

INTERLOCAL AGREEMENT FOR THE ALLOCATION OF SALES TAX REVENUE

STATE OF TEXAS §

COUNTY OF BRAZORIA §

THIS AGREEMENT is made and entered into effective as of the 1st day of May, 2025, by and between **THE CITY OF IOWA COLONY ("City")**, a body politic and corporate and municipal corporation of the State of Texas, and **BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3 ("BCESD 3")**, a political subdivision of the State of Texas.

PRELIMINARY MATTERS

1. The City has been created, established, organized and exists as a Home Rule corporation under the laws of the State of Texas;
2. BCESD 3 has been created, established, organized and exists under the authority of Article III, Section 48-e of the Texas Constitution and Chapter 775, Texas Health & Safety Code;
3. The City has, among its powers, the power of annexation and the power of imposing a local sales and use tax within its jurisdiction, subject to all applicable provisions of the Texas Tax Code and other applicable laws;
4. BCESD 3 has, among its powers, the power of imposing a local sales and use tax within its jurisdiction, subject to all applicable provisions of the Texas Tax Code, Chapter 775, Texas Health and Safety Code and other applicable laws;
5. The City has the power to undertake improvement projects separately or jointly with other persons or entities, including development agreements under Chapter 380 of the Texas Local Government Code, to pay all or part of the costs of improvement projects, including improvement projects that improve, enhance, or support, among other matters, road construction, public utilities construction, building development, and the availability of public safety and security, fire protection, emergency medical services, or law enforcement in the City;

6. The City and BCESD 3 have overlapping boundaries and jurisdictions, and the City is located within the boundary of BCESD 3;
7. The City currently imposes a 1.0% local sale and use tax and the Iowa Colony Crime Control District imposes a 0.5% local sales and use tax for a combined rate of 1.5%;
8. BCESD 3 currently has called a May 3, 2025 election under Health and Safety Code § 775.0751(c-1) for the approval of a local sales and use tax not to exceed 1.5% in any area within its jurisdiction;
9. Pursuant to Chapter 321 of the Texas Tax Code (Sec. 321.102), when a municipality annexes for full purposes territory contained within an emergency services district that had theretofore imposed a local sales and use tax and where the local sales and use tax in the annexed area is thereby at the 2% maximum rate for local sales and use tax, the local sales and use tax imposed by the emergency services district remains allocated to the emergency services district and is not allocated by the State Comptroller to the municipality.

FINDINGS

1. The Parties find that Texas Health and Safety Code Sec. 775.0754 allows BCESD 3 to agree to allocate sales and use tax revenue collected in areas annexed by the City subsequent to the implementation of the BCESD 3 sales and use tax, if such tax is approved by the voters in the May 3, 2025 election;
2. The Parties find that the City requires additional sales tax revenue from post May 3, 2025 to provide services and foster development to such areas as the City may annex thereafter, and to provide funding and tax incentives to promote future development projects in both the City and BCESD 3;
3. The Parties find that the future development within the City's current and future full purposes annexed areas contained within BCESD 3 will be of benefit to BCESD 3, in terms of (a) providing additional revenue and (b) enhancing the capability of delivering emergency services by BCESD 3 to the annexed area by virtue of the municipal services to be provided by the City, including but not limited to additional revenue, additional sales tax revenue, road and access development, police protection and the like;

4. The Parties find that due to the provisions of the Texas Tax Code (Sec. 321.102), if the BCESD 3 sales and use tax election proposition passes on May 3, 2025, the City will not have authority to impose its sales tax or to receive any sales tax revenue from any areas contained within BCESD 3 which were annexed for full purposes by the City after May 3, 2025;
5. The Parties find that it is in the best interests and for the common benefit of the City and BCESD 3 that the City and BCESD 3 enter into this Agreement to allocate, as provided herein, the sales tax revenue generated under the BCESD 3 sales and use tax in the areas contained within BCESD 3 that may be annexed for full purposes by the City at a later date;
6. The Parties find that the Interlocal Cooperation Act, codified as V.T.C.A., Government Code, Chapter 791 (the "Interlocal Act"), provides authorization for any local government to contract with one or more other local governments to perform governmental functions and services under the terms of the Interlocal Act and funding thereunder; and
7. The City and BCESD 3 jointly find that each are local governments as provided under the Interlocal Act and the agreements and provisions herein relate to the respective government functions of each,

NOW THEREFORE, FOR AND IN CONSIDERATION of the mutual covenants and conditions hereinafter set forth, the City and BCESD 3 agree as follows:

I. ALLOCATION OF SALES TAX

1. BCESD 3 agrees to allocate to the City certain sales and use tax revenue under the terms of Texas Health and Safety Code Sec. 775.0754 as follows:
 - (a) Fifty per cent (50%) of the local sales and use tax revenue collected by the State Comptroller and derived from sales tax payers which are located within the territorial jurisdiction of BCESD 3 and being not contained within the corporate boundary of the City prior to May 3, 2025, and which subsequent to the effective date of this Agreement is annexed by the City after May 3, 2025.
 - (b) The payment under 1(a), above, of such allocated local sales and use tax revenue collected by the State Comptroller shall be paid by the State Comptroller

under policies and procedures that the Comptroller considers reasonable to BCESD 3 and the City as provided by Section 775.0754(c), with the City and BCESD 3 each receiving 50% of the sales and use taxes collected from the sales tax payers in the areas subsequently annexed for full purposes by the City.

2. Allocations paid to the City shall continue for any qualifying sales and use tax payer as long as the territory remains part of the City for full purposes. Any subsequent deannexation of any territory qualifying under section 1, above, shall cause the full sales and use tax for that territory to revert solely to the District with allocation payments to the City ending in a timely manner per Comptroller procedures.
3. This Agreement is intended for the benefit of the named Parties only and is in no way intended to benefit any other person, either directly or indirectly, including members of the public. Nothing in the Agreement shall or shall be construed to create a partnership or other type of joint enterprise, the sole intent being to create a contractual relationship between the Parties.
4. Nothing in this Agreement is intended to expand any liability that any Party to this Agreement may have to any other person other than a named Party to this Agreement.
5. The validity, interpretation, and performance of this Agreement shall be governed by the laws of the State of Texas.
6. Any suit brought to enforce, interpret, or receive damages under any provision of this Agreement shall be brought in Brazoria County, Texas, where venue for all matters hereunder is stipulated.
7. Neither this Agreement nor any term or provision of it, may be changed, waived, discharged, amended, or modified orally, or in any other manner than by an instrument in writing signed by all the Parties.
8. This Agreement is not assignable by any Party without the written consent of the other Party.
9. Notwithstanding the provisions of the Texas Government Code or the Texas Local Government Code, and unless prohibited by Texas law, each Party shall defend, indemnify, and hold harmless the other Party and its officers, agents, employees and representatives from any and all losses, liability, damages, claims, suits, actions and administrative proceedings, and demands and all expenditures and cost relating to acts or omissions of the indemnitor, its officers, agents or employees arising out of or incidental to the performance of any of the provisions of this Agreement. No Party assumes liability

for the acts or omissions of persons other than each Party's respective officers, agents or employees. This indemnification clause shall survive this Agreement.

10. By entering into this Agreement, neither Party waives any of the immunities provided by the Texas Government Code or the Texas Local Government Code or other applicable provisions of law. This Agreement is not intended to confer any legal rights or benefits on any person or entity other than the Parties of this Agreement.

11. All notices hereunder shall be sent certified mail, return receipt requested to the addresses set forth below the signatures of the Parties to the Agreement. Notices are deemed given and completed upon deposit in the United States Mail. Either Party may change its address by providing ten (10) days written notice of such change to the other Party in the manner provided for above.

EXECUTED in duplicate originals for and on behalf of the Parties on the dates indicated below, but effective May 1, 2025.

ATTEST:

BRAZORIA COUNTY EMERGENCY
SERVICES DISTRICT NO. 3

By: _____
Name: _____
Title: _____

By: _____
Name: Darrell Valusek
Title: District President
Address: _____

COUNTERSIGNED:

Date: _____

By: _____
Name: John Peeler
Title: District Counsel

ATTEST:

THE CITY OF IOWA COLONY, TEXAS

By: _____
Name: _____
Title: _____

By: _____
Name: Wil Kennedy
Title: Mayor
Address: _____

COUNTERSIGNED:

Date: _____

By: _____
Name: Natash Brooks
Title: City Attorney