon 10 business days prior written notice for the purpose of inspecting the storage, use and disposal of any Permitted Materials or for any other reason to ensure compliance with all Environmental Laws. The notice shall specify the person(s) who will be present for

the inspection and the specific purpose of the inspection. If it is determined, in Landlord's sole, reasonable opinion, after review of applicable environmental laws and receipt of opinion from legal counsel or other qualified expert, that any Permitted Materials are being improperly stored, used or disposed of, then Landlord shall send written notice to Tenant and Tenant will make timely and appropriate corrective action as reasonably requested by Landlord. If Tenant fails to begin corrective action within 24 hours, Landlord may report the violation to the Texas Commission on Environmental Quality or perform any work as Landlord deems necessary to correct the situation or both and Tenant will reimburse Landlord, on demand, for any and all reasonable costs associated with any work that is necessary to bring the Premises into compliance with Environmental Laws. If at any time during or after the Term of this Lease, the Premises are found to have been contaminated by Tenant or any of its agents or invitees with Hazardous Substances, Tenant will diligently institute clean-up procedures in accordance with the applicable requirements of governmental authorities, at Tenant's sole cost.

18.4 Indemnity. Tenant agrees to indemnify and hold Landlord, together with its city council, employees, officers and contractors, individually and collectively, harmless from all claims, demands, actions, liabilities, costs, expenses, damages, penalties and obligations of any nature arising from or as a result of any release, discharge, emission, spill, storage, disposal or contamination of the Premises with Hazardous Substances, as a result of the violation of any Environmental Laws by Tenant, or otherwise arising from any act or omission by Tenant, its officers, agents, employees, contractors or licensees. The foregoing indemnification and the responsibilities of Tenant will survive the termination or expiration of this Lease just if it can be proven that such impact occurred before the termination of the Lease. Notwithstanding anything to the contrary contained in this Paragraph 18.4, Tenant has no obligation to indemnify or remediate with respect to any contamination existing on the Premises as of the Commencement Date or with respect to any contamination not caused by Tenant, its officers, agents, employees, contractors or licensees.

19. RIGHT OF ENTRY AND CLOSEOUT INSPECTION.

19.1 Right of Entry. Landlord's agents and representatives have the right to enter the Premises at any reasonable time during business hours, with 10 business days prior written notice (or 24 hours prior written notice in case of emergency): to inspect the Premises for any reason; to maintain, repair, connect, extend, and modify utilities, subject to the terms of this Lease; to make any other repairs as may be required or permitted pursuant to this Lease; and during the last 2 months of the Term, for the purpose of showing the Premises and to install signs stating the Premises are available for lease.

19.2 Closeout Inspection. Tenant or its elected representative, will notify Landlord in writing at least 15 days prior to vacating the Premises and Tenant will arrange to meet with Landlord for a joint operational close-out inspection by Landlord's property manager and, if required by Landlord, an environmental due diligence report to be paid for by Tenant. Tenant will pay to close-out all of Tenant's regulatory permits. If Tenant fails to give notice or to arrange for inspection, then Landlord's close-out inspection of the Premises will be deemed correct for the purpose of determining Tenant's responsibility for repairs and restoration of the Premises, and Tenant's liability for environmental contamination.

20. ASSIGNMENT AND SUBLETTING.

20.1 Approval Required. Tenant does not have the right to sublet the Premises, assign or otherwise transfer or encumber this Lease, or any interest therein, without the prior written consent of Landlord; except that no consent will be required to transfer, assign or lease to any subsidiary or corporate affiliate of Tenant, so long as Tenant remains fully liable to perform all of its obligations under this Lease. Any attempted assignment, subletting, transfer or encumbrance by Tenant in violation of the terms and covenants of this Section 20 will be void.

20.2 Transferees. Any assignee, subtenant or transferee of Tenant's interest in this Lease (collectively referred to as "Transferees"), by assuming Tenant's obligations hereunder, will assume liability to Landlord for the payment of all amounts payable by Tenant and the performance of all obligations of Tenant hereunder. No assignment, subletting or other transfer will relieve Tenant of its liability under this Lease. If an Event of Default occurs while the Premises or any part thereof are assigned or sublet, then Landlord, in addition to any other remedies provided in this Lease or provided by law, may collect directly from such Transferee all rents payable to the Tenant or Landlord and apply such rent against any sums due Landlord hereunder. No such collection will be construed to constitute a novation or a release of Tenant from the further performance of Tenant's obligations hereunder. In the event of any subletting or assignment by Tenant as provided above and any category of rent subsequently received by Tenant under any such sublease is in excess of the same category of rent payable under this Lease, or any additional consideration is paid to Tenant by the assignee under any such assignment, then Landlord may declare that 50% of such excess rents under any sublease or such additional consideration for any assignment to be due and payable to Landlord as Additional Rent hereunder; provided, however, that any "excess rents" shall be calculated on a net basis after deducting any reasonable expenses incurred by Tenant in connection with such subletting or assignment.

20.3 Intentionally Omitted.

21. CONDEMNATION.

21.1 Total Taking. Landlord and Tenant agree that should the whole of the Premises be taken (which term when used in this Section 21 will include any conveyance in avoidance or settlement of condemnation or eminent domain proceedings) by the Government of the United States, State of Texas, City of Hondo, Medina County, or any other government or power whatsoever, or by any corporation under the right of eminent domain, or should the whole of the Premises be condemned by any court, city, state, county or governmental authority or office, department or bureau of the city, county, state or United States, then this Lease will terminate as of the date of taking of possession by the condemning authorities and the award will be distributed and payable to Landlord and Tenant as follows: Tenant shall be entitled to that portion of the award representing the value of its remaining leasehold interest (including the value of all Improvements) plus any costs of relocation and Landlord will be entitled to the remainder of such award.

21.2 Partial Taking. Landlord and Tenant agree that should the fee simple title be taken in part of the Premises by the Government of the United States, State of Texas, City of Hondo, Medina County or any other government or power whatsoever, or by any corporation under the right of eminent domain, or should a part of said Premises be condemned by any court, city, state, county or governmental authority or office, department or bureau of the city, county, state or United States, then in such event this Lease will nevertheless continue in effect as to the remainder of the Premises unless in Tenant's reasonable judgment so much of the Premises will be so taken or condemned as to make it economically unsound to attempt to use the remainder for the uses and purposes contemplated in this Lease, in which latter event this Lease will terminate upon notice of termination by the Tenant to Landlord, with such termination to be effective as of the date of taking of possession by the condemning authority in the same manner as if the whole of the Premises had been thus taken or condemned; provided, however, that if a Leasehold Mortgage then encumbers the Premises, this Lease will not terminate without the prior written consent of the Leasehold Mortgagee. In the event of such taking or condemnation of a portion of the Premises where this Lease is not terminated thereby under the provisions of the first sentence of this Paragraph, any Prepaid Base Rental will be reimbursed to Tenant on a pro-rata basis. In the event of a partial taking, the Base Rental shall be proportionately reduced and Tenant shall be entitled to that portion of the award representing the value of its leasehold interest in the Premises taken (including the value of all Improvements) plus any costs of relocation and Landlord will be entitled to the remainder of such award.

22. HOLDING OVER. At the termination of this Lease by its expiration or otherwise, Tenant will immediately deliver possession of the Premises to Landlord with all repairs and maintenance required in this Lease to be performed by Tenant completed. If, for any reason, Tenant retains possession of the Premises after the expiration or termination of this Lease, or unless the parties hereto otherwise agree in writing, such possession will be deemed to be a tenancy at will only, and all of the other terms and provisions of this Lease will be applicable during such period. No holding over by Tenant, whether with or without consent of Landlord, will operate to extend this Lease except as otherwise expressly provided. The preceding provisions of this Paragraph 22 will not be construed as consent for Tenant to retain possession of the Premises in the absence of written consent thereto by Landlord.

23. QUIET ENJOYMENT. Landlord represents that it has the authority to enter into this Lease and so long as Tenant pays all amounts due hereunder and performs all other covenants and agreements set forth in this Lease, Tenant will peaceably and quietly have, hold and enjoy the Premises for the Term hereof without hindrance or molestation from Landlord or any other person, subject to the provisions of this Lease. Tenant expressly acknowledges that it fully understands that some or all of the response actions to be undertaken with respect to any future state or federal environmental cleanup plan may impact Tenant's quiet use and enjoyment of the Premises. Tenant agrees that notwithstanding any other provision of this Lease, the Government and Landlord assume no liability to Tenant should implementation of hazardous waste cleanup requirements, whether imposed by law, regulatory agencies, or the State of Texas or the United States, interfere with the Tenant's use of the Premises, unless Landlord permitted, or was the cause of, such hazardous waste. Tenant will have no claim against the United States or any officer, agent, or employee thereof or Landlord nor will Tenant be entitled to any offset of rental pursuant to the terms of this Lease on account of any such interference, whether due to entry, performance of remedial or removal investigations, or exercise of any right with respect to the environmental cleanup or otherwise, and there will be no abatement of rent unless Tenant's intended use was actually impacted by the action or inaction of such parties.

24. EVENTS OF DEFAULT. Each of the following events ("Event of Default") will be deemed to be a default in or breach of Tenant's obligations under this Lease:

24.1 Failure to Pay. If Tenant fails to pay any installment of the rent required herein when due, or any other payment or reimbursement to Landlord required in this Lease when due, and Tenant's failure continues for a period of 30 days after the date of written notice from Landlord, except Tenant is entitled to only one 30-day notices per each 3 month period. In the event that the tenant fails to meet a deadline for payment within the three months following the mentioned notice, it will be considered an immediate breach of the agreement. After these three months have passed, the Landlord will need to resend the notice in the event of non-payment within the agreed upon timeframe.

24.2 Intentionally Omitted.

24.3 Liens on Premises. If Tenant fails to take reasonable measures to attempt to discharge any lien placed upon the Premises in violation of Paragraphs 27 and 28 hereof within 30 days after any such lien or encumbrance is filed against the Premises.

24.4 All Other Tenant Lease Violations. If Tenant fails to comply with any term, provision or covenant of this Lease (other than those listed above in this Section 24 and has not taken reasonable measures to attempt to cure such failure within thirty (30) days after the date of written notice from Landlord. If, however, the time required to return to compliance exceeds the 30-day period, Tenant will not be in default if Tenant, within the 30-day period, begins the actions necessary to bring it into compliance with this Lease.

24.5 Chronic Violations. If Tenant fails more than one time within any 3 month period to observe or perform any covenant, condition or agreement of this Lease and Landlord has provided written notice thereof (including without limitation, the payment of rent), regardless of whether such defaults have been cured by Tenant, any subsequent default will at the election of Landlord, in its sole and absolute discretion, be deemed a non-curable Event of Default, unless the parties agree otherwise in writing.

24.6 Falsification of Information. If the Parties or any agent of the Parties intentionally falsifies any report or intentionally misrepresents other information required to be furnished to Landlord or Tenant pursuant to this Lease.

24.7 Intentionally Omitted.

24.8 Tenant's Dissolution or Liquidation. The commencement of steps or proceedings toward the dissolution, winding up or other termination of the existence of the Tenant, or the liquidation of its assets.

24.9 Bankruptcy. The commencement of a case under any chapter of the Federal Bankruptcy Code by or against Tenant, or the filing of a voluntary or involuntary petition proposing the adjudication of Tenant as bankrupt or insolvent, or the reorganization of Tenant, or an arrangement by Tenant with its creditors, unless the petition is filed or case commenced by a party other than Tenant and is withdrawn or dismissed within 90 days after the date of its filing.

24.10 Assignment or Attachment. The making of an assignment by Tenant for the benefit of its creditors, or if in any other manner Tenant's interest in this Lease passes to another by operation of law, including without limitation, by attachment, execution or similar legal process, which is not discharged or vacated within 90 days, unless otherwise permitted by this Lease.

24.11 Appointment of Receiver or Trustee. The appointment of a receiver or trustee for the business or property of Tenant, unless such appointment is vacated within 90days of its entry.

24.12 Intentionally Omitted.

24.13 Intentionally Omitted.

24.14 Quiet Enjoyment. The failure of the Landlord to carry out the necessary improvements or any omissions or actions that prevent the Tenant from enjoying the property in accordance with paragraph 23.

24.15 Premises Conditions. Failure by the Landlord to deliver the premises in the conditions agreed upon in APPENDIX 1 and APPENDIX A to the Tenant.

24.16 All Other Landlord Lease Violations. If the Landlord fails to comply with any term, provision, or covenant of this Lease and has not taken reasonable measures to attempt to cure such failure within thirty (30) days after the date of written notice from the Tenant. If, however, the time required to return to compliance exceeds the 30-day period, the Landlord will not be in default if the Tenant, within the 30-day period, begins the actions necessary to bring it into compliance with this Lease.

24.15

25. REMEDIES UPON DEFAULT.

25.1 Right to Terminate or Repossess. Upon each occurrence of an Event of Default which is not timely cured by Tenant after the expiration of the applicable cure period, Landlord has the option to pursue any one or more of the following remedies with notice and demand:

(A) Terminate this Lease;

(B) Enter upon and take possession of the Premises with termination of this Lease pursuant to a court order;

(C) Make payments or take reasonable actions to fulfill whatever Tenant is obligated to pay or perform under the terms of this Lease, and Tenant agrees that Landlord will not be liable for any damages resulting to Tenant from such reasonable actions; and

(D) In the event that Landlord elects to terminate or repossess, Tenant will immediately vacate the Premises, and if Tenant fails to do so, Landlord, without waiving any other remedy it may have, may enter upon and take possession of the Premises pursuant to a court order, change the locks and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim of damages therefore.

25.2 Damages Upon Termination. If Landlord terminates this Lease pursuant to paragraph 25.1, Tenant will be liable for and will pay to Landlord the sum of all rental and other payments owed to Landlord under this Lease accrued to the date of termination, plus, as liquidated damages, an amount equal to (i) the present value of the total rental and other payments owed hereunder for the remaining portion of the Term, calculated as if the Term expired on the date set forth in Paragraph 4.1 (as extended, if applicable), less (ii) the present value of the then fair market rental for the Premises for such period, provided that, because of the difficulty of ascertaining the fair market value and in order to achieve a reasonable estimate of liquidated damages, Landlord and Tenant stipulate and agree that the fair market rental is 75% of the rental amount for such period as set forth in Section 5 hereof.

25.3 Damages Upon Repossession. If Landlord repossesses the Premises pursuant to paragraph 25.1 without terminating this Lease, Tenant will be liable for and will pay Landlord on demand all rental and other payments owed to Landlord under this Lease, accrued to the date of repossession, plus all rental and other payments owed under this Lease for the remaining portion of the Term, calculated as if the Term expired on the date set forth in Paragraph 4.1 (as extended, if applicable), diminished by all elements actually received by Landlord through reletting the Premises during the remaining Term. Actions to collect amounts due by Tenant to Landlord under this Paragraph may be brought from time to time without the necessity of Landlord's waiting until expiration of the Term.

25.4 Costs of Reletting, Removing, Repairs and Enforcement. Upon an Event of Default, in addition to any amount required to be paid under this Section 26, Tenant also will be liable for and will pay to Landlord (i) reasonable brokers' fees actually incurred, and all other costs and expenses actually incurred by Landlord in connection with reletting the whole or any part of the Premises; (ii) the costs actually incurred for removing, storing or disposing of Tenant's or any other occupant's property; (iii) the costs actually incurred for repairing, altering, remodeling or otherwise putting the Premises into condition in which the property was delivered by the Landlord to the Tenant at the Commencement Date, provided that they do not pertain to normal wear and tear, in order to rent the premises to a new Tenant.; (iv) any and all reasonable costs and expenses incurred by Landlord in effecting compliance with Tenant's obligations under this Lease; and (v) all reasonable expenses incurred in connection with such enforcement or defense, including but not limited to reasonable attorneys' fees.

25.5 Intentionally Omitted.

25.6 Interest on Past Due Amounts. If Tenant fails to pay to Landlord when due any sum under any provision of this Lease and Tenant's failure to pay continues for 30 days after the due date, then Tenant will pay to Landlord interest on the overdue amounts from the date due until paid at an annual rate which equals the lesser of 12% or the highest rate then permitted by law.

25.7 No Implied Acceptances or Waivers. Exercise by Landlord of any one or more remedies hereunder or otherwise available will not be deemed to be an acceptance by Landlord of Tenant's surrender of the Premises, it being understood that Tenant's surrender can be effected only by the written agreement of Landlord. Tenant and Landlord further agree that forbearance by Landlord to enforce any of its rights under this Lease or at law or in equity will not be a waiver of Landlord's right to enforce any one or more of its rights, including any right previously forborne, in connection with any existing or subsequent default. No re-entry or taking possession of the Premises by Landlord will be construed as an election on its part to terminate this Lease, unless a written notice of such intention is given to Tenant, and notwithstanding any reletting or re-entry or taking possession of the Premises, Landlord may at any time thereafter elect to terminate this Lease for a previous default. Pursuit of any remedies provided in this Section 25 will not preclude the pursuit of any other remedy provided under this Lease or any other remedies provided by law, nor will pursuit of any remedy provided under this Lease constitute a forfeiture or waiver of any rent due to Landlord under this Lease or of any damages occurring to Landlord by reason of the violation of any of the terms, provisions and covenants contained in this Lease. Landlord's acceptance of any rent following an Event of Default under this Lease will not be construed as Landlord's waiver of the Event of Default. No waiver by Landlord of any violation or breach of any of the terms, provisions and covenants of this Lease will be deemed or construed to constitute a waiver of any other violation or default.

25.8 Reletting of Premises. In the event of any termination of this Lease and/or repossession of the Premises due to an Event of Default, Landlord will use reasonable efforts to re-let the Premises and to collect rental after reletting, with no obligation to accept any subtenant that Landlord deems undesirable or to expend any funds in connection with reletting or collection of rents therefrom. Tenant will not be entitled to credit for or reimbursement of any proceeds of reletting in excess of the rental owed under this Lease for the period of reletting.

25.9 Landlord's Default. Landlord shall be in default under this Lease if Landlord fails to perform any of its obligations under this Lease after Tenant has given Landlord 30 days written notice; however, if the default reasonably requires more than thirty (30) calendar days to cure, Landlord shall have such additional time to cure provided that Landlord has commenced to cure within such 30-day period and diligently continues such cure thereafter. Tenant may terminate this Lease, make payments or take reasonable actions to fulfill whatever Landlord is obligated to pay or perform under the terms of this Lease, and Landlord agrees that Tenant will not be liable for any damages resulting to Landlord from such reasonable actions pursue and all remedies allowed by law if Landlord fails to cure any default of Landlord including the payment of damages. The term "Landlord" as used in this section means only the party identified in Paragraph 1 and only until Landlord transfers its interest in the Premises, after which Landlord will be released and discharged from all covenants and obligations of Landlord thereafter accruing.

25.10 Tenant's Personal Property. If Landlord repossesses the Premises, then Landlord has the right to (i) keep in place and use, or (ii) remove and store, all of the furniture, fixtures and equipment at the Premises, including that which is owned by or leased to Tenant, at all times prior to repossession by any Landlord thereof or third party having a lien thereon. Landlord may dispose of the stored property if Tenant does not claim the property within thirty (30) calendar days after the date the property is stored. Landlord will give Tenant at least thirty (30) calendar days prior written notice of the intended disposition. Landlord

will also have the right to relinquish possession of all or any portion of Tenant's furniture, fixtures, equipment and other property to any person ("Claimant") who presents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of Tenant's furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity or legality of said instrument. The rights of Landlord stated in this Paragraph 25.10 are in addition to any and all other rights that Landlord has or may hereafter have at law or in equity, and Tenant stipulates and agrees that the rights granted Landlord under this paragraph are commercially reasonable.

26. INTENTIONALLY OMITTED

27. **MECHANIC'S LIENS.** The Premises are publicly owned property and are not subject to mechanic's and materialmen's liens under Texas law. Tenant has no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind, the interest of Landlord or Tenant in the Premises. **Tenant will indemnify, save and hold Landlord, together with its agents, employees, officers and representatives, individually and collectively, harmless from any and all loss, cost or expense, including without limitation attorney's fees, based on or arising out of asserted claims or liens created or caused by Tenant against the leasehold estate or against the right, title and interest of Landlord in the Premises or under the terms of this Lease.**

28. MISCELLANEOUS.

28.1 Consent by Landlord/Tenant. Whenever in this Lease, Landlord's or Tenant's consent, permission or approval is required and has been properly requested, such consent, permission or approval will not be unreasonably withheld, delayed or conditioned, unless such right has been specifically reserved elsewhere in this Lease.

28.2 Interpretation. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

28.3 Binding Effect. Except as otherwise expressly provided in this Lease, the terms, provisions and covenants and conditions in this Lease apply to, inure to the benefit of and are binding upon the parties hereto and upon their respective successors and assigns. Landlord has the right to transfer and assign, in whole or in part, its rights and obligations in the Premises and other property that are the subject of this Lease.

28.4 Evidence of Authority. Tenant represents, covenants and warrants to Landlord that (i) it is a duly formed entity in accordance with the applicable requirements of the jurisdiction in which it has been formed and, if such jurisdiction is other than the jurisdiction in which the Premises is located it is duly qualified in such jurisdiction to transact business, (ii) it has the full right, power and authority to enter into this Lease, (iii) any and all corporate or other such action necessary to approve and ratify the entering into of this Lease by Tenant has been taken (and Tenant agrees to provide evidence thereof to Landlord upon Landlord's request) and (iv) the person executing this Lease on behalf of Tenant has been empowered with all necessary authority to do so and thereby to bind Tenant fully to all of the terms and conditions hereof.

28.5 Force Majeure. Neither Landlord nor Tenant, together with its respective agents, employees, officers and representatives, individually and collectively, will be held responsible for delays in the performance of its obligations under this Lease (except for Base Rental, Percentage Rent and Additional Rent and other payments owed by Tenant to Landlord) when caused by Unavoidable Delays (defined in Section 6.4) beyond the control of Landlord or Tenant, as the case may be.

28.6 Payments Constitute Rent. Notwithstanding anything in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as rent, will constitute rent.

28.7 Estoppel Certificates. Landlord and Tenant agree, from time to time, within 15 days after written request by the other party, to deliver to the requesting party, or its designee, an estoppel certificate stating that this Lease is in full force and effect, the date to which rent has been paid, the unexpired term of this Lease, any defaults existing under this Lease (or the absence thereof) and any other factual or legal matters pertaining to this Lease as may be reasonably requested. It is understood and agreed that each party's obligations to furnish estoppel certificates in a timely fashion is a material inducement for each party's execution of this Lease.

28.8 Entire Agreement. This Lease constitutes the entire understanding and agreement of Landlord and Tenant with respect to the subject matter of this Lease and contains all of the covenants and agreements of Landlord and Tenant with respect thereto. Landlord and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained in this Lease, and any prior agreements, promises, negotiations or representations not expressly set forth in this Lease are of no force or effect. **EXCEPT AS SPECIFICALLY PROVIDED IN THIS LEASE, TENANT HEREBY WAIVES THE BENEFIT OF ALL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PREMISES, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR ANY PARTICULAR PURPOSE. THE PREMISES ARE HEREBY PROVIDED TO TENANT AND TENANT HEREBY ACCEPTS THE PREMISES AS-IS, WHERE-IS IN ACCORDANCE WITH PARAGRAPH 3.3.** Landlord's agents and employees do not and will not have authority to make oral exceptions, changes, or amendments to this Lease, or factual representations not expressly contained in this Lease. Under no circumstances will Landlord or Tenant be considered an agent of the other. This Lease may not be altered, changed or amended except by an instrument in writing signed by both parties hereto. The foregoing warranty waiver provisions are not intended to relieve the Government from any liability for any environmental contamination released by the Government, nor to require Tenant to be responsible for clean-up, remediation, or third party liability resulting from environmental contamination, except to the extent released or aggravated by Tenant.

28.9 Survival of Obligations. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the Term of this Lease will survive the expiration or earlier termination of the Term hereof, including without limitation all payment obligations with respect to taxes and insurance, if any, for the year in which this Lease expires or terminates. These amounts will be used by Landlord for payment of Tenant's obligations, with Tenant being liable for any additional costs therefore upon demand by Landlord, or with any excess to be promptly returned to Tenant after all of Tenant's obligations have been determined and satisfied, as the case may be.

28.10 Severability of Terms. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Term, then, in such event, it is the intention of the parties hereto that the remainder of this Lease will not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is determined to be illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to the illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

28.11 Effective Date. All references in this Lease to "the date hereof" or similar references refer to the Lease Execution Date.

28.12 Intentionally Deleted

28.13 Ambiguity. Landlord and Tenant hereby agree and acknowledge that this Lease has been fully reviewed and negotiated by Landlord and Tenant and their respective legal counsel and, accordingly, in the event of any ambiguity in this Lease, Tenant waives the rule of construction that the ambiguity will be resolved against the party who prepared this Lease.

28.14 Joint and Several Liability. If there is more than one Tenant, the obligations in this Lease imposed upon Tenant will be joint and several. If there is a guarantor of Tenant's obligations, the obligations in this Lease imposed upon Tenant will be joint and several obligations of Tenant and the guarantor, and Landlord need not first proceed against Tenant before proceeding against the guarantor, nor will the guarantor be released from its guaranty for any reason whatsoever, including, without limitation, in case of any amendments hereto, waivers hereof or failure to give the guarantor any notices under this Lease.

28.15 Third Party Rights. Nothing herein expressed or implied is intended, nor will be construed, to confer upon or give to any person or entity, other than Landlord, Tenant, and the Government, together with their respective agents, elected officials, employees, officers and representatives, individually and collectively, any right or remedy under or by reason of this Lease.

28.16 Appendices and Attachments. All appendices, attachments, riders and addenda referred to in this Lease, are incorporated into this Lease and made a part hereof for all intents and purposes as if fully set out in this Lease. All capitalized terms used in such documents will, unless otherwise defined therein, have the same meanings as are set forth in this Lease.

28.17 Applicable Law/Venue. This Lease has been executed in Hondo, Texas, and will be governed in all respects by the laws of the State of Texas. **Venue for any action brought under this Lease will be in Medina County, Texas, and nowhere else.** It is the intent of Landlord and Tenant to conform strictly to all applicable state and federal usury laws. All agreements between Landlord and Tenant, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever will the amount contracted for, charged or received by Landlord for the use, forbearance or retention of money hereunder or otherwise exceed the maximum amount which Landlord is legally entitled to contract for, charge or collect under the applicable state or federal law. If, from any circumstance whatsoever, fulfillment of any provision hereof would result in exceeding the legal maximum, then the obligation to be fulfilled will be automatically reduced to the legal maximum and, if from any circumstance, Landlord ever receives as interest or otherwise an amount in excess of the legal maximum, then that amount that would be excessive interest will be applied to the reduction of rent under this Lease and, if that amount that would be excessive interest exceeds the rent due, then that additional amount will be refunded to Tenant.

28.18 Time of Essence. Time is of the essence with respect to all of the rights and obligations of Tenant hereunder.

28.19 Intentionally Deleted. .

28.20 Payment on Demand. Whenever used in this Lease, the phrase "payment on demand" means within 15 days of receipt of a bona fide and reasonably documented invoice.

28.21 Days. Whenever used in this Lease, the term "days" means calendar days.

28.22 Protective Covenants. In the event that Landlord records declarations of covenants, conditions and restrictions ("CC&Rs") for Airport, Tenant agrees that this Lease will be both subject and subordinate to all of the terms and conditions of such CC&Rs.

28.23 Attorney's Fees. (i) In the event that any action or proceeding is brought to enforce any term, covenant or condition of this Lease on the part of Landlord or Tenant, the prevailing party in such litigation will be entitled to reasonable attorney's fees to be fixed by the court in such action or proceeding; and (ii) Tenant agrees to pay Landlord's reasonable attorney's fees in the event Tenant (or any subtenant) requests Landlord to execute any legal documentation related to Tenant's leasehold; including, without limitation, Landlord's Estoppel Certificates, Assignments of this Lease, Waivers of Landlord's Lien, Subordination Agreements, Access Agreements or the like; provided, however, nothing contained in this subparagraph 28.23 is to be construed as Landlord having agreed to execute any such agreement or to have approved any such request.

28.24 General Terms. As used in this Lease, the terms "herein," "herewith," and "hereof" are references to this Lease, taken as a whole, the term "includes" or "including" means "including, without limitation," and references to a "Section," "subsection," "Paragraph," "subparagraph," or "Appendix" means a Section, subsection, Paragraph, subparagraph or Appendix of this Lease, as the case may be, unless in any such case the context requires otherwise. All references to Landlord or Tenant include their successors and permitted assigns. All references to a given agreement, instrument or other document will be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made, and reference to a Law includes any amendment or modification thereof. The singular includes the plural and the masculine includes the feminine and neuter, and vice versa.

29. NOTICES.

29.1 Procedure for Notices. Each provision of this instrument or of any applicable governmental laws, ordinances, regulations and other requirements with reference to the sending, mailing or delivering of notice or the making of any payment by Landlord to Tenant or with reference to the sending, mailing to info@arasmro.aero or delivering of any notice or the making of any payment by Tenant to Landlord will be deemed to be complied with when and if the following steps are taken:

(A) All rent and other payments required to be made by Tenant to Landlord hereunder will be payable to Landlord at the address for Landlord set forth on **APPENDIX 1** or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith. Tenant's obligation to pay rent and any other amounts to Landlord under the terms of this Lease will not be deemed satisfied until such rent and other amounts have been actually received by Landlord (as opposed to deemed received as under Paragraph 29.1 C, below).

(B) All payments required to be made by Landlord to Tenant hereunder will be payable to Tenant at the address set forth on **APPENDIX 1**, or at such other address within the continental United States as Tenant may specify from time to time by written notice delivered in accordance with this Section 31.

(C) Except as expressly provided in this Lease, any written notice, document or payment required or permitted to be delivered hereunder will be deemed to be delivered when received or, whether actually received or not, when deposited in the United States Mail, postage prepaid, Certified or Registered Mail, or sent via overnight delivery by commercial carrier, and addressed as shown on **APPENDIX 1**.

DATED as of the date shown in **APPENDIX 1**.

Landlord and Tenant by their execution below, indicate their consent to the terms of this Lease.

LANDLORD:

**CITY OF HONDO, a Texas municipal corporation and as
owner of the South Texas Regional Airport at Hondo**

By: _____
John Naron, City Manager

TENANT:

ARAS MRO CORPORATION

By: _____

Name: _____

Date: _____

APPENDIX A

PREMISES

North East Apron Consisting of 120,000 ft²





City Council Communication

Title: Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations);Section 551.086 (Meeting concerning municipally owned utility-competitive matters);

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS:



City Council Communication

Title: Discuss and consider Range Project (Ryan Elder)

Date: December 11, 2023 **From:** Ryan Elder, Director of Aviation

INFORMATION:

Discuss proposed Law Enforcement Training Facility (Range)

FINANCIAL IMPACT:

Additional Revenue to Airport fund

STAFF RECOMMENDATION:

Staff recommends discussing the range project

MOTION:

Motion to approve the City Manager to execute a lease agreement with Hangar6x, LLC for a law enforcement training facility.

ATTACHMENTS:

1. HANGAR6X-RANGE

STAFF CONTACTS:

Ryan Elder

UTILITY
EXTENSION AGREEMENT

STATE OF TEXAS

COUNTY OF MEDINA

THIS UTILITY EXTENSION AGREEMENT (the "Agreement") is made and entered into by and between **HANGAR6X LLC**, a Texas limited liability company, hereinafter referred to as "Developer", and **CITY OF HONDO**, a Texas municipal corporation and political subdivision, hereinafter referred to as "City" as of the Effective Date noted in the last paragraph above the parties' signatures.

WHEREAS, contemporaneous with this Agreement the parties have entered into a ground lease agreement for a 111.8-acre tract located at South Texas Regional Airport at Hondo (the "Lease"); and

WHEREAS, Developer intends to construct a law enforcement firearms training facility and other related structures and improvements described in the Lease (the "Training Center") and shown by the map or drawing attached to this Agreement as **EXHIBIT A**; and

WHEREAS, development of Developer's proposed improvements will require an extension of a 2 inch municipal water line a distance of approximately 1,200 linear feet and a water service line of a 1 inch a distance of approximately 1,300 linear feet and an extension of electrical service line of a distance of approximately 1504 linear feet for the operation of the Training Center; and as more particularly described in **EXHIBIT B** (the "Utility Improvements"); and

WHEREAS, Texas Local Government Code Sec. 212.071 *et seq.* provides that a municipality may enter into a contract with a developer for the construction of public improvements; and

WHEREAS, City is agreeable to cause construction of the Utility Improvements in exchange for Developer providing in-kind, reimbursement for the cost of the Utility Improvements and consisting of the City of Hondo, Police Department's ("Hondo PD") use of the Training Center as described in **EXHIBIT C** ; and

WHEREAS, Developer is agreeable to provide Hondo PD use of the Training Center as described in **EXHIBIT C** in exchange for City causing construction of the Utility Improvements.

NOW THEREFORE, that for and in consideration for the mutual promises hereinafter expressed, and other good and valuable consideration, the sufficiency of which is hereby acknowledged by these parties, Developer and City agree as follows:

SECTION 1. AGREEMENT

A. **Project Approval.**

- a. Developer acknowledges that the project will require submission of an application to the City for a building permit to construct the Training Center. Developers permit application will also include construction drawings for the utility improvements to include the alignment and design of the utilities
- b. The Utility Improvements will not include any driveways, loading areas, parking lots, and/or roadway improvements.

B. **Project Cost & Construction.** Subject to the terms of this Agreement, City will be responsible for all construction costs of the Utility Improvements.

- 1) Following City's issuance of a permit for the Utility Improvements, City may either (a) construct all or a portion of the construction the improvements with its own internal resources and/or (b) retain a third-party contractor to construct all or any portion of the Utility Improvements.
- 2) In no event will City be required to expend more than \$50,000 to construct the Utility Improvements. In the event the cost of constructing the Utility Improvements is more than \$50,000.00, then City will notify Developer of such costs and submit the bid and/or cost estimates to Developer for its approval.
 - a. If Developer approves the additional costs and elects to proceed with the Utility Improvements, then Developer will be responsible for the construction cost of the Utility Improvements in excess of \$50,000. Developer will immediately issue such funds to City prior to City's commencement of construction. City will have no obligation to proceed with construction and/or award the contract for construction of the Utility Improvements until it receives such funds from Developer.
 - b. If Developer rejects the cost estimates and/or bids, then City may terminate this Agreement as provided under Section 1D (2).
- 3) Developer further acknowledges and agrees that the selection and award of the construction contracts for the Utility Improvements will also be subject to approval by the Hondo City Council and other applicable local and state laws for procurement of public improvements if the costs exceed \$50,000.
- 4) Upon completion of construction of the Utility Improvements (or portion thereof) and final inspection and approval thereof by City and Developer, the Utility Improvements shall be deemed city-owned, airport property. The Utility Improvements shall also be deemed part of Developer's leased property under the Lease and repaired and maintained by Developer under the terms and conditions of the Lease Agreement.

C. **Developer's Reimbursement.** Over the Term of this Agreement Developer agrees to provide in-kind reimbursement City for the costs of the Utility Improvements by providing use of the Training Center by Hondo PD as described in **Exhibit "C."** Developer agrees to provide City this in-kind reimbursement throughout the term of the Lease.

D. Term.

- 1) This Agreement shall remain in effect from the Effective Date and continue until expiration of the Lease. In the event there is claim is pending at the end of the term, the Agreement shall continue in effect until the claim is finally resolved.
- 2) Notwithstanding any provision of this Agreement, City will have right to terminate this Agreement in the event:
 - a) Developer rejects payment of construction costs in excess of \$50,000.00 as provided in Section 1B(2); or
 - b) Developer fails to pay the constructions costs in excess of \$50,000.00; or
 - c) Developer is in default under the terms of this Agreement and/or the Lease Agreement;
or
 - d) the Lease Agreement expires or is terminated.
- 3) City reserves the right to terminate this Agreement in the event that Developer fails to submit all required approvals and permits in a timely manner such that the Utility Improvements do not commence within 24 months of the Effective Date.

E. Effect of Force Majeure.

- 1) In the event either party is rendered unable by force majeure to carry out any of its obligations under this agreement, in whole or in part, then the obligations of that party, to the extent affected by the force majeure shall be suspended during the continuance of the inability, provided however, that due diligence is exercised to resume performance at the earliest practical time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other party; provided however, Force Majeure will not apply to, or excuse City or Developer from their respective obligations in connection with (i) any obligation to pay a sum of money owed under this Agreement to the other party or any third party, or (ii) City's obligation to timely review and approve completion of the Utility Improvements.
- 2) The cause, as far as possible, shall be remedied with all reasonable diligence. The terms "force majeure" or "Force Majeure" as used herein include acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, order of the government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and civil disturbances, explosions, breakage, or accidents to equipment, pipelines, or canals, and any other inability's of either party, whether similar to those enumerated or otherwise, that are not within the control of the party claiming the inability and that could not have been avoided by the exercise of due diligence and care. It is understood and agreed that the settlement or strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party if the settlement is unfavorable to it in the judgment of the party having the difficulty.

F. Notices.

- a. Any notice to be given hereunder by either party to the other party shall be in writing and may be affected by personal delivery or by sending said notices by registered or certified mail, return receipt requested, to the address set forth below. Notice shall be deemed given when deposited with the United States Postal Service with sufficient postage affixed.

- b. Any notice mailed to the City office shall be addressed:

City of Hondo
1600 Avenue M
Hondo, TX 78861
Attn: City Manager
Email: salbert@hondo-tx.org

- c. Any notice mailed to Developer shall be addressed:

Greg Purvis
Hangar6x, LLC
502 Vandenberg Road
Hondo, Texas 78861
Email: gpurvis@hangar6x.com

- d. Either party may change the address for notice to it by giving notice of such change in accordance with the provisions of this paragraph.
- e. The email addresses for the parties are provided for the convenience of the parties, but any notice required to be given under this Agreement shall be valid only if mailed via the United States Postal Service, or any reputable overnight carrier, or delivered in person.

SECTION 2. GENERAL PROVISIONS

- A. Severability.** The provisions of this Agreement are severable, and if any word, phrase, clause, sentence, paragraph, section or other part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Agreement to other persons or circumstances shall not be affected thereby and this Agreement shall be construed as if such invalid or unconstitutional portion had ever been contained therein.
- B. Entire Agreement.** This Agreement, including any exhibits attached hereto and made a part hereof, constitutes the entire agreement between the parties relative to the subject matter of this Agreement. All prior agreements, covenants, representations, or warranties, whether oral or in writing, between the parties are merged herein.

- C. **Amendment.** No amendment of this Agreement shall be effective unless and until it is duly approved by each party and reduced to a writing signed by the authorized representatives of the City and the Developer, respectively, which amendment shall incorporate this Agreement in every particular not otherwise changed by the amendment.
- D. **Governing Law.** This Agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Medina County, Texas.
- E. **Venue.** Venue for any suit arising hereunder shall be in Medina County, Texas.
- F. **Successors and Assigns.** This Agreement shall be binding on and shall inure the benefit of the heirs, successors and assigns of the parties.
- G. **Authority.** The parties each represent to the other that this Agreement was approved by the governing body of the party and that the person signing this Agreement on behalf of the party has the full authority to do so.
- H. **Effective Date.** This Agreement shall be effective from and after the date as of the Effective Date noted in the paragraph above the parties' signatures and continue for the Term.
- I. **Successors.** This Agreement shall be binding upon Developer's successors and assigns. If Developer fails to satisfy its obligations under this Agreement, City may terminate this Agreement or refuse to extend service to future owners of land within the Property.
- J. **City Approval.** This Agreement is contingent upon approval by the City Council for the City of Hondo, Texas.
- K. **Counterparts.** This Agreement may be executed in counterparts, each of which will be deemed an original and all of which, when taken together, constitute one and the same document.

IN WITNESS WHEREOF each of the parties has caused this Agreement to be executed by its duly authorized representative in multiple copies, each of equal dignity, on the date or dates indicated below and the effective as of the _____ day of _____, 2022 (the "Effective Date").

CITY OF HONDO, a Texas municipal corporation By: _____ Scott Albert, city manager Date: _____	HANGAR6X, LLC, a Texas limited liability company By: _____ Printed Name: _____ Title: _____ Date: _____
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EXHIBIT A
Training Center Site Plan

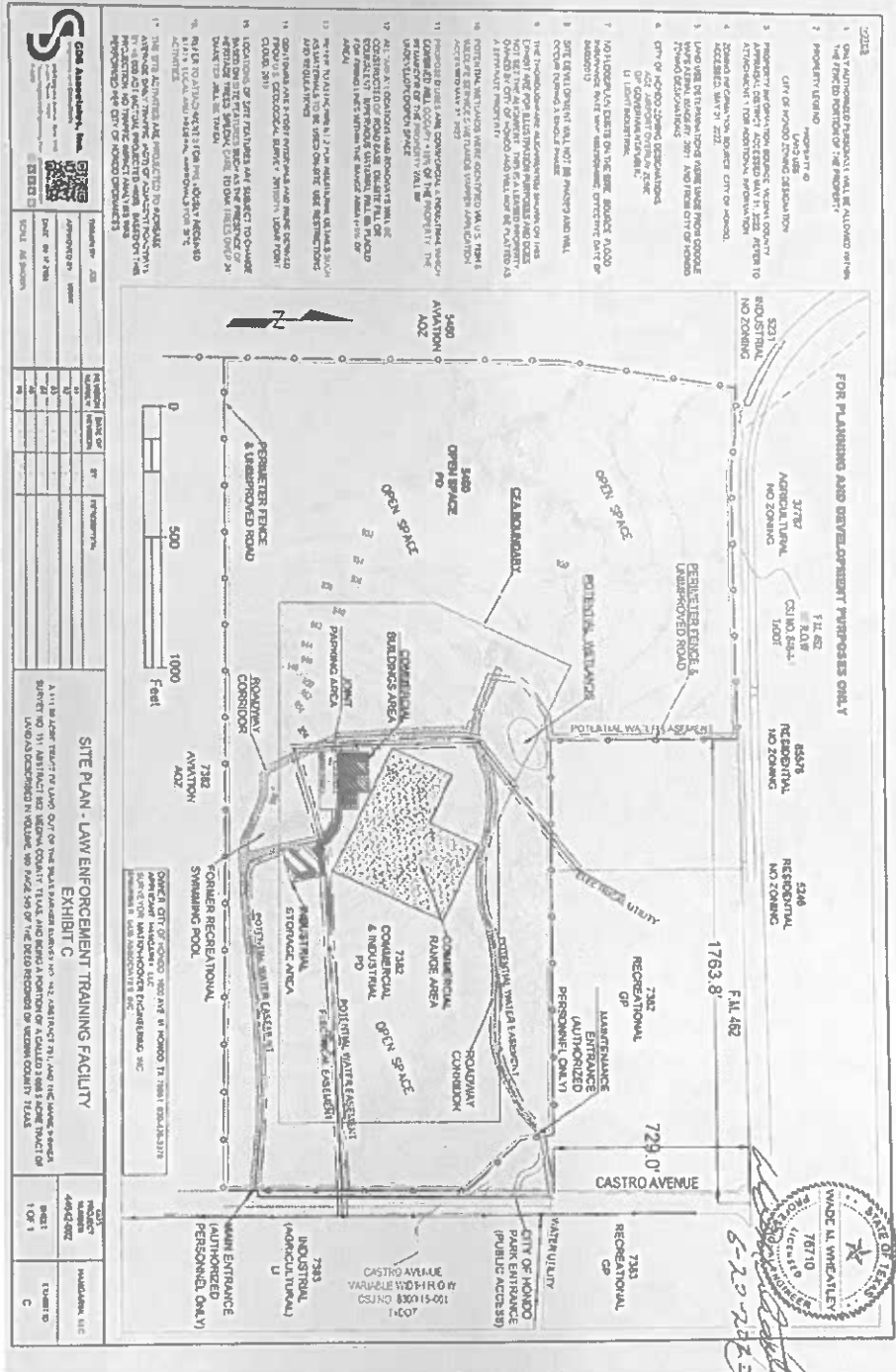


EXHIBIT “B”
Utility Improvements

EXHIBIT "C"

Developer's In-Kind Reimbursement

1. Developer agrees to provide the following as in-kind reimbursement to City for the cost of the Utility Improvements:
 - a. City of Hondo Police Department ("Hondo PD") may use the gun range free of charge during the term of the Lease. Hondo PD agrees to contact Developer to schedule gun range use by Hondo PD officers at least 24 hours in advance.
 - b. Each Hondo PD officer will have access twice annually for a qualifying event (once in the fall and once in the spring). Hondo PD will schedule the qualifying events for each Hondo PD police officer. Hondo PD will contact the Developer to schedule such qualifying events no less than two weeks in advance of the qualifying event.
 - c. Hondo PD may also schedule a qualifying event for any new Hondo PD offer candidates at least one week in advance.
 - d. Hondo PD agrees to provide its own targets and ammunition for qualifying events.
2. Developer's failure to provide the in-kind use of the gun range to Hondo PD as provided herein will be deemed a breach of this Agreement and Lease and subject to City's rights and remedies at law, contract, equity, and termination of this Agreement and/or the Lease.

2024 City of Hondo Employee Calendar

January

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February

SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

March

SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November

SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Holidays:
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 M L King Day, 1-15
 President's Day 2-19
 Good Friday 3-29
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 Christmas Eve pm 12-24
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 Hallowe'en 10-31

WELLNESS 2024
 Open Enrollment & Health Fair
 Monday, September 16

CoH "Family" Walk-&Talk
 Sunday, April 21 and
 Sept 15 6 pm
 Nature Trail

Color Key:
 Holiday
 Payday
 Safety Meeting

SPECIAL EVENT!
 Save the Dates

Employee
 Appreciation Event &
 Award Luncheon 2/14

July Pool Party
 (date pending)

Employee Picnic
 8/3

Thanksgiving
 Luncheon 11/26

Christmas Party
 12/6

Event dates are subject to change.

GROUND LEASE

between

CITY OF HONDO

and

HANGAR6X, LLC

For

H6XTRAINING CENTER

**GROUND LEASE
H6X TRAINING CENTER**

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**GROUND LEASE
HONDO LAW ENFORCEMENT TRAINING CENTER**

This Ground Lease (this "Lease") is entered into by the City of Hondo, a Municipality in Medina County, Texas ("City") and Hangar6X, LLC, a Texas limited liability company ("Tenant"), with an effective date of _____ ("Effective Date").

1. TRAINING CENTER, TERM AND IMPROVEMENTS.

1.1 Training Center. City desires to lease to Tenant, and Tenant desires to lease from City approximately 111.8 acres of land located at 280 Castro Ave, Hondo, TX 78861 as depicted on the site plan attached as **APPENDIX A** which is part of the South Texas Regional Airport at Hondo (the "Airport"), located at 700 Vandenberg Road, Hondo, Medina County, Texas 78861, located on the real property described on **APPENDIX A** the "Site" (111.8 acres), subject to the terms, covenants and conditions in this Lease. The Site, and the to-be built law enforcement training facility (the "Facility"), and all other improvements thereon are hereinafter referred to as the H6X Training Center ("Training Center").

1.2 Term. The Lease term is 60 months (5 years), beginning on the date signed by Tenant but not beginning any later than sixty days from the date the City Council approved entering into the lease ("the Term")...

(a) Provided Tenant is not in default, Tenant may request to extend the Term to two, consecutive 5-year terms by written notice to the City not less than 7 (seven) months prior to the expiration of the Term. Tenant's request to extend the lease Term will be subject to City and DOT/FAA approval. If City and DOT/FAA approve Tenant's request, then the Term will be extended an additional and consecutive 5-year Term (the "Extended Term") under the terms and conditions of this Lease. If DOT/FAA denies Tenant's request, then the Lease will terminate upon expiration of the existing Term.

(b) In the event the Site, or any portion of the Site, is needed for another use or project, then City may terminate this lease in whole or in part, at any time with 180 days written notice to Tenant and without liability or claim to Tenant. Within 180 days of receiving such notice, Tenant shall restore all aeronautical land to its original condition or better.

(c) Upon such termination, City and Tenant will be relieved of their respective obligations for such portions of the terminated lease, except as provided under the terms of this Lease and Section 15.

1.3 Training Center Improvements.

(a) Tenant may take possession of the Site upon execution of this Lease for the sole purpose of constructing the Facility, parking area and other improvements thereon, or installing fixtures, equipment or other personal property of Tenant on the Site (the "Training Center Improvements"). If Tenant takes possession of the Site before the Commencement Date, such possession will be subject to the terms and conditions of this Lease.

(b) Tenant will have 12 (twelve) months to develop and construct the Training Center Improvements on the Site. The plans for development and construction will be reviewed and approved by the City. All building and development plans must be consistent with city ordinances. The 12-month construction period begins upon approval of plans for the Training Center Improvements from the City. Tenant will procure payment and performance bonds for all of the construction work to be done

1.

on the Site and provide proof of same to City who must be named as an additional named beneficiary of same. During the Term of this Lease, the Training Center Improvements will belong to Tenant.

(c) Tenant shall not make any improvements that would prevent it from restoring any portion of the Site to a condition fit for aeronautical use upon short notice as provided in section 1.2(b).

2. APPLICABLE STATUTORY AUTHORITY.

2.1 U.S. Government. All of the real property now known as the Airport was previously owned by the United States of America (the "Government"). The Government has conveyed title to the real property identified as the Site herein to City. In the conveyance document, the Government placed restrictive covenants on the use of the Site. As a result, some of the terms and conditions of this Lease relate to these restrictive covenants (the "Government CCRs"), which may affect the Site. City agrees to provide reasonable cooperation to facilitate any Government approvals necessary to permit Tenant to utilize the Site for the Permitted Use throughout the Lease Term.

2.2 DOT and FAA Approval. This Lease and the related proposed improvements are subject to review by and approval from (a) the Texas Department of Transportation and/or the United States Department of Transportation (collectively, the "DOT"), and (b) the US Federal Aviation Administration ("FAA"). FAA issued a Final Determination Letter dated, April 28, 2022 (the "Determination Letter"), attached hereto as **APPENDIX B**, imposing certain operational and development restrictions on Tenant's proposed Training Center Improvements. FAA also issued a letter dated April 28, 2022 (the "Non-Aeronautical Use Authorization"), attached hereto as **APPENDIX C**, authorizing use of the Site for non-aeronautical use. In the event the approvals and authorizations in the Determination Letter and/or the Non-Aeronautical Use Authorization (collectively referred to as the "DOT/FAA Approvals") should expire and/or be canceled, withdrawn and/or terminated, then City will have right to terminate this Lease without liability or claim to Tenant.

2.3 Interim Use. Tenant acknowledges that this Lease provides for only the temporary use of the Site for non-aeronautical use and development of the Training Center Improvements. Accordingly, the Training Center Improvements will not include any permanent buildings or structures so that upon the expiration or termination, by any means of this Lease, the Site will be returned to City for aeronautical uses without undue delay, in the manner provided in section 1.2(b).

3. OPERATIONAL SAFEGUARDS.

3.1 DOT and FAA Approvals– Termination Rights. Tenant's use of the Site, including the Permitted Use, is subject to approval by DOT and FAA which may expire and/or be cancelled or withdrawn. Accordingly, City will have the right to terminate this Lease as provided in Sections 1.2 and 2.2 above.

3.2 Tenant's Compliance with Safeguards. Tenant agrees to comply with City's safeguards to protect the current and future aeronautical use of the Airport while the use of the Training Center for live firearms training is in progress and to ensure that safety is not compromised. Tenant further agrees to obtain all necessary permits and authorizations from state and federal authorities for the transfer of firearms, sale of ammunition, and the operation a firearms training facility. Tenant agrees to comply with the Operational Safeguard Procedures as set forth in Appendix D. City reserves the right to amend or revise the procedures in Appendix D as may be required by DOT and FAA or as may be reasonably necessary in City's sole discretion to ensure the safe and orderly operation of the Airport. .

3.3 City Monitoring. City will have right to actively monitor the construction and operation of the Training Center to ensure compliance with the terms and conditions of the DOT/FAA Approvals

2.

and applicable DOT and FAA regulations. City will have right to access the Site from time to time and as City may deem reasonably necessary for City to conduct such monitoring. City's ongoing monitoring of the Site shall not be deemed a violation of Tenant's quiet enjoyment of Site. Operations at the Training Center will be suspended and/or the Lease will be terminated should there be any accidents or negative impacts to aircraft or to safe operations at the Airport.

3.4 Perimeter Fence – Controlled Fire Area. Tenant at its sole cost will erect an 8-foot perimeter fence around the portion of the Facility in which live firearms training will occur (the "Controlled Fire Area" or "CFA"). Tenant will not conduct nor authorize live firearms training or activities outside of the Controlled Fire Area. Tenant will maintain controlled access and egress to the Controlled Fire Area. Tenant will also install additional fencing and gates to control access and egress to the Training Center from the existing Airport perimeter fence and airfield roadways. Tenant will maintain operational control of firearms training and similar hazardous activities within the CFA so that such activities can be immediately suspended in the event a non-participating aircraft approaches the area.

4. RESERVED.

5. RENT. All Base Rental and any Additional Rent (sometimes collectively referred to herein as "Rent") due from Tenant pursuant to this Lease shall be paid as the same becomes due, without demand, in lawful currency of the United States made payable to the South Texas Regional Airport Fund, City of Hondo, 1600 Avenue M, Hondo, Texas 78861, by mail or delivery to the City of Hondo, 1600 Avenue M, Hondo, Texas 78861.

5.1 Base Rental. Tenant agrees to pay to City \$2,500.00 per month / \$30,000.00 per year (the "Base Rental") with the first payment to be due and payable on the Effective Date. The amount set for Base Rental is fixed and will not be adjusted in the event that a discrepancy is found in the actual square footage of the Site.

5.2 Additional Rent. As "Additional Rent," Tenant will pay any other amounts payable by Tenant to City under the terms of this Lease.

5.3. Rent Adjustments. The Base Rental shall be reviewed and adjusted annually based upon the Consumer Price Index for the San Antonio region but will not exceed 3% annually. However, at the end of each term the rent shall be upwardly adjusted to the fair market rental value based on an appraisal obtained by City, at City's sole cost and expense. The Base Rental will remain unchanged in the event the appraisal should find no increase in fair market rental value for the Premises. At no time will Base Rental decrease during the Primary Term or any Option Term.

6. TAXES.

(a) Tenant will pay all taxes, assessments and governmental charges whether federal, state, county, or municipal and whether they are imposed by taxing or management districts or authorities presently existing or hereafter created (collectively, "Taxes") that accrue against the Training Center Improvements, the Facility, Tenant's personal property and Tenant's leasehold estate.

(b) Tenant will (i) before delinquency, pay all taxes levied or assessed against any building and/or personal property, fixtures or alterations placed on the Site and Tenant's leasehold estate taxes and (ii) upon the request of City, deliver to City receipts from the applicable taxing authority or other evidence acceptable to City to verify that such taxes have been paid. If any such taxes are levied or

assessed against City or City's property, Tenant will pay to City such taxes within 10 days after City's request therefor.

7. MAINTENANCE.

(a) The Lease is intended to be a ground lease only. Tenant will be solely responsible for all parts of the Training Center Improvements and Initial Site Improvements, including without limitation, lighting, plumbing, electrical systems, restrooms, water and sewer lines up to points of common connection, fire sprinklers and fire protection systems, all parts of the live firearms training range and all parts of the Facility in good condition and promptly make all necessary repairs and replacements to the Training Center. Tenant will repair and pay for any damage caused by a Tenant Party (defined below) or caused by Tenant's default hereunder

(b) Tenant will maintain the parking areas, fences, driveways, alleys and grounds located on the Site and within the Training Center in a clean and sanitary condition, including prompt maintenance, repairs and replacements of (i) firing range and supporting amenities, (ii) the exterior of the Facility (including painting), (iii) irrigation systems and sewage lines, and (iv) any other items normally associated with the foregoing. City will not be required to provide any security services with respect to any portion of the Site and Training Center.

8. RESERVED.

9. SIGNS.

Tenant will not place, install or attach any signage, decorations, or advertising media, on the exterior perimeter fencing or gate of the Training Center or the Facility without City's prior written approval. City hereby agrees that Tenant may install a sign on the Training Center, subject to compliance with all applicable Laws, and in accord with the signage regulations and standards as may be established and amended by the City for signage at the Airport and the provisions of this Section 9. Upon the expiration or earlier termination of this Lease, Tenant will remove all Tenant's signage, and Tenant will repair, paint, and/or replace any portion of the Training Center or the Facility damaged or altered as a result of its signage when it is removed (including, without limitation, any discoloration of the Facility). City will not be required to notify Tenant of whether it consents to any sign until it (i) has received detailed, to-scale drawings thereof specifying design, material composition, color scheme, and method of installation, and (ii) has had a reasonable opportunity to review them.

10. UTILITIES AND STORM WATER MANAGEMENT.

(a) The City and Tenant will execute a separate utility agreement regarding the improvements the City will provide for the Tenant in exchange for the Hondo Police Department being able to utilize the gun range for the term of the lease. The utility agreement shall be executed within sixty (60) days of the City signing lease agreement. City will make the utility improvements as presented in the attached utility agreement. The Tenant will be responsible to further extend and connect to these utilities to its proposed improvements. Connections are to include separate meters and meet all local, state and federal requirements. Tenant will pay directly to the utility provider all charges attributed to the Training Center, together with any taxes, penalties, surcharges, maintenance charges, and the like pertaining thereto. Tenant agrees to pay applicable fees to the City for electric, water and wastewater services.

(b) Tenant agrees to engineer and construct the Training Center Improvements to meet City Engineer, DOT, and FAA comments, including utilities, storm water, and other development requirements related to the zoning and use of the Site, the Training Center, the Site and the Airport.

11. INSURANCE.

Without limiting Tenant's obligation to indemnify the City, FAA or DOT as provided in section 13 of this Lease Tenant shall obtain and keep in force at all times during the Term of this Lease (a) workers' compensation insurance (with a waiver of subrogation endorsement reasonably acceptable to City); (b) commercial general liability insurance on the most current ISO Form CG 00 01 or equivalent, to cover liability arising from occurrences on or about the Training Center and acts of Tenant Parties on or about the Training Center, without modification to the separation of insureds provision, with limits of not less than \$1,000,000 per occurrence, plus umbrella coverage of at least \$2,000,000 per occurrence; (c) Causes of Loss - Special Form property insurance covering the replacement cost (on an agreed value basis) of all Training Center Improvements and Tenant's property in the Training Center (including without limitation removable trade fixtures and leasehold improvements), and extending to City as their interests may appear, and containing ordinance or law coverage; (d) business income insurance; (e) business automobile liability insurance with limits of not less than \$1,000,000 per occurrence; and (f) such other insurance as City may reasonably require. Such policies will (A) name City, City's agents, and their respective Affiliates (defined below), as additional insureds on a form that does not limit the coverage provided under such policy to any additional insured (i) by reason of such additional insured's negligent acts or omissions (sole or otherwise), (ii) by reason of other insurance available to such additional insured, or (iii) to claims for which a primary insured has agreed to indemnify the additional insured, (B) be issued by an insurance company reasonably acceptable to City, (C) provide that such insurance may not be cancelled unless 30 days' prior written notice is first given to City, (D) be delivered to City by Tenant before the earlier of the Commencement Date or the date Tenant occupies the Training Center and at least 15 days before each renewal thereof, and (E) provide primary and non-contributory coverage to City, City's agents, and their respective Affiliates when any policy issued to such parties (collectively or individually) is similar or duplicate in coverage, in which case such policy will be excess over Tenant's policies. No insurance policy will contain endorsements that restrict, limit, or exclude coverage in a manner that is inconsistent with the foregoing requirements.

Notwithstanding any other provision of this Lease, if at any time Tenant fails to obtain or maintain in force the insurance required herein, such failure shall constitute an incurable default permitting City, at its option, to immediately terminate this Lease without giving any prior notice of default, and City shall have all available remedies specified in Section 21 or permitted by applicable law.

12. CASUALTY DAMAGE.

(a) Tenant shall give written notice to City of any damage to the Training Center promptly on discovery of the same. If the Training Center is totally destroyed by an insured peril, or so damaged by an insured peril that, in City's reasonable estimation, rebuilding or repairs cannot be substantially completed within 180 days after the date of City's actual knowledge of such damage, then either City or (if a Tenant Party did not cause such damage) Tenant may terminate this Lease by delivering to the other written notice thereof within 30 days after such damage. Time is of the essence with respect to the delivery of such notices.

(b) Subject to Section 12(c), if this Lease is not terminated under Section 12(a), then Tenant shall restore the Site to its original condition.

(c) If the Training Center is destroyed or substantially damaged by any peril not covered by the insurance maintained by Tenant, the City shall not be responsible for any damage incurred to Training Center, provided, however, Tenant shall be responsible for clearing the Site of all of the Training Center Improvements, restoring the Site to its original condition.

13. LIABILITY, INDEMNIFICATION, WAIVER OF SUBROGATION AND NEGLIGENCE.

(a) CITY, DOT, FAA AND THEIR RESPECTIVE AGENTS, EMPLOYEES, OFFICERS, AND LEGAL REPRESENTATIVES ("INDEMNIFIED PARTIES") SHALL BE RELEASED AND NOT HELD LIABLE TO TENANT OR TENANT'S AGENTS, EMPLOYEES OR CONTRACTORS, OR THOSE CLAIMING BY, THROUGH, OR UNDER ANY OF THEM FOR ANY INJURY TO OR DEATH OF ANY PERSON OR PERSONS OR ANY DAMAGE TO OR LOSS, OR LOSS OF USE OF ANY REAL OR PERSONAL PROPERTY CAUSED BY CASUALTY, THEFT, OR ANY CRIMINAL OR TORTUOUS ACTS OR OMISSIONS OF ANY THIRD PARTY; UNLESS CAUSED SOLELY BY CITY, DOT, OR FAA'S GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT. In addition, City and Tenant each waives any claims it might have against the other for any damage to or theft, destruction, loss or loss of use of any property, to the extent the same is insured against under any insurance policy that covers the Training Center, City's or Tenant's fixtures, personal property, leasehold improvements, or business, or is required to be insured against by the party which might have such claim under the terms of this Lease, REGARDLESS OF WHETHER THE NEGLIGENCE (OF WHATEVER TYPE OR NATURE) OR FAULT OF THE OTHER PARTY CAUSED SUCH LOSS. EACH PARTY SHALL CAUSE ITS INSURANCE CARRIER TO ENDORSE ALL APPLICABLE POLICIES WAIVING THE CARRIER'S RIGHT OF RECOVERY UNDER SUBROGATION OR OTHERWISE AGAINST THE OTHER PARTY. For the purpose of the foregoing waiver, the amount of any deductible applicable to any loss or damage will be deemed covered by, and recoverable by the insured under the insurance policy to which such deductible relates.

(b) SUBJECT TO SECTION 13(b), TENANT SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS (I) CITY AND ITS AGENTS, EMPLOYEES, OFFICERS, AND LEGAL REPRESENTATIVES; AND (II) DOT AND FAA AND ITS AGENTS, EMPLOYEES, OFFICERS AND LEGAL REPRESENTATIVES FROM AND AGAINST ALL CLAIMS, DEMANDS, LIABILITIES, CAUSES OF ACTION, SUITS, JUDGMENTS, ATTORNEYS' FEES AND EXPENSES FOR ANY LOSS ARISING FROM ANY OCCURRENCE WITHIN, ON OR ABOUT THE TRAINING CENTER OR ARISING FROM TENANT'S FAILURE TO PERFORM ITS OBLIGATIONS UNDER THIS LEASE OR ARISING FROM ANY ACT OR OMISSION (WHETHER NEGLIGENT, INTENTIONAL OR OTHERWISE) OF TENANT OR TENANT'S AGENTS, EMPLOYEES, INVITEES OR CONTRACTORS, EXCEPT TO THE EXTENT THAT A LOSS IS CAUSED SOLELY BY THE GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT OF CITY, DOT, AND/OR FAA. TENANT HEREBY ACKNOWLEDGES THAT IT IS INDEMNIFYING (i) CITY FOR CITY'S OWN ORDINARY NEGLIGENCE AND (ii) DOT AND FAA FOR THEIR RESPECTIVE ORDINARY NEGLIGENCE. The term "Loss" means any injury to or death of any person or persons or any damage to or theft, destruction, loss, or loss of use of any real or personal property caused by casualty, theft, fire, or any acts or omissions of any person or party, and any injury or damage or inconvenience which may arise through repair or alteration of any part of the Training Center, or failure to make repairs, or from any other cause.

THE PROVISIONS OF THIS SECTION 13 WILL SURVIVE TERMINATION OR EXPIRATION OF THIS LEASE.

14. USE AND MANAGEMENT OF SITE.

14.1 Permitted Use. Tenant may only use the Site Training Center Site for as a firearms training center and a firing range for use by members of the military, federal, state, county, and municipal

law enforcement ("Public Safety") employees for firearms training and qualification purposes, and such Public Safety participants enrolled in training courses with certified instructors as approved by Tenant; as required by law; no other uses will be permitted on the Site. Tenant may engage in the ancillary transfer firearms and ancillary ammunition sales to Public Safety participants enrolled in training courses on the Site, but may not engage in the retail sale or transfer of firearms and ammunition to the general public. Tenant shall not allow live fire training activities from the hours of 12:00 a.m. to 7:00 a.m. daily. Unconcealed outside storage of firearms or ammunition is prohibited. Tenant will be solely responsible for complying with all Laws applicable to the use, occupancy, and condition of the Training Center. Tenant will not permit any unreasonable odors, smoke, dust, gas or vibrations to emanate from the Training Center; nor take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger City or any other person on Airport property; nor permit the Training Center to be used for any purpose or in any manner that would (1) void the insurance thereon, or (2) increase the insurance risk or (3) violate state or federal laws and regulations for the transfer and discharge of firearms and/or the operation of a firearm training center. The Site Training Center shall not be available for use by the general public. Tenant and its employees and invitees will have the non-exclusive right to use, the parking areas associated with this Training Center and will keep parking areas in a condition acceptable to City.

14.2 Management of Site. Tenant shall during the Term maintain the Site in a manner deemed by the City to be in good order, condition, and repair. The condition of the Site shall also comply with all applicable Laws. Tenant's obligation to maintain the Site includes an obligation to make all repairs to any plumbing, heating, air conditioning, ventilating, electrical, lighting, fixtures, walls, floors, footings, foundations, roofs, structural supports, building systems, ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, site improvements, curb cuts, parking lots, sidewalks, walkways, fences and signs located in, on or at the Site, whether structural or nonstructural, foreseen or unforeseen, capital or operating, and to otherwise maintain each such element in good order, condition, and repair. Tenant shall remove trash, and debris from the Site and any sidewalk or walkways located in, on or at the Site, and maintain them in a reasonably clean condition. Failure to keep the Site and the Training Center maintained may result in City hiring independent contractors to bring Training Center into compliance at the sole expense of the Tenant. Tenant will contract trash dumpster services through the City's provider.

14.3 Curative Action In the event that the Tenant breaches this Lease, the City shall provide written notice and an opportunity to cure the breach within 30 days of Tenant's receipt of City's notice. If such breach cannot be cured within 30 days, Tenant must begin curative actions within the 30-day period and diligently pursue to completion. If Tenant has not cured the breach, or begun curative actions and diligently pursued completion within such 30 days period, the Tenant's breach will be an Event of Default and subject to the remedies under this Lease.

15. HAZARDOUS WASTE AND ENVIRONMENTAL LAW VIOLATIONS.

15.1 Definitions.

The term "Environmental Law" as used in this Lease, means and includes all Federal, state, and local statutes, ordinances, regulations and rules relating to environmental quality, health, safety, contamination and clean-up, as they currently exist or may exist in the future, including, without limitation, the Clean Air Act, 42 U.S.C. §7401 et seq.; the Clean Water Act, 33 U.S.C. §1251 et seq., and the Water Quality Act of 1987; the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"), 7 U.S.C. §136 et seq.; the Marine Protection, Research, and Sanctuaries Act, 33 U.S.C. §1401 et seq.; the Noise Control Act, 42 U.S.C. §4901 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §6901 et seq.,

as amended by the Hazardous and Solid Waste Amendments of 1984; the Safe Drinking Water Act, 42 U.S.C. §300f et seq.; the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. §9601 et seq., as amended by the Superfund Amendments and Reauthorization Act, the Emergency Planning and Community Right to Know Act, and the Radon Gas and Indoor Air Quality Research Act; the Hazardous Material Transportation Act, 49 U.S.C. §9601 et seq.; the Toxic Substance Control Act ("TSCA"), 15 U.S.C. §2601 et seq.; the Atomic Energy Act, 42 U.S.C. §2011 et seq.; and the Nuclear Waste Policy Act of 1982, 42 U.S.C. §1010 et seq.; all Texas state environmental protection, super-lien and environmental clean-up statutes, with implementing regulations and guidelines and all local laws, regulations and ordinances insofar as they are equivalent or similar to the federal laws recited above or purport to regulate hazardous materials, and judicial interpretations of each of the foregoing.

The term "Government Authority" as used in this Lease, means each federal, state, county, city, town, other municipal corporation, governmental or quasi-governmental board, agency, authority, department, or body having jurisdiction over the over the City or any activities on or at the Site, Airport or Training Center.

The term "Hazardous Substances," as used in this Lease, means pollutants, contaminants, lead, pesticides, toxic or hazardous wastes, radioactive materials or any other substances, the use or the removal of which is required or the use of which is restricted, prohibited or penalized by any Environmental Law(s).

15.2 Tenant's Activities Related to Hazardous Waste. Tenant agrees that:

(a) Tenant shall not cause or authorize to occur on or at the Site during the Term: (i) any violation of any Environmental Law; or (ii) any activity that involves the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substances, unless any such activity is reasonably necessary and customary to conduct Tenant's business at the Site in accordance with customary standards in such business, or to operate and maintain the Site for uses this Lease permits (the "Permitted Activities"), provided that any such activity is in compliance with all Environmental Laws and timely written notice of compliance is provided to the City. Tenant is responsible for obtaining any required permits or authorizations, and paying any fees, and providing any testing required by any governmental agency, and Tenant will provide City with copies of all permits, authorization, notices of non-compliance and administrative actions. Tenant shall also develop Hazardous Substances management and spill response plans;

(b) Tenant shall not use or permit the Site to be used in any manner for the storage of any Hazardous Substances, except for the temporary storage of materials required to conduct Permitted Activities ("Permitted Materials") provided that the Permitted Materials are properly stored in a manner and location meeting the requirements of all Environmental Laws and this Lease. Tenant is responsible for obtaining any required permits or authorizations, paying any fees, and providing any testing required by any Governmental Authority. Tenant must also provide City, upon request, documentation as reasonably required to satisfy City of Tenant's compliance;

(c) Tenant will use commercially reasonable efforts to eliminate or minimize the use of ordinance containing lead or significant concentrations of other types of regulated environmental contamination on the Site. Tenant shall , prior to the end of each Term or Extended Term, cause a third-party environmental engineer who is reasonably qualified in the field to detect and assess the concentration of Hazardous Substances that may be discharged at the Site. Tenant shall cause the environmental engineer to issue a report or letter verifying that it inspected the Site and did not detect elevated concentrations of lead or indication of other Hazardous Substances discharged at the Site, unless determined otherwise. Such report shall be provided to the City promptly upon its completion.

(d) In the case the annual environmental report or letter referenced in section 15.2 (c) of this Agreement indicates the presence of elevated concentrations of lead and/or other Hazardous Substances at the Site, Tenant shall undertake such steps to remedy and/or remove any Hazardous Substances and any other environmental contamination that arises out of Tenant's use of the Site as in accordance with all Environmental Laws and regulations, including but not limited to 30 TAC, Chapter 350. Tenant shall take steps necessary and required by the regulatory agency responsible for implementation of applicable Environmental Laws to protect the public health and safety and the environment from actual or potential harm. Such work must be performed at Tenant's sole expense. The City shall cooperate with the Tenant so as not to inhibit such work. Tenant shall submit to City its proposed plan for completing such work at the time submitted to the responsible regulatory agency. Upon reasonable written notice to Tenant, City may review and inspect all such work at any time using consultants and representatives of its choice at City's cost and expense.

(e) Except for the Permitted Materials, Tenant will not permit any Hazardous Substances to be brought onto the Site, and if so brought, they shall be immediately removed, properly disposed of and, if a Hazardous Substance is spilled or otherwise contaminates the Site or City's property in any way, all required clean-up procedures will be diligently undertaken by Tenant in accordance with all Environmental Laws and at Tenant's cost.

- a. Tenant shall make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of, any Government Authority under Environmental Laws with respect to the Site; (i) if any Government Authority requires any clean-up plan or clean-up because of spill or other contamination with a Hazardous Substance on the Site, Tenant shall prepare and submit the required plans and all related bonds and other financial assurances therefor; and (ii) promptly and diligently carry out all such clean-up plans at Tenant's sole expense.

15.3 Inspection and Correction. City and its agents and representatives have the right, but not the obligation, to enter the Site upon 10 business days prior written notice for the purpose of inspecting the storage, use and disposal of any Permitted Materials or for any other reason to ensure compliance with all Environmental Laws. The notice shall specify the person(s) who will be present for the inspection and the specific purpose of the inspection. If it is determined, in City's sole opinion, after review of applicable environmental laws and receipt of opinion from legal counsel or other qualified expert, that any Permitted Materials are being improperly stored, used or disposed of, then City shall send written notice to Tenant and Tenant will make timely and appropriate corrective action as reasonably requested by City. If Tenant fails to begin corrective action within 24 hours, City may report the violation to the Texas Commission on Environmental Quality or perform any work as City deems necessary to correct the situation or both and Tenant will reimburse City, on demand, for any and all reasonable costs associated with any work that is necessary to bring the Site into compliance with Environmental Laws. If at any time during or after the Term of this Lease, the Site are found to have been contaminated by Tenant or any of its agents or invitees with Hazardous Substances, Tenant will diligently institute clean-up procedures in accordance with the applicable requirements of governmental authorities, at Tenant's sole cost.

15.4 Indemnity. **IN ADDITION TO ANY INDEMNIFICATION SET FORTH ELSEWHERE IN THIS LEASE, TENANT HEREBY INDEMNIFIES AND HOLDS CITY, TOGETHER WITH ITS CITY COUNCIL, EMPLOYEES, OFFICERS AND CONTRACTORS, INDIVIDUALLY AND COLLECTIVELY, HARMLESS FROM ALL CLAIMS, DEMANDS, ACTIONS, LIABILITIES, COSTS, EXPENSES, DAMAGES, PENALTIES AND OBLIGATIONS OF ANY NATURE ARISING FROM OR AS A RESULT OF ANY RELEASE, DISCHARGE, EMISSION, SPILL, STORAGE,**

DISPOSAL OR CONTAMINATION OF THE SITE WITH HAZARDOUS SUBSTANCES, AS A RESULT OF THE VIOLATION OF ANY ENVIRONMENTAL LAWS BY TENANT, OR OTHERWISE ARISING FROM ANY ACT OR OMISSION BY TENANT, ITS OFFICERS, AGENTS, EMPLOYEES, CONTRACTORS OR LICENSEES, OR THE INVITEES OF ANY OF THEM. THE FOREGOING INDEMNIFICATION AND THE RESPONSIBILITIES OF TENANT WILL SURVIVE THE TERMINATION OR EXPIRATION OF THIS LEASE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS PARAGRAPH 15.4, TENANT HAS NO OBLIGATION TO INDEMNIFY OR REMEDIATE WITH RESPECT TO ANY CONTAMINATION EXISTING ON THE SITE AS OF THE COMMENCEMENT DATE OR WITH RESPECT TO ANY CONTAMINATION NOT CAUSED BY TENANT, ITS OFFICERS, AGENTS, EMPLOYEES, CONTRACTORS OR LICENSEES.

TENANT'S OBLIGATIONS HEREUNDER WILL SURVIVE THE TERMINATION OR EXPIRATION OF THIS AGREEMENT AND WILL NOT BE AFFECTED IN ANY WAY BY THE AMOUNT OF OR THE ABSENCE IN ANY CASE OF COVERING INSURANCE OR BY THE FAILURE OR REFUSAL OF ANY INSURANCE CARRIER TO PERFORM ANY OBLIGATION ON ITS PART UNDER INSURANCE POLICIES AFFECTING CITY OR ANY PART THEREOF.

15.5 Site Restoration. Tenant shall restore and return the Site to a condition that, as determined by the City, is equal to or better than its condition prior to installation or construction of the Training Center Improvements. Except for as approved by City and/or needed for site remediation, Tenant will demolish and/or remove all Training Center Improvements at its sole cost at the expiration or termination of this Lease. At a minimum, Tenant shall return the Site in a condition that complies with all applicable federal, state, and local environmental laws and regulations.

(a) Tenant acknowledges that a portion of the Site was previously used as a firearms training facility. The prior use resulted in environmental contamination of the Site. The Texas Commission for Environmental Quality ("TCEQ") administered the clean-up of the Site and issued a letter/notice dated January 6th, 2021 acknowledging completion of the environmental remediation work.

(b) City shall conduct an environmental inspection and soil testing of the Site prior to its occupancy of the Site. Tenant will reimburse the City for the cost associated with the inspection and soil testing. The City will provide the Tenant with a copy of this environmental report within 30 days of receiving the report. At the expiration of the Lease, the City will conduct another inspection and soil testing and deliver the report to the Tenant verifying that the Site has been returned to City as required under this Section 15. Tenant will be responsible for all expenses for permits, site closure, and remediation as may be required by TCEQ or other environmental regulatory agencies.

(c) Tenant shall furnish to City a Performance Bond as security for the faithful performance of this Lease. The Performance Bond must be delivered to City no later than 30 days from the Commencement Date and in an initial amount of one hundred thousand dollars (\$100,000.00). Upon any renewal of the Lease, the amount of the Performance Bond to be furnished to the City by Tenant at the commencement of such renewal term may be increased or decreased by the City, in its reasonable discretion, by written notice to the Tenant not later than 30 days prior to the commencement of such renewal term. Tenant shall be solely responsible for paying the premium for the bond. A certificate from the surety showing that the bond premiums are paid in full shall accompany the bond. Such certificate shall be submitted to the City with the bond on an annual basis. The surety on the bond shall be a duly authorized corporate surety authorized to do business in the State of Texas.

16. RIGHT OF ENTRY AND CLOSEOUT INSPECTION.

16.1 Right of Entry. In addition to the City's right to monitor the Site in Section 3, City's agents and representatives have the right to enter the Site at any reasonable time during business hours, with 10 business days prior written notice (or in the event of an emergency, the amount of notice deemed reasonable by the City): to inspect the Site for any reason; to maintain, repair, connect, extend, and modify utilities, subject to the terms of this Lease; to make any other repairs as may be required or permitted pursuant to this Lease; and during the last 6 months of the Term, for the purpose of showing the Site and to install signs stating the Site are available for lease.

16.1 Closeout Inspection. Tenant shall notify City in writing at least 90 days prior to vacating the Site and Tenant will arrange to meet with City for a joint operational close-out inspection by City's property manager and, if required by City, an environmental due diligence report to be paid for by Tenant. Tenant will pay to close-out all of Tenant's regulatory permits. If Tenant fails to give notice or to arrange for inspection, then City's close-out inspection of the Site will be deemed correct for the purpose of determining Tenant's responsibility for repairs and restoration of the Site, and Tenant's liability for environmental contamination.

17. ASSIGNMENT AND SUBLETTING.

(a) Tenant shall not, without the prior written consent of City, which will not be unreasonably withheld (except that City may, in its sole discretion, withhold its consent to any proposed collateral assignment of this Lease), (i) advertise that any portion of the Site or Training Center is available for lease or cause or allow any such advertisement, (ii) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (iii) permit any other entity to become tenant hereunder by merger, consolidation, or other reorganization; (iv) if Tenant is an entity other than a corporation whose stock is publicly traded (or a corporation whose stock is in the process of being publicly traded), permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant, (v) sublet any portion of the Site or Training Center, (vi) grant any license, concession, or other right of occupancy of any portion of the Site or Training Center, or (vii) permit the use of the Site or Training Center by any parties other than Tenant (any of the events listed in items (i) through (vii) being a "Transfer"). If Tenant requests City's consent to a Transfer, then Tenant will provide City with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its business and business history; its proposed use of the Training Center; banking, financial, and other credit information; and general references sufficient to enable City to determine the proposed transferee's creditworthiness and character. Tenant will reimburse City for its reasonable attorneys' fees and other expenses incurred in connection with considering any request for its consent to a Transfer (such reasonable attorneys' fees and other expenses shall not exceed \$1,200.00). If City consents to a proposed Transfer, then the proposed transferee will deliver to City a written agreement whereby it expressly assumes the Tenant's obligations hereunder City's consent to a Transfer will not release Tenant from performing its obligations under this Lease, but rather Tenant and its transferee will be jointly and severally liable therefor. City's consent to any Transfer will not waive City's rights as to any subsequent Transfers. If an Event of Default occurs while the Site or Training Center or any part thereof are subject to a Transfer, then City, in addition to its other remedies, may collect directly from such transferee all Rent becoming due to Tenant and apply such amounts against Tenant's obligations under this Lease. Tenant authorizes its transferees to make payments of Rent directly to City upon receipt of notice from City to do so.

(b) No elected official or employee of the City of Hondo; or (i) any relative of such elected official or employee within four degrees of consanguinity or affinity; or (ii) any entity owned (in whole or in part) by such elected official, employee or relative thereof; may have any rights under this

Lease or gain any financial benefit that may arise from this Lease, including, without limitation, any assignment or sublease thereof.

18. CONDEMNATION.

If any portion of the Site or Training Center or more than 50% of the Facility and Training Center Improvements is taken for any public or quasi-public use by right of eminent domain or private purchase in lieu thereof (a "Taking"), and the Taking prevents or materially interferes with the use of the Training Center for the purpose for which it was leased to Tenant, either party may terminate this Lease by delivering to the other written notice thereof within 30 days after the Taking, in which case Rent will be abated during the unexpired portion of the Term, effective on the date of such Taking. If (a) less than 50% of the Facility and Training Center Improvements are subject to a Taking or (b) any portion of the Site or more than 50% of the Facility or Training Center Improvements are subject to a Taking, but the Taking does not prevent or materially interfere with the use of the Training Center for the purpose for which they were leased to Tenant, then neither party may terminate this Lease, but the fee payable during the unexpired portion of the Term will be reduced to such extent as may be fair and reasonable under the circumstances. All compensation awarded for any Taking will be the property of City, and Tenant hereby assigns any interest it may have in any such award to City; however, City will have no interest in any award made to Tenant for loss of business or goodwill or for the taking of Tenant's trade fixtures, the cost of relocating Tenant and/or disruption of Tenant's business, if a separate award for such items is made to Tenant.

19. SURRENDER OF TRAINING CENTER.

(a) No act by City will be an acceptance of a surrender of the Training Center, and no agreement to accept a surrender of the Training Center will be valid unless it is in writing and signed by City.

(b) Subject to and consistent with all applicable DOT and FAA approvals and requirements, the terms of this Lease, including, but not limited to sections 1.0 ("Training Center, Term and Improvements"), 2.0 ("Applicable Statutory Authority") and 3.0 ("Operational Safeguards"), at the end of the Lease Term, the Tenant and City will either negotiate the continuation of this Lease agreement, or negotiate the surrender or removal of the Training Center by the Tenant. If upon the end of the Term or upon termination of Tenant's right to possess the Training Center, City and Tenant do not agree to renew the Lease, Tenant shall remove the Training Center Improvements and return all aeronautical land to its original condition or better; or Tenant shall (i) deliver to City the Training Center with all improvements located thereon in good repair and condition, reasonable wear and tear (subject however to Tenant's maintenance obligations) excepted, and with the Training Center, lights, building and contents and related equipment in good working order, (ii) deliver to City all keys to the Training Center, (iii) remove all signage placed on the Training Center, the Facility, or the Site by or at Tenant's request. All fixtures, alterations, additions, and improvements (whether temporary or permanent) will be City's property and will remain on the Training Center except as provided in the next two sentences. Provided that Tenant has performed all of its obligations hereunder, Tenant may remove all unattached trade fixtures, furniture, and personal property placed in the Training Center by Tenant (but Tenant will not remove any such item which was paid for, in whole or in part, by City). Additionally, Tenant will remove such alterations, additions, improvements, fixtures, equipment, wiring, furniture, and other property as City may request, provided such request is made within 30 days after the end of the Term and provided that the installation or construction of the applicable alteration, improvement, additions, fixture or wiring was not consented to by City in writing (unless at the time of consent, City informed Tenant that such item would need to be removed upon expiration of the Lease). All items not so removed will, at the option of City, be deemed abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by City without notice to Tenant and without any obligation to account for such items and Tenant will pay for the costs incurred by City in connection therewith. All work required of

Tenant under this Section 19 will be coordinated with City and be done in a good and workmanlike manner, in accordance with all Laws, and so as not to damage the Facility or Training Center or unreasonably interfere with use of the Airport Property. Tenant will, at its expense, repair all damage caused by any work performed by Tenant under this Section 19.

(c) Tenant will defend, indemnify, and hold harmless City from any damage, liability and expense (including attorneys' fees and expenses) incurred if Tenant fails to vacate the Training Center at the end of the Term. No extension of this Term will be valid unless it is in writing and signed by City and Tenant.

20. EVENT OF DEFAULT.

Each of the following events will constitute an "Event of Default" under this Lease:

(a) Tenant fails to pay any fee when due or any payment or reimbursement required hereunder when due, and in either case such failure continues for a period of 30 days from the date Tenant receives notice from the City and an opportunity to cure.

(b) The filing of a petition by or against Tenant or any guarantor of Tenant's obligations hereunder (i) in any bankruptcy or other insolvency proceeding; (ii) seeking any relief under any debtor relief Law; (iii) for the appointment of a liquidator, receiver, trustee, custodian, or similar official for all or substantially all of Tenant's property or for Tenant's interest in this Lease; or (iv) for reorganization or modification of Tenant's capital structure (however, if any such petition is filed against Tenant, then the filing of such petition will not constitute an Event of Default, unless it is not dismissed within 60 days after the filing thereof).

(c) Tenant (i) vacates all or a substantial portion of the Training Center or (ii) fails to continuously operate its business for a continuous 6 months at the Training Center for the permitted use set forth herein.

(d) Tenant fails to discharge any lien placed upon the Training Center in violation of Section 22 within 30 days after any such lien or encumbrance is filed against the Training Center.

(e) Tenant fails to comply with any term, provision or covenant of this Lease (other than those listed in this Section 20), and such failure continues for 30 days, or immediately if the failure involves a hazardous condition, after written notice thereof to Tenant.

21. REMEDIES.

(a) Upon any uncured Event of Default, City may, in addition to all other rights and remedies afforded City hereunder or by Law, terminate this Lease by giving Tenant written notice. :

(b) Once the City has issued notice on terminating the lease the Tenant shall, remove the Training Center Improvements and return all aeronautical land to its original condition or better within ninety (90) days of the date the City issued notice. If Tenant is unable to remove improvements. Tenant will pay to City all costs incurred by City (including court costs and reasonable attorneys' fees and expenses) in (i) obtaining possession of the Training Center, (ii) removing, storing, disposing of Tenant's or any other occupant's property, (iii) repairing, restoring, altering, remodeling, or otherwise putting the Training Center and site into condition acceptable to a new tenant. City may, at its option and without prejudice to or waiver of any rights it may have, (i) escort Tenant to the Training Center to retrieve any personal belongings of Tenant and/or its employees or (ii) obtain a list from Tenant of the personal property of Tenant and/or its employees, and make such property available to Tenant

and/or Tenant's employees; however, Tenant first will pay in cash all costs and estimated expenses to be incurred in connection with the removal of such property and making it available. The rights of City herein stated are in addition to any and all other rights that City has or may hereafter have at law or in equity, and Tenant agrees that the rights herein granted City are commercially reasonable.

(c) TENANT AND CITY HEREBY KNOWINGLY AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTER CLAIM, BROUGHT BY ONE PARTY AGAINST THE OTHER OR ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF CITY AND TENANT CREATED HEREBY, TENANT'S USE OR OCCUPANCY OF THE SITE AND/OR ANY CLAIM FOR INJURY OR DAMAGE. THE PARTIES ARE HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THE FOREGOING WAIVER.

(d) Before exercising any of the remedies set forth in this Section 21, the non-defaulting party shall provide written notice to the allegedly defaulting party and an opportunity to cure such default within 30 days of the party's receipt.

22. ENCUMBRANCES.

Tenant has no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind City's property or the interest of City or Tenant in the Training Center or to approve or settle any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. City will promptly deliver to Tenant copies of any notices of mechanics liens received by City. Tenant will pay or cause to be paid all sums due for any labor performed or materials furnished in connection with any work performed on the Training Center by or at the request of Tenant within 30 days after the filing of any such lien, unless Tenant is validly contesting the lien in good faith and provides to City a bond in the amount of 150% of the claim or provides other security reasonably acceptable to City. Tenant will give City immediate written notice of the placing of any lien or encumbrance against the Training Center.

23. MISCELLANEOUS.

(a) Words of any gender used in this Lease will include any other gender, and words in the singular will include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way affect the interpretation of this Lease. The following terms will have the following meanings: "Laws" means all federal, state, and local laws, rules, and regulations; all court orders, governmental directives, and governmental orders; and all restrictive covenants affecting the Training Center, and "Law" means any of the foregoing; "Affiliate" means any person or entity which, directly or indirectly, controls, is controlled by, or is under common control with the party in question; "Tenant Party" includes Tenant, any assignees claiming by, through or under Tenant, any subtenants claiming by, through or under Tenant, and any of their respective agents, contractors, employees, and invitees; and "including" means including, without limitation. The normal rule of construction that any ambiguities be resolved against the drafting party will not apply to the interpretation of this Lease or any exhibits or amendments hereto.

(b) The liability of City to Tenant under the terms of this Lease will be limited to the interest of City in the Site, and City will not be personally liable for any deficiency. City may transfer and assign, in whole or in part, its rights and obligations in the land that are the subject to this Lease, in which case City will have no further liability hereunder for events that occur after the date of assignment. Each party will furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

(c) Whenever a period of time is herein prescribed for action to be taken by a party (other than the payment of fees), the party will not be liable or responsible for, and there will be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of the party in question.

(d) This Lease constitutes the entire agreement of the City and Tenant with respect to the subject matter of this Lease, and contains all of the covenants and agreements of City and Tenant with respect thereto. City and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by City or Tenant, or anyone acting on behalf of City or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations not expressly set forth in this Lease are of no effect. This Lease may not be altered, changed or amended except by an instrument in writing signed by both parties hereto. This Lease will not be effective until an original of this Lease executed by both City and Tenant is delivered to and accepted by City.

(e) All obligations of Tenant hereunder not fully performed by the end of the Term will survive, including, without limitation, utilities and all obligations concerning the condition and repair of the Training Center. Upon the end of the Term and before Tenant vacates the Training Center, Tenant will pay to City any amount reasonably estimated by City as necessary to put the Training Center in good condition and repair, reasonable wear and tear excluded. All such amounts will be used and held by City for payment of such obligations of Tenant hereunder, with Tenant being liable for any additional costs therefor upon demand by City or with any excess to be returned to Tenant after all such obligations have been determined and satisfied as the case may be.

(f) If any provision of this Lease is illegal, invalid or unenforceable, then the remainder of this Lease will not be affected thereby, and in lieu of each such provision, there will be added, as a part of this Lease, a provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

(g) Whenever Tenant requests City to take any action not required of it hereunder or give any consent required or permitted under this Lease, Tenant will reimburse City for City's reasonable, out-of-pocket costs payable to third parties and incurred by City in reviewing the proposed action or consent, including reasonable attorneys', engineers' or architects' fees, within 30 days after City's delivery to Tenant of a statement of such costs. Tenant will be obligated to make such reimbursement without regard to whether City consents to any such proposed action.

(h) All references in this Lease to "the date hereof" or similar references will be deemed to refer to the Effective Date.

(i) If and when included within the term "Tenant," as used in this instrument, there is more than one person, firm or corporation, all will jointly arrange among themselves for their joint execution of a notice specifying an individual at a specific address within the continental United States for the receipt of notices and payments to Tenant. If and when included within the term "City," as used in this instrument, there is more than one person, firm or corporation, all will jointly arrange among themselves for their joint execution of a notice specifying an individual at a specific address within the continental United States for the receipt of notices and payments to City. All parties included within the terms "City" and "Tenant," respectively, will be bound by notices given in accordance with the provisions of Section 24 to the same effect as if each had received such notice.

(j) THIS LEASE WILL BE GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. Venue for any and all causes of action under this Lease will be filed in Medina County, Texas and nowhere else.

(k) City and Tenant acknowledge and agree that this Lease, including all appendices a part hereof, is not a construction contract or an agreement collateral to or affecting a construction contract.

(l) The Tenant agrees that this Lease shall be subject and subordinate to the provisions of any existing or future agreements between the City and the United States of America, relative to the operation and maintenance of the Airport, the terms and execution of which have been or may be required as a condition precedent to the expenditure by or reimbursement to the City of Federal funds for the development of the Airport ("Grant Assurances"). In the event that this Lease, either on its own terms or by any other reason, conflicts with or violates such Grant Assurances, the City has the right to amend, alter or otherwise modify the terms of this Lease in order to resolve such conflict or violation. Tenant further agrees that it shall not knowingly cause the City to violate any Grant Assurances made by the City to the Federal Government in connection with the granting of such Federal funds.

(m) All provisions of this Lease shall be subordinate to the rights of the United States of America to operate the Airport or any part thereof during time of war or national emergency. Such rights shall supersede any provisions of this Lease inconsistent with the operations of the Airport by the United States of America.

(n) City represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Lease, has duly executed and delivered this Lease, and that this Lease constitutes a legal, valid, and binding obligation of City.

(o) Tenant represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Lease, has duly executed and delivered this Lease, and that this Lease constitutes a legal, valid, and binding obligation of Tenant.

24. NOTICES.

Each provision of this instrument or of any applicable Laws and other requirements with reference to the sending, mailing or delivering of notice or the making of any payment hereunder will be deemed to be complied with when and if the following steps are taken.

(a) All fees will be payable to City at the address for City set forth in Section 5 above or at such other address as City may specify from time to time by written notice delivered in accordance herewith, or by wire transfer of immediately available funds to an account or accounts designated from time to time by City to Tenant with remittance detail from Tenant to City to identify the components of each payment. Tenant's obligation to pay fees will not be deemed satisfied until such fees have been actually received by City.

(b) All payments required to be made by City to Tenant hereunder will be payable to Tenant at the address set forth below, or at such other address within the continental United States as Tenant may specify from time to time by written notice delivered in accordance herewith.

(c) Any written notice or document required or permitted to be delivered hereunder will be deemed to be delivered upon the earlier to occur of (i) tender of delivery (in the case of a hand-delivered notice), (ii) deposit in the United States Mail, postage prepaid, Certified Mail, or (iii) receipt by facsimile transmission, in each case, addressed to the parties hereto at the respective addresses set out below, or at such other address as they have theretofore specified by written notice delivered in accordance herewith. If City has attempted to deliver notice to Tenant at Tenant's address reflected on

City's books but such notice was returned or acceptance thereof was refused, then City may post such notice in or on the Training Center, which notice will be deemed delivered to Tenant upon the posting thereof. Additionally, electronic mail may be used, but only to distribute routine communications, such as financial statements and other information, and may not be used for providing notice of default of a party hereto or for requesting the consent of the other party when obtaining such consent is required under this Lease.

City: City of Hondo
1600 Avenue M
Hondo, Texas 78861
Attn: City Manager

Tenant: Greg Purvis
Hangar6x, LLC
502 Vandenberg Road
Hondo, Texas 78861
Email: gpurvis@hangar6x.com

TENANT ACKNOWLEDGES THAT (i) IT HAS INSPECTED AND ACCEPTS THE SITE IN AN "AS IS, WHERE IS" CONDITION, (ii) THE SITE IS SUITABLE FOR THE PURPOSE FOR WHICH THE SITE IS LEASED AND CITY HAS MADE NO WARRANTY, REPRESENTATION, COVENANT, OR AGREEMENT WITH RESPECT TO THE MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE SITE OR THE TRAINING CENTER, (iii) THE SITE IS IN GOOD AND SATISFACTORY CONDITION, (iv) NO REPRESENTATIONS AS TO THE REPAIR OF THE SITE AND THE TRAINING CENTER, NOR PROMISES TO ALTER, REMODEL OR IMPROVE THE SITE OR THE TRAINING CENTER HAVE BEEN MADE BY CITY (UNLESS AND EXCEPT AS IS OTHERWISE EXPRESSLY SET FORTH IN THIS LEASE), AND (v) NO WARRANTIES, EXPRESS OR IMPLIED, ARE MADE REGARDING THE CONDITION OR SUITABILITY OF THE SITE OR THE TRAINING CENTER ON THE COMMENCEMENT DATE. FURTHER, TO THE EXTENT PERMITTED BY LAW, TENANT WAIVES ANY IMPLIED WARRANTY OF SUITABILITY OR OTHER IMPLIED WARRANTIES THAT CITY WILL MAINTAIN OR REPAIR THE SITE OR THE TRAINING CENTER OR ITS APPURTENANCES EXCEPT AS MAY BE CLEARLY AND EXPRESSLY PROVIDED IN THIS LEASE.

25. Required Federal Contract Provisions. During the performance of this Lease, Tenant for itself, its assignees, and successors in interest, agrees with the City to the following provisions which are required by the FAA to be included in each and every City contract, regardless of whether there is federal involvement in the transaction:

- (a) **Compliance with Regulations.** Tenant will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Lease.
- (b) **Non-discrimination.** Tenant, with regard to the work performed by it during the term of this Lease, will not discriminate on the grounds of race, color, or national origin in the selection and retention of contractors, including procurements of materials and leases of equipment. Tenant will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.

- (c) **Solicitations for Agreements, Including Procurements of Materials and Equipment.** In all solicitations, either by competitive bidding, or negotiation made by Tenant for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential contractor or supplier will be notified by Tenant of Tenant's obligations under this Lease and the Nondiscrimination Acts And Authorities on the grounds of race, color, or national origin.
- (d) **Information and Reports.** Tenant will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts And Authorities and instructions. Where any information required of Tenant is in the exclusive possession of another who fails or refuses to furnish the information, Tenant will so certify to City or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.
- (e) **Sanctions for Noncompliance.** In the event of Tenant's noncompliance with the Non-discrimination provisions of this Lease, City will impose such sanctions as it or the FAA may determine to be appropriate, including, but not limited to cancelling, terminating, or suspending the Lease, in whole or in part.
- (f) **Incorporation of Provisions:** Tenant will include these provisions in every contract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. Tenant will take action with respect to any contract or procurement as City or the FAA may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if Tenant becomes involved in, or is threatened with litigation by a contractor, or supplier because of such direction, Tenant may request City to enter into any litigation to protect the interests of City. In addition, Tenant may request the United States to enter into the litigation to protect the interests of the United States.
- (g) **Real Property Acquired or Improved Under the Airport Improvement Program.** Tenant for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the property described in this Lease for a purpose for which a FAA activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Tenant will maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Pertinent List of Nondiscrimination Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.
- (h) **Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program.** Tenant for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will

be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that Tenant will furnish its services in compliance with all other requirements imposed by or pursuant to the List of Nondiscrimination Acts And Authorities.

- (i) **Title VI List of Pertinent Nondiscrimination Acts and Authorities**. During the performance of this Lease, Tenant, for itself, its assignees, and successors in interest agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:
- (i) Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
 - (ii) 49 CFR Part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
 - (iii) The Uniform Relocation Assistance and Real Property
 - (iv) Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
 - (v) Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 et seq.), as amended, (prohibits discrimination on the basis of disability); and 49 CFR Part 27;
 - (vi) The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 et seq.), (prohibits discrimination on the basis of age);
 - (vii) Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
 - (viii) The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
 - (ix) Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38;
 - (x) The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
 - (xi) Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
 - (xii) Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes

discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100); and

- (xiii) Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq).
- (j) **General Civil Rights Provision.** Tenant agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from federal assistance. If Tenant transfers its obligation to another, the transferee is obligated in the same manner as Tenant. This provision obligates Tenant for the period during which the property is owned, used or possessed by Tenant and the airport remains obligated to the FAA. This provision is in addition to that required by Title VI of the Civil Rights Act of 1964.
- (k) **Right of Re-entry.** In the event of breach of any of the above Nondiscrimination covenants in this Section, City will have the right to terminate the Lease and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Lease had never been made or issued.

[SIGNATURE PAGE TO FOLLOW]

CITY:

CITY OF HONDO
a Texas municipal corporation

By: _____

Name: _____

Title: City Manager

TENANT:

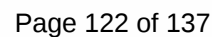
HANGAR6X, LLC

By: _____

Greg Purvis, Manager

- APPENDIX A Description of Site and Land
- APPENDIX B Determination Letter
- APPENDIX C - Non-Aeronautical Use Authorization
- APPENDIX D Operational Safeguard Procedures

DESCRIPTION OF SITE AND LAND



APPENDIX B

DETERMINATION LETTER



Federal Aviation Administration
10101 Hillwood Parkway
Federal Aviation Administration
Fort Worth, TX 76177

Jesse Carriger

April 28, 2022

TO:
Hangar6x
Attn: Greg Purvis
402 Vandenberg Road
Hondo, TX 78861
gpurvis@hangar6x.com

CC:
Ryan Elder
CITY OF HONDO
1600 AVENUE M
HONDO, TX 78861
relder@hondo-tx.org

CC:
GDS Associates, Inc.
Attn: Jack Simmons
919 Congress Ave.
Suite 1110
Austin, TX 78701
jack.simmons@gdsassociates.com

RE: (See attached Table 1 for referenced case(s))
FINAL DETERMINATION

Table 1 - Letter Referenced Case(s)

ASN	Prior ASN	Location	Latitude (NAD83)	Longitude (NAD83)	AGL (Feet)	AMSL (Feet)
2022-ASW-3047-NRA		HONDO, TX	29-22-14.30N	99-10-00.60W	75	1009
2022-ASW-3048-NRA		HONDO, TX	29-22-19.45N	99-09-57.87W	80	1009
2022-ASW-3049-NRA		HONDO, TX	29-22-16.71N	99-09-51.14W	70	1009
2022-ASW-3050-NRA		HONDO, TX	29-22-16.73N	99-09-38.17W	87	1009
2022-ASW-3051-NRA		HONDO, TX	29-22-08.61N	99-09-38.15W	75	1009
2022-ASW-3052-NRA		HONDO, TX	29-22-08.59N	99-09-49.37W	53	1009
2022-ASW-3053-NRA		HONDO, TX	29-22-08.58N	99-10-00.59W	70	1009
2022-ASW-3054-NRA		HONDO, TX	29-22-06.15N	99-10-11.19W	8	936
2022-ASW-3055-NRA		HONDO, TX	29-22-25.46N	99-10-10.01W	8	934

Description: The presented locations represent features associated with the proposed firearms training facility. The Controlled Firing Area ("CFA") of the proposed facility will extend from the ground surface to a maximum elevation of 1,009 feet above mean sea level. The proposed CFA will contain all hazardous activities that can be immediately suspended if a nonparticipating aircraft approaches the area. Additionally, the construction of an approximately 8-foot tall perimeter fence will be performed outside of the proposed CFA and will connect the proposed fence with an existing fence of the airfield.

We do not object with conditions to the construction described in this proposal provided:

You comply with the requirements set forth in FAA Advisory Circular 150/5370-2, "Operational Safety on Airports During Construction."

The following comment applies to cases 2022-NRA-3047 through 3053-NRA:

Page 1 of 3

APPENDIX B

DM #285992v1B
7105

Airports: No Objection with Provision -

1. Airports has no objection to this proposed development, noting that our review is limited to impacts on current airfield conditions and to confirm the proposed development will not interfere with aeronautical use of the airport. Safeguards shall be established by the Airport Sponsor to protect the current and future aeronautical use of the airport while the proposed non-aeronautical interim use facility in progress and to ensure that safety is not compromised.
2. The Airport Sponsor, developer(s), users, and all entities associated with this proposed interim use facility, shall indemnify and hold harmless the United States and their officers, agents, and employees from all suits, actions, or claims, of any character, brought because of any injuries, damage, or death received or sustained by any person, persons, or property on account of the operations of this proposed interim use facility; or on account of or in consequence of any neglect in safeguarding the use of the facility; or because of any act or omission, neglect, or misconduct of any entity responsible for the facility.
3. The Airport shall comply with all requirements set forth in the FAA Airport Compliance Manual, Order 5190.6B, specifically noting Paragraph 22.6, Request for Interim Use of Aeronautical Property of Other Uses.
4. The Airport shall comply with the FAA's Policy and Procedures Concerning the Use of Airport Revenue published in the Federal Register at 64 FR 7696 on February 16, 1999 ("Revenue Use Policy"). Also see FAA Order 5190.6B, Airport Compliance Manual, Chapter 15 – Permitted and Prohibited Uses of Airport Revenue. Regarding the use of airport revenues, Grant Assurance 25, Airport Revenues, the Airport Sponsor is to ensure that all revenues generated by the airport will be expended for the capital or operating costs of the airport or local airport system. Any diversion of airport revenue would violate this grant assurance and result in enforcement through withholding grant funds or possible civil penalties.
5. Should any of the physical and/or estimated trajectory parameters exceed the height and lateral dimension of this NRA case, a new NRA case(s) submission is required.

The following comment applies to cases 2022-ASW-3047 through 3051, and 3053-NRA:

Flight Standards: No Objection with Provision -

No Objection provided: (1) A state and/or federally approved flight tracking system(s) are utilized to detect aircraft and establish a cease fire command before any identified aircrafts enters the established Surface Danger Zone. (2) The air sentry will maintain positive communication with the Range Safety Officer and Officer in Charge at all times during conduct of live fire (3) Airport Manger should provide notice to airport tenants of the Law Enforcement Training Center and the establishment of the Controlled Firing Area. The notice should provide the location and the anticipated date the training center will be operational. (4) The airport manager should update the airports remarks section of the Airport Master Record to indicate the establishment of the Controlled Firing Area and provide location of the area. (5) When the Law Enforcement Training Center becomes operational, the airport manager should issue a temporary NOTAM to provide notice of the establishment of the Controlled Firing Area. The NOTAM should include the location.

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For current Advisory Circulars go to www.oacaa.faa.gov

This determination does not constitute FAA approval or disapproval of the physical development involved in the proposal. It is a determination with respect to the safe and efficient use of navigable airspace by aircraft and with respect to the safety of persons and property on the ground.

In making this determination, the FAA has considered matters such as the effects the proposal would have on existing or planned traffic patterns of neighboring airports, the effects it would have on the existing airspace structure and projected programs of the FAA, the effects it would have on the safety of persons and property on the ground, and the effects that existing or proposed manmade objects (on file with the FAA), and known natural objects within the affected area would have on the airport proposal.

This determination expires on 10/27/2023 unless:

- (a) extended, revised or terminated by the issuing office.
- (b) the construction is subject to the licensing authority of the Federal Communications Commission (FCC) and an application for a construction permit has been filed, as required by the FCC, within 6 months of the date of this determination. In such case, the determination expires on the date prescribed by the FCC for the completion of construction, or the date the FCC denies the application.

NOTE: Request for extension of the effective period of this determination must be obtained at least 15 days prior to expiration date specified in this letter.

If you have any questions concerning this determination contact Jessica L. Bryan at Jessica.L.Bryan@faa.gov.
On any future correspondence concerning this matter, please refer to Aeronautical Study Number 2022-ASW-3047-NRA.

Jessica L. Bryan
ADO
Signature Control No: 520905770-526496332
cc:
Dan.Harmon@txdot.gov

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APPENDIX C

NON-AERONAUTICAL USE AUTHORIZATION



U.S. Department
of Transportation
Federal Aviation
Administration

Federal Aviation Administration
Southwest Region, Airports Division
Texas Airports District Office

FAA-ASW-050
10101 Hillwood Parkway
Fort Worth, Texas 76177

April 28, 2022

Mr. Ryan Elder, Director of Aviation
South Texas Regional Airport (HDO) - City of Hondo
700 Vandenberg Road
Hondo, Texas 78861

Subject: Request for Interim Land Use for Law Enforcement Training Facility at the South Texas Regional Airport (HDO)

Dear Mr. Elder:

We have received your request dated April 7, 2022, submitted through the Texas Department of Transportation, Aviation Division on April 8, 2022, for the temporary interim use of an aeronautical area for non-aeronautical purposes. The proposal is to utilize 111.88 acres of land at the South Texas Regional Airport (HDO) for the development of a Law Enforcement Training Facility.

The proposal stated in your letter is for a five year ground lease, with two (2) five year options, at a rental rate of \$22,380.00 per annum, with CPI reviews every five years. No permanent structures will be constructed and the leased area can be converted back to aeronautical land.

FAA Order 5190.6B *FAA Airport Compliance Manual*, Subsection 22.6. *Request for Interim Use of Aeronautical Property for Other Uses*, states that an interim land use represents a temporary arrangement for the use of airport land for non-aeronautical purposes. Therefore, it must be anticipated that the interim use will end and the land will be returned to aeronautical use.

We have determined that HDO's request is compatible with the current and foreseen aeronautical use of the property, based on both our review, and the recommendation for approval by TxDOT Aeronautics through the submission of their letter, dated April 8, 2022, on behalf of the City of Hondo.

HDO may allow use of the area to serve a non-aeronautical purpose for the initial five year lease term, provided the following conditions are met:

- HDO (or TxDOT on their behalf) shall perform a Section 163 determination to determine the applicability of NEPA prior to a lease agreement being executed with the developer
- HDO must actively monitor the area to ensure compliance with all FAA regulations
- Operations will be suspended and/or the lease will be terminated should there be any accidents or negative impacts to safe operations at the airport

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- Should the airport need the property for aeronautical use during this time, HDO will terminate the interim land use
- Use of the area for a non-aeronautical purpose will not prevent the land from being recovered on short notice for aeronautical use
- At the termination of the lease, the subject area shall be repaired to equal or better condition than the pre-lease conditions and returned to aeronautical use to serve the airport's tenants, users, and customers
- No Federal funds will be available to rehabilitate any part of this leased area damaged as a result of this non-aeronautical lease or to return to aeronautical use
- The interim use represents a temporary arrangement, expected to end upon the termination of the lease, or the five year lease period, whichever is less, and does not authorize a long-term or permanent non-aeronautical use
- Additional provisions outlined in the Airport Airspace Analysis Non-Rulemaking Airport (NRA) cases determination letter, dated April 28, 2022, for cases 2022-ASW-3047-NRA through 2022-ASW-3055-NRA (enclosure)

Interim use will be allowed when all conditions established in this letter, and the NRA determination letter, referenced above, are met and will begin when the airport sponsor executes the lease agreement that initiates the proposed interim use.

In addition, in accordance with the Airport Compliance Manual, Subsection 22.6, the ADO may consent to an interim use period of no more than five years; as such, a new request for interim use shall be submitted a minimum of six months prior to the expiration of the initial five year lease term. At no time shall any non-aeronautical interim use lease be entered into beyond five years without prior FAA and TxDOT approval.

If you have any questions, please contact Jessica Bryan at Jessica.l.bryan@faa.gov.

Sincerely,
KIMBERLY M. BROCKMAN
Digitally signed by KIMBERLY M. BROCKMAN
 Date: 2022.04.28 17:37:14
 05:00
 Kim Brockman, Assistant Manager
 Texas Airports District Office

Cc: Dan Harmon, TxDOT Aviation

Encl: Non-Rulemaking Airport (NRA) cases determination letter - April 28, 2022
 (Cases 2022-ASW-3047-NRA through 2022-ASW-3055-NRA)

APPENDIX C

APPENDIX D

OPERATIONAL SAFEGUARD PROCEDURES (SOP)

Hangar6x SOP-1027.B

09 April 2021

AERIAL MITIGATIONS HANDBOOK

STANDARD OPERATING PROCUDERS FOR RANGE

FACILITIES AND TRAINING GROUND

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Hangar6x SOP-1027.B

ABSTRACT

This handbook presents the SOP (standard operation procedures) for training facilities and is intended for use by law enforcement both federal, state, and local. Range facilities are for use in training personnel in weapons firing. See max ammunition table enclosed.

This handbook was prepared using, to the maximum extent feasible, institute standards. Deviations from this criterion, in the planning, engineering, design, and construction of this range facilities, cannot be made without prior approval.

Design cannot remain static any more than can the functions it serves or the technologies it uses. Accordingly, recommendations for improvement are encouraged and should be furnished to Senior Level Range Safety Officers, Hangar6x Training Ground, Hondo, Texas telephone (830) 446-6068.

THIS HANDBOOK SHALL NOT BE USED AS A REFERENCE DOCUMENT FOR USE FOR OTHER FACILITIES UNLESS PRIOR AUTHORIZATION HAS BEEN APPROVED.

[1]

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SECTION 1: SCOPE

1.1 **Scope.** This handbook provides guidance for standard operating procedures of small arms range, training course structures. "Range" is used throughout the handbook to identify areas for weapons firing for personnel training (not ordnance test ranges).

1.2 **Army, Small Arms Range Safety Areas (SARSAs).** The small arms range will follow the Army, Small Arms Range Safety Areas (SARSAs). These procedures have been implemented by the military and established in the contiguous United States to contain small arms range activities that could be hazardous to non-participating aircraft. SARSAs are not SUA. The range will ensure that of the range follows the SARSA policy and procedures established below:

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SECTION 2: SMALL ARMS RANGES SAFETY STANDARDS

2.1 Establish SARSA. To protect aircraft, the designated representative will establish SARSA at the small arms range as required by this pamphlet. Unless otherwise identified in this pamphlet, the data in tables 4-1 through 4-17, will be used as the basic vertical component for each weapon system used on the range. When determining SARSA altitude boundaries, 152 m (500 ft) will be added to that value and rounded up to the next 152-m increment of altitude as a safety buffer.

2.2 Safety Standards. The designated representative will take appropriate action to ensure that airspace above and adjacent to small arms ranges is adequately monitored to preclude endangering aircraft operations. The designated representative will also consider maximum ordinate (Max Ord) and highest altitude of fire where the specific range operations call for it.

a. The following precautionary measures are mandatory requirements for all small arms ranges, as applicable:

(1) The ceiling (cloud height) will be at least 305 m (1000 ft) above the ricochet height. The designated representative should also consider highest altitude of fire and Max Ord in addition to ricochet height as a part of risk assessment.

(2) Visibility and ADS-B Flight Tracking System will be utilized to detect aircraft and then establish a cease fire before penetration of the aircraft into the SDZ.

b. The designated representative will establish procedures that designate a responsible officer (normally the range OIC) for the surveillance of the airspace in the SARSA. Safety observer(s) and ADS-B Flight Tracking will be able to monitor airspace inclusive of a border extending 5 miles from the boundaries of the SDZ of the SARSA. Safety observers will maintain positive, immediate communication with the range OIC.

c. All firing activities within the SARSA must cease upon notification of impending or actual incursion of the SARSA by nonparticipating aircraft.

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SECTION 3: SAFETY PROCUDURES

3.1 Aerial Sentry. The Range OIC and RSO (Range Safety Officer) will appoint an aerial sentry to observe any encroaching aircraft within the Surface Danger Zone (SDZ) during all times of live fire.

3.2 Aerial Traffic. Air Sentry will maintain positive communications with the Range RSO and OIC at all times during the conduct of live fire. This will ensure that all aerial traffic is monitored both visually and the use of ADS-B Flight Tracking System.

3.3 Cease Fire. Any person(s) (Range RSO, OIC, Air Sentry, Range Control, etc.) anytime an aircraft is observed within or approaching the Range SDZ will call cease fire. Upon Cease Fire, weapons will be cleared out and the range will remain in a "Check-Fire"/Cold status until the SDZ and Vertical Ceiling is clear.

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SECTION 4: MAX AMMUNITION

4.1 Vertical Ceiling (Clear and Visible Sky) required to execute live fire (7.62x51mm/.300 WinMag and below) is 372 meters + 305 meters = 677 meters/2222 feet rounded up to the next 152 meter/500 feet increment = 2500 feet.

4.2 Certified Direct-Fire Weapons. Small-Arms Range will be certified for the following direct-fire weapon calibers utilizing the ArcGIS Platform and the Surface Danger Zone (SDZ) Tool found in the Range Manager's Tool Kit (RMTK):

- a. 12-gauge
- b. 9mm
- c. .38cal
- d. 45cal
- e. 5.56mm /.223cal
- f. 7.62mm /.308cal
- g. .300 WinMag

4.3 Weapon Table References

Surface danger zone data for 12-gauge ammunition small arms direct-fire weapons

Ammunition 12 gauge	Impact media	Distance X (m)	Distance Y (m)	Distance W (m)	Area A ¹ (m)	Area B (m)	Angle P (deg)	Angle Q (deg)	Recoiled Vertical hazard (m)
12-gauge slug, shot size larger than 1/4	Earth/ Water Steel/ Concrete	1,073	710	125	100	NR	21.06	35.34	136
		1,073	830	287	100	NR	56.31	40.17	167

Table 1 Surface danger zone data for 12-gauge

Surface danger zone data for 9mm small arms direct fire weapons

Ammunition 9mm ¹	Impact media	Distance X (m)	Distance Y (m)	Distance W (m)	Area A ¹ (m)	Area B (m)	Angle P (deg)	Angle Q (deg)	Recoiled vertical hazard (m)
Rif M&R2, M1, Subsonic	Earth/ Water/ Steel/ Concrete	1,800	1,077	158	100	NR	21.18	15.35	31
		1,800	1,211	329	100	NR	51.18	30.40	351

Table 2 Surface danger zone data for 9mm

Surface danger zone data for .38 caliber small arms direct-fire weapons

Ammunition .38 caliber	Impact media	Distance X (m)	Distance Y (m)	Distance W (m)	Area A ¹ (m)	Area B (m)	Angle P (deg)	Angle Q (deg)	Recoiled vertical hazard (m)
38 caliber Spec Ball M41, 36 Wadcutter	Earth/ Water/ Steel/ Concrete	1,306	1,110	153	100	NR	22.57	18.07	69
		1,306	1,268	329	100	NR	60.50	35.35	245

Table 3 Surface danger zone data for .38 caliber

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Surface danger zone data for .45 caliber small arms direct-fire weapons

Ammunition .45 caliber	Impact media	Distance X (m)	Distance Y (m)	Distance W (m)	Area A ¹ (m ²)	Area B (m ²)	Angle P (deg)	Angle Q (deg)	Ricochet vertical hazard (m)
Ball, Tracer, Wad cutting Match	Earth/ Water/ Steel/ Concrete	1,820	1,018	117	100	NR	21.11	18.89	100
		1,820	1,111	290	100	NR	54.74	30.77	190

Table 4 Surface danger zone data for .45 caliber

Surface danger zone data for 5.56mm small arms direct-fire weapons

Ammunition 5.56mm ¹	Impact media	Distance X (m)	Distance Y (m)	Distance W (m)	Area A ¹ (m ²)	Area B (m ²)	Angle P (deg)	Angle Q (deg)	Ricochet vertical hazard (m)
M193 Ball	Earth/ Water/ Steel/ Concrete	3,100	2,004	458	100	NR	35.20	23.10	219
		3,100	1,000	323	100	NR	19.00	20.60	219
M193 Tracer	Earth/ Water/ Steel/ Concrete	3,100	2,004	352	100	NR	35.10	26.80	240
		3,100	2,023	243	100	NR	10.20	22.60	243
M165 Ball	Earth/ Water/ Steel/ Concrete	3,437	2,020	432	100	NR	34.20	22.40	226
		3,437	1,810	334	100	NR	18.80	25.20	229
M165 Tracer	Earth/ Water/ Steel/ Concrete	3,089	1,007	356	100	NR	32.60	23.20	201
		3,089	1,062	277	100	NR	18.00	21.00	201
4 Ball Tracer F/DAW	Earth/ Water/ Steel/ Concrete	3,437	2,028	452	100	NR	34.20	22.40	226
		3,437	1,810	334	100	NR	18.80	25.20	281
M162 Plastic Short Range	Earth/ Water/ Steel/ Concrete	260	105	24	100	NR	15.40	20.00	16
		260	138	5	100	NR	3.30	7.30	4

Table 5 Surface danger zone data for 5.56mm

Surface danger zone data for M973 Ball and M974 Tracer 7.62mm short range training ammunition^{1,2}

Altitude (ft)	Impact media	Distance X (m)	Distance Y (m)	Distance W (m)	Area A ¹ (m ²)	Area B (m ²)	Angle P ¹ (deg)	Angle Q (deg)	Ricochet vertical hazard (m)
0	Earth/ Steel	540	600	105	100	NR	38	45	173
		540	600	30	100	NR	10	20	173
1,000	Earth/ Steel	545	520	113	100	NR	38	45	184
		545	520	22	100	NR	10	20	184

Table 6 Surface danger zone data for 7.62mm

Surface danger zone data for MK 248 MOD 0 300 Winchester Magnum small arms direct-fire ammunition¹

Altitude (ft)	Impact media	Distance X ¹ (m)	Distance Y (m)	Distance W (m)	Area A ¹ (m ²)	Area B (m ²)	Angle P ¹ (deg)	Angle Q (deg)	Ricochet vertical hazard (m)
0	Earth/ Armor	6,310	4,200	390	100	NR	43.00	10.30	322
		6,310	2,300	180	100	NR	23.00	12.30	128
1,000	Earth/ Armor	6,370	4,338	380	100	NR	43.45	10.30	340
		6,370	2,358	187	100	NR	27.75	12.15	136

Table 7 Surface danger zone data for 300 Winchester Magnum

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SECTION 5: Abbreviations

SOP (Standard Operation Procedures)

Army, Small Arms Range Safety Areas (SARSAs)

Ceiling (Cloud Height)

Range OIC and RSO (Range Safety Officer)

Surface Danger Zone (SDZ)

Vertical Ceiling (Clear and Visible Sky)

Range Manager's Tool Kit (RMTK)

[8]



City Council Communication

Title: Discuss and consider appropriate action on items resulting from Executive Session.

Date: December 11, 2023 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS: