

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

AGENDA DATE: July 30, 2024
CONTACT PERSON(S) NAME AND PH. NUMBER: Alejandra Fuentes, (915) 212-1618
Karina Brasgalla, (915) 212-0094
DISTRICT(S) AFFECTED: 1

STRATEGIC GOAL: Goal 1: Create an environment conducive to strong sustainable economic development
SUBGOAL: Goal 1.1 Stabilize and expand El Paso's tax base

SUBJECT:
Discussion and Action on a Resolution authorizing the City Manager to execute a First Amendment of the Chapter 380 Grant Agreement dated May 6, 2014 by and between the City of El Paso, Texas, a home-rule municipality and Tenet Hospitals Limited, a Texas Limited Partnership, to revise the Full-Time Employment definition, shorten the Grant Period, and lower the aggregated Grant Amount.

BACKGROUND / DISCUSSION:
On May 6, 2014 City Council approved a Chapter 380 Economic Development Program Grant Agreement, between the City of El Paso and Tenet Hospitals Limited for the construction of a new facility and expansion of their operations within the City of El Paso in relation to undertaking of an economic development project in the health services industry. Tenet was required to invest a minimum of 120M in Capital Improvements, and create and retain employees. Incentives included a Property Tax Rebate, Impact Fund Grant and Building Permit Fees Rebate, not to exceed \$12.8M.

Tenet Hospitals exceeded their contractual investment at the Transmountain Campus, with \$185M in qualified expenditures. Due to a number of issues affecting the healthcare system nationwide, including COVID-19, Tenet has been working with the City to adjust the employment metrics to reflect current operations.

The proposed Amendment will revise the Full Time Employee (FTE) definition to better align with State reporting and healthcare industry standards. This will also reflect the unique scheduling and coverage needs of Tenet Hospitals across their now four locations. The grant period will be shortened and Tenet will be unable to claim incentives for the years in default (2017-2022). The termination date will remain as 2032. In addition to the FTE adjustment to hours, the overall employment requirements will be lowered and the incentives reduced proportionally (-18%). The new total incentive amount is \$6.38M.

PRIOR COUNCIL ACTION:
On May 6, 2014 City Council approved a Chapter 380 Economic Development Program Grant Agreement between the City of El Paso and Tenet Hospitals Limited for the construction of a new facility and expansion of its operations within the City of El Paso.

AMOUNT AND SOURCE OF FUNDING:
Agreement includes a \$1.5M grant to be paid out of the Impact Fund

HAVE ALL AFFECTED DEPARTMENTS BEEN NOTIFIED? YES NO

PRIMARY DEPARTMENT: Economic & International Development

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD: 
(If Department Head Summary Form is initiated by Purchasing, client department should sign also)

RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City Manager be authorized to execute a First Amendment of the Chapter 380 Economic Development Program Agreement dated May 6, 2014 by and between the **CITY OF EL PASO, TEXAS**, a home-rule municipality of El Paso County, Texas and **TENET HOSPITALS LIMITED** (hereinafter referred to as "TENET"), a Texas limited partnership, duly acting herein by and through its general partner, to revise the full-time definition, in exchange for a reduced Grant Period and total aggregate Grant amount.

PASSED AND APPROVED this ____ day of _____ 20__.

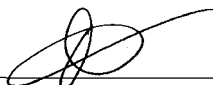
CITY OF EL PASO:

Oscar Leeser
Mayor

ATTEST:


Laura N. Prine
City Clerk

APPROVED AS TO FORM:



Oscar Gomez
Assistant City Attorney

APPROVED AS TO CONTENT:



Karina Brasgalla, Interim Director
Economic and International Development

STATE OF TEXAS)
)
COUNTY OF EL PASO)

**FIRST AMENDMENT TO CHAPTER 380
ECONOMIC DEVELOPMENT PROGRAM
AGREEMENT**

This **FIRST AMENDMENT TO THE ECONOMIC DEVELOPMENT PROGRAM AGREEMENT** (“Amendment”) is made and entered into this ____ day of _____, 2024 by the **CITY OF EL PASO, TEXAS** (“City”), a Texas home rule municipal corporation and **TENET HOSPITALS LIMITED** (hereinafter referred to as “TENET”), a Texas limited partnership, duly acting herein by and through its general partner. The parties mutually agree to an Amendment as follows:

WHEREAS, on May 6, 2014, City and TENET entered into an Economic Development Program Agreement (the “Agreement”), a copy of which is attached and labeled as Exhibit “A-1” for the purposes of promoting local economic development and stimulating business and commercial activity; and

WHEREAS, TENET requested the performance based economic development grant for the purpose of developing the medical facilities located at the southeast intersection of Transmountain Road and Resler Drive, El Paso, Texas and known as the Transmountain Campus to encourage increased economic development in the City, increased property tax revenues, and the City’s improved ability to provide for the health, safety and welfare of the citizens of El Paso; and

WHEREAS, the City and TENET desire to amend the Agreement to revise the full-time definition, in exchange for a reduced Grant Period and total aggregate Grant amount;

WHEREAS, the City has concluded and hereby finds that the Agreement and Amendment embody an eligible program and clearly promotes economic development in the City of El Paso and, as such, meets the requisites under Chapter 380 of the Texas Local Government Code and further, is in the best interest of the City and TENET.

NOW, THEREFORE, in consideration of the mutual benefits and promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The definition of “Full-Time Employment” as identified in Subsection 1(E) of the Agreement is revised to read as follows:

E. **Full-Time Employment** means a job in El Paso, Texas that:

- A) Is created and/or retained by TENET, where the employee is on active status and on the payroll of TENET (or its subsidiary or wholly-owned affiliate) on the last day of the reporting year.
- B) Maintains employment where an employee is regularly scheduled to work no less than 35 hours a week on average, calculated as Total Hours Worked/Number of Weeks Worked = 35 or more hours worked per week; and

C) Is eligible for full company benefits, including company paid health insurance (Employee must not be required to pay more than fifty percent (50%) of the premium) with such jobs being located at the Development, within the City of El Paso, Texas. These requirements are more completely described in Exhibit “C-1,” which is attached hereto and incorporated herein for all purposes.

2. Subsections 4(B) of the Agreement is revised to read as follows:

B. Pursuant to the City’s “Incentives Policy-Guidelines Criteria” and a cost/benefit calculation completed solely by and at the City’s discretion, the City shall determine the total amount of Grant Payments due to TENET, if any on an annual basis. The minimum amount of the Grant Payment TENET shall be eligible for each year shall be as set forth in Exhibit “C-1.” The amount of the Grant payment TENET shall be eligible for each year shall be as set forth in Exhibit “C-1.” The Grant payments due to TENET, if any, shall be the sum of the amounts derived from the following two sources:

1) Grant Period Years 1-5 ONLY – Subject to the minimum job creation and retention requirements identified in Exhibit “C-1” during years 1-5 of the Grant Period TENET shall be eligible for an annual grant of Three Hundred Thousand and 00/100 Dollars (\$300,000.00) payable from the Economic Development Incentive Policy Impact Fund account derived from the El Paso Electric Company franchise fee paid to the City pursuant to the Franchise Agreement adopted by Ordinance No. 017460, as amended. The Grant period will commence with year one being calendar year 2023; and

2) Grant Period Years 1 through 10 – 65% of the total value of the City’s portion of the incremental ad valorem tax revenue generated by the personal property and real property above the Base Year Value Any incremental ad valorem tax revenue for which Tenet qualifies during years 1-10 of the Grant Period as set forth in Exhibit “C-1. The Grant period will commence with year one being calendar year 2023.

3. Subsection 4(D) of the Agreement is revised to read as follows:

D. Under no circumstances shall the total aggregate of Grant payments exceed the lesser of \$6,379,791.06 or the total value of the City’s portion of the incremental ad valorem property tax revenue generated by the Development above the Base Year Value for the Development for the Grant Period.

4. Exhibit “C” of the Agreement is deleted in its entirety and replaced by Exhibit “C-1,” attached hereto. Any reference to “Exhibit ‘C’” in the Agreement is replaced with reference to “Exhibit ‘C-1.’”

5. Exhibit “D” of the Agreement is deleted in its entirety and replaced by Exhibit “D-1,” attached hereto. Any reference to “Exhibit ‘D’” in the Agreement is replaced with reference to “Exhibit ‘D-1.’”

6. **Recapture.** Should the TENET default under the terms of this agreement and provided that the cure period for such default has expired, the City may exercise the remedies set forth in Section 5 of this Agreement.
7. Except as amended herein, the Agreement between the City and TENET shall remain in full force and effect.


(Signatures begin on the following page.)

IN WITNESS WHEREOF, the parties have executed this First Amendment to be effective as of the _____ day of _____, 2024.

CITY OF EL PASO, TEXAS:


Cary Westin
Interim City Manager

APPROVED AS TO FORM:



Oscar Gomez
Assistant City Attorney

APPROVED AS TO CONTENT:



Karina Brasgalla, Interim Director
Economic & International Development

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF EL PASO §

This instrument was acknowledged before me on the _____ day of _____, 2024, by Cary Westin, as Interim City Manager of the **City of El Paso, Texas.**

Notary Public, State of Texas

My Commission Expires:

(Signatures continue on the following page.)

TENET HOSPITALS LIMITED

By: Nicholas Tejeda

Name: Nicholas Tejeda

Title: Group President, Western Group

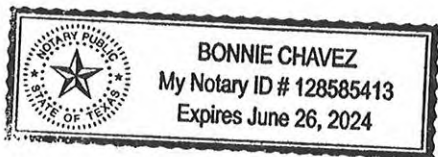
ACKNOWLEDGMENT

STATE OF TEXAS §

§

COUNTY OF EL PASO §

This instrument was acknowledged before me on the 5 day of June, 2024, by Nicholas Tejeda as Group President of **TENET HOSPITALS LIMITED**.



Bonnie Chavez
Notary Public, State of Texas

My Commission Expires:

6.26.24

EXHIBIT A-1

[Economic Development Agreement dated May 6, 2014]

EXHIBIT C-1
Employment Requirements

SECTION 1. MINIMUM JOB CREATION AND RETENTION REQUIREMENTS.

In order for TENET or its affiliate to be eligible for any Grant Payments, TENET or its affiliate is required to create and maintain the Full-Time Employment positions by December 31 of each full tax year during the Grant Period, with Year 1 beginning in 2023, as follows.:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Jobs Retained	2,398	2698	2698	2698	2698	2698	2698	2698	2698	2698
Jobs Created	300	0	0	0	0	0	0	0	0	0
Total Jobs	2698	2698	2698	2698	2698	2698	2698	2698	2698	2698

SECTION 2. ELIGIBILITY FOR GRANT PAYMENTS.

- A. TENET is required to create and maintain a minimum of at least eighty percent (80%) of Three Hundred (300) full-time employment positions at the Transmountain Hospital in years one through ten (1-10). The 300 full-time employment positions shall comply with the Full-Time Employment requirements of the Agreement.

- B. TENET is required to retain a minimum of at least eighty percent (80%) of the two thousand three hundred ninety-eight (2,398) existing El Paso full-time employment positions at TENET’s existing three (3) hospitals on years one through ten (1-10): Providence Memorial Hospital, Sierra Providence East Medical Center, and Sierra Medical Center. Retained employees are allowed to transfer between hospitals for staff coverage.

- C. At least ninety percent (90%) of the new jobs required herein shall pay a wage equal to or greater than ninety percent (90%) of the Median County Wage.

TENET or its affiliate remains eligible for Grant Payments so long as the Total Full Time Employees, as stated in this Exhibit C-1, are met on an annual basis. The Jobs Retained and Jobs Created positions shall comply with the Full-Time employment requirements of the agreement.

Should TENET fail to create and maintain one-hundred percent (100%) of the new or retained full-time employment positions required by Sections 1 and 2 of this Exhibit, but it creates and maintains at least eighty percent (80%) of the required positions, the amount of the Section 4(B)(1) impact grant and the Section 4(B)(2) tax increment grant shall be proportionally reduced on a percentage basis (rounded up to the next full percent) to reflect the amount by which TENET failed to attain one hundred percent (100%) of the required positions. For example, should TENET create and maintain 290 (or ninety-six and sixty-six hundredths percent (96.66%) of the required 300 jobs, the sixty-five percent (65%) used to calculate the tax increment grant shall be reduced by four percent (4%) to sixty-one percent (61%) and the impact grant shall likewise be reduced by four percent (4%) to \$288,000 (96% of \$300,000).

The amount of Grant payments shall be proportionally reduced using this same methodology in the event TENET fails to retain one-hundred percent (100%) of the full-time positions required by Section 4(B)(2). For example, should TENET retain 2,277 (or ninety-four and ninety-five hundredths percent (94.95%) of the required 2,398 jobs, the sixty-five percent (65%) used to calculate the tax increment grant shall be

reduced by six percent (6%) to fifty-nine percent (59%) and the impact grant shall likewise be reduced to \$282,000 (94% of \$300,000).

The proportional reductions described above shall be applied cumulatively. For example, assuming both scenarios described in the previous paragraphs take place in the same year, the tax increment grant shall be reduced from sixty-five percent (65%) to fifty-five percent (55%) and the impact grant shall be reduced to \$300,000 to \$270,000.

Should the applicant fall below the minimum thresholds for either the number of Jobs Created or Retained Jobs, no Grant Payment will be owed to TENET for the Grant Period.

SECTION 3. MEDIAN COUNTY WAGE

For the purposes of this Agreement, the Median County Wage is that wage established for the County of El Paso **as adjusted on January 1 of each year**. However, in no event shall the applicable Median County Wage used for determination of Grant Payment eligibility be less than the Median County Wage established for 2023, which is \$17.31 per hour.

EXHIBIT D-1

[Grant Submittal Package Form]

Tenet Hospitals, Limited believes that it has substantially met its obligations under the Chapter 380 Agreement dated the ____ day of _____, 20__ and signed by _____ of **Tenet Hospitals, Limited** Pursuant to the Agreement, **Tenet Hospitals, Limited** submits this Grant Submittal Package Form in compliance with the Agreement and in anticipation of receiving the Grant payments referenced in the Agreement in consideration for its obligations met therein.

As required by the Agreement, the following information is submitted.

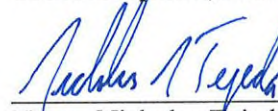
1. Job Certification Report Spreadsheet with the following breakdown:

Last Name	First Name	Job Title	Hire Date	Termination Date	Job Category (New/retained)	Total Hours Worked in the Year	Weeks Worked in the Year	Hourly Wage	Gross Annual Salary	Employment Status (FT/PT)	Percentage employee pays for medical premium	Percentage company pays for medical premium

2. Insurance Benefits Packet
3. Employee Benefits Packet (pto, vacation, sick leave, etc.)
2. Property Tax Payment Receipt(s) of payment for tax year _____.

It is understood by **Tenet Hospitals, Limited** that the City of El Paso has up to ninety (90) days to process this request and reserves the right to deny the Grant claim if the terms of the Agreement have not been complied with.

Tenet Hospitals, Limited



Name: Nicholas Tejeda

Title: Group President, Western Group