



AGENDA MEMORANDUM

Future Item for the City Council Meeting of October 24, 2017
Action Item for the City Council Meeting of October 31, 2017

DATE: September 29, 2017

TO: Margie C. Rose, City Manager

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Farming Lease Agreement
Cefe Valenzuela Landfill – 940 acres, Farm Serial Number (FSN) 3466

CAPTION:

Ordinance authorizing the City Manager, or designee, to execute a five-year lease agreement with L.A. FARMS, Austin Harwell, to farm approximately 940 acres at the Cefé Valenzuela Municipal Landfill in consideration of a total annual lease payment of \$98,700 for a total of \$493,500 for 5 years based on \$105 per acre.

PURPOSE:

The Cefé Valenzuela Municipal Landfill has some land area that is not currently not being used for landfill operations and is leased on a cash rent basis for farming operations in the production of cotton and sorghum. There are two farm leases in use, one of which will expire on October 31, 2017. City staff advertised for invitation of bids for the expiring lease. A high bid of \$493,500 was received from Austin Harwell doing business as L.A. FARMS, for the new five-year lease of the 940 acres. The lease of City property requires City Council approval.

BACKGROUND AND FINDINGS:

The City acquired 2,293 gross acres of land in October 2000 for use as the new Cefé F. Valenzuela Municipal Landfill. The City purchased the land from Mr. John Chapman subject to two existing farm leases as shown on the Council exhibit marked “Vicinity Map”. Farm No. 3468 contained 1,320 acres and was leased to W&S Ag Enterprises. The second farm, Farm No. 3466, contained 940 acres and was leased to Rackley & Rackley, a joint venture. The City continued these two farm leases on a year-to-year basis until October 2002. In November 2002, City Council awarded each farming operation a farming lease agreement for five, six-year terms for a total of 30 years. In 2007, the City opened operations at the landfill and reduced the acreage for Farm 3468 to approximately 762 acres.

The City has continued with these farming operations since 2002 and has granted renewals at the end of each five-year term, being 2007 and 2012. One of the leases, Farm No. 3466, defaulted with non-payment at end of the second year of the third five-year term, being the 2013-2014 crop year. The lease permitted City staff to choose to remediate the lease by re-letting it and finding another tenant for the remainder of the five-year term, which was for 3 years. City staff sent out seven bid invitations and received four sealed bids. The high bid was submitted by W&S Ag Enterprises for their bid of \$60 per acre and a one-time bonus payment of \$56,400 for a total amount of \$225,600 for the remaining three-year term. The City entered into a Farm Lease Relet Agreement with W&S Ag Enterprises in March 2015. The agreement was subject to the same terms and conditions of the original 30-year agreement. This relet agreement expires on October 31, 2017.

For the new lease, City staff advertised twice in the Legal Notices of the Caller-Times for an invitation for bids. The seven farm operators that expressed interest in 2014 were also sent letter notices for the bid invitation. Bidders were given the opportunity to add to their bid optional, one-time bonus payment in addition to their annual payment bid. The high bidder was Austin Harwell, doing business as L.A. FARMS, with the total base bid amount of \$493,500. This consideration consists of five annual lease payments of \$98,700 based on \$105 per acre for the 940 acres. The lease funds are deposited annually into the City’s General Fund. The five bids received at the City Secretary’s office on September 29, 2017 are listed below.

	Bidder	Rent per Acre	Annual Payment	Bonus payment	Total Base Bid
1	L.A. Farms	\$105.00	\$98,700	\$0	\$493,500
2	W&S Ag Enterprises	\$70.00	\$65,800	\$60,000	\$389,000
3	Burch Farms	\$71.00	\$66,740	\$0	\$333,700
4	Havelka Farms	\$65.00	\$61,100	\$27,501	\$333,001
5	B5 Land & Cattle	\$70.74	\$66,500	\$0	\$332,500

Leases of City owned property require approval by City Council. It is recommended that this lease agreement be approved to keep the unused land at Cefé Valenzuela Landfill in full farming production and generating revenue.

ALTERNATIVES:

1. Approve Farm Lease Agreement (Recommended)
2. Disapprove Farm Lease Agreement with high bidder and re-advertise for new bids. (Not Recommended)

OTHER CONSIDERATIONS:

None

CONFORMITY TO CITY POLICY:

The Ordinance conforms to the City Charter, Article IX, Section 2, Power to grant franchise or lease by City Council.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Engineering Services and Solid Waste Services

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year 2017-2018	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
This Item		98,700	394,800	493,500
Encumbered / Expended Amount				
BALANCE		98,700	394,800	493,500

Fund(s): General Fund Revenue

Comments: None

RECOMMENDATION:

Staff requests Council passage of Ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

- Project Location Map
- Project Vicinity Map
- Farm Lease Agreement
- Presentation
- Ordinance