

STATE OF TEXAS

§

COUNTY OF HIDALGO

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**INTER-LOCAL COOPERATION AGREEMENT
FOR TAX ASSESSMENT AND COLLECTION**

This Agreement made and entered into this ____ day of _____, 2008, by and between the County of Hidalgo (hereinafter called "COUNTY"), a political subdivision of the State of Texas and the City of Elsa, Texas, (hereinafter called "CITY") duly organized and existing under the laws of the State of Texas, each acting herein by and through its duly authorized officials.

WITNESSETH:

WHEREAS, the parties to this Agreement wish to consolidate the assessment and collection of property taxes into one person, the Tax Assessor-Collector of Hidalgo County, Texas (hereafter called "TAC") and

WHEREAS, the parties enter into this Agreement in order to eliminate the potential duplication of the existing system for the assessment and collection of taxes and to promote governmental efficiency; and

WHEREAS, the parties enter into this Agreement pursuant to the authority granted by Sections 6.23 (a) (4), 6.24, 6.29 and 6.30 of the Texas Property Tax Code (hereafter called "Tax Code") and Article 4413 (32c), V.T.C.S., known as the "Inter-local Cooperation Act";

NOW, THEREFORE, for purposes stated herein, it is mutually agreed as follows:

I. TERM:

This Agreement is for the collection of CITY taxes for the 2008 Tax Year effective OCTOBER 1ST, 2008. This Agreement shall be automatically renewed for subsequent tax years, on September 30th of each calendar year unless either party gives written notice to the other of its intent to terminate this agreement, at least thirty (30) days prior to the renewal date.

II. APPOINTMENT:

The CITY appoints the TAC as the Assessor-Collector of taxes for the CITY for the term of this Agreement. The TAC shall have full authority and responsibility to assess all of the real and personal property subject to taxation located within the boundaries of the

CITY in accord with the laws pertaining thereto. The TAC is authorized and directed to collect all taxes of the CITY, both current and delinquent, including taxes previously assessed by the CITY. The TAC shall remain in the sole employ and control of the COUNTY.

III. DESCRIPTION OF SERVICES:

1. The COUNTY, through its TAC, hereby agrees to provide the following ad valorem tax related services:
 - A. Compute and publish the effective tax rate subject to consideration and approval of the CITY. Expenses for all notices and publications shall be borne by the CITY;
 - B. Establish the tax roll based on property values and exemption certified by the Appraisal District and the tax rate, exemptions, and discounts authorized by the CITY;
 - C. Prepare and mail tax statements for all of the CITY tax accounts;
 - D. Receive payment of taxes on behalf of the City;
 - E. Refund overpayment or erroneous payments of taxes as provided by law.
 - F. Disburse tax monies received at the COUNTY Tax Office during the term of this contract, on the next business day. All other payments received at the COUNTY 'S Depository Bank ("Bank") will be received in accordance with the terms of the lock box processing agreement between the BANK and the COUNTY.
 - G. Prepare and submit reports as required pursuant to Texas Property Tax Code Ann. Sec. 31.10, to the City accounting for all taxes collected. The COUNTY further agrees to prepare and/or provide information and reports for State agencies, auditors and other activities regarding the assessment, collection, and disbursement of ad-valorem taxes. The COUNTY shall also provide current and delinquent tax rolls, quarterly status reports, on partial payment contracts, and delinquent tax statements upon request.
 - H. The TAC will apply equal effort in the assessment and collection of current and delinquent property taxes for the parties of the Agreement. The TAC activity will not show bias toward any taxing unit for which it collects current and delinquent property taxes.

- I. The TAC will permit the taxpayer, in the event of payment of less than the consolidated bill is tendered, to apply the payment as the taxpayer desires, in compliance with State Law. In the absence of the expression of any preference as to application of payment, the payment will be applied in compliance with Section 31.07 of the Property Tax Code which states that if a collector accepts a partial payment of a tax bill that includes taxes for more than one taxing unit, the collector shall allocate the partial payment among all the taxing units included on the bill in proportion to the amount of tax included in the bill for each taxing unit.
 - J. Any waiver of penalty and interest being considered must establish that the delinquency was caused by a direct action or inaction of the TAC or Appraisal as described by the Property Tax Code.
 - K. The TAC will limit the time frame allowed for installment payment agreement on delinquency property taxes owing to the City to no more than twelve (12) months. Written approval must be obtained for the City Manager or his designee for deviations.
 - L. The TAC will refrain from seizing and/or selling any property pertaining to the CITY'S Tax Roll, having a homestead designation, for payment of delinquent taxes, without written approval.
 - M. The TAC will certify to the Board an estimate of the collection rate of the current year, the amount of debt taxes, if applicable, and other required information pursuant to Tax Code Sec. 26.04(b). The CITY and COUNTY agree that interest payments required as a result of untimely processing of refunds are not considered reimbursable expenses.
2. The CITY hereby specifically authorizes and empowers Hidalgo County, Texas, its employees, officials and agents to perform and all acts which the COUNTY, its employees, officials, and agents determine necessary proper, and in the best interest of the CITY in order to accomplish the services hereby agreed to be performed by the COUNTY.
 3. The following duties and responsibilities of the CITY are specifically excluded from this Agreement:
 - A. Any obligation of the Hidalgo County Appraisal District;
 - B. Adoption of a tax rate for the CITY;
 - C. Obligation of the CITY regarding publication of tax information, meeting notices and elections regarding the establishment of a tax rate; and

- D. Any other obligations imposed by law upon the CITY not specifically agreed to be performed herein by the COUNTY.
- E. Adopt and enforce reasonable regulations not inconsistent with the Constitution and Laws of this State as may be deemed essential for the proper collection, checking, and accounting of revenues by the COUNTY, including funds held in trust for the CITY.

V. DELINQUENT TAXES:

1. Pursuant to Section 6.24 of the Texas Tax Code, the CITY hereby authorizes the COUNTY by and through the TAC to collect delinquent taxes for the CITY as provided herein.
2. Pursuant to Subsection (c.), Section 6.30, Texas Property Tax Code Ann., if the CITY has entered into a contract with a law firm to represent the CITY in the enforcing and collecting of delinquent taxes. The delinquent taxes. The attorney's compensation is set forth in such contract. A copy of the CITY'S Delinquent Tax Collection Agreement must be attached hereto and incorporated herein by reference as Exhibit "A".
3. Pursuant to Section 33.07, Texas Property Tax Code Ann., the COUNTY agrees to produce and deliver to the "CITY'S" delinquent tax attorney a Notice of Delinquency which includes the additional penalty to defray the costs of collection for mailing to the property owner at least thirty (30) and not more than sixty (60) days before July 1.
4. No installment agreement for the payment of CITY'S delinquent taxes, which are in excess of \$5,000.00, will be entered into by the TAC without the prior approval of the CITY. No installment agreements on behalf of the CITY will be entered into prior to July 1 for payment of current year delinquent taxes.

VI. CONSIDERATION:

1. The CITY hereby agrees to pay and the COUNTY agrees to accept a fee of \$20,000.00 of all current and delinquent base taxes collected from October 1st, 2008, through September 30th, 2009. For subsequent years, after reviewing actual collection costs, the COUNTY will submit to the CITY, prior to May 1, the fee for the following year. In no event will the cost increase by more than 5% per year. The CITY will have until June 1, to accept the recommended fee.
2. The COUNTY will deduct a 1/12th - collection fee from monthly collections and submit monthly collections reports.
3. If for any reason the CITY is unable to provide the COUNTY with necessary tax account information and adopted tax rate prior to the COUNTY'S mailing of its

own Tax Bills, the CITY agrees to assume the entire cost for such additional mailing. It is understood however, that the CITY will be charged a prorated amount on an equal basis if another Entity is consolidated on such billing.

4. The CITY is to provide in writing its adopted tax rate to the COUNTY no later than October 1st of each year and the COUNTY is to mail out the consolidated tax statements no later than November 1st of each year. If the CITY fulfills this requirement and the COUNTY, due to a delay in adoption of its tax rate or other entities tax rate determines that it will not be able to mail consolidated tax statements by November 1st, then the COUNTY at its own expense will mail a separate tax statement for the CITY by November 1st.
5. The CITY will require the TAC to give bond conditioned on his faithful performance of duties. The bond shall be payable to, approved by, and paid for by the CITY in an amount to be determined by the CITY.

VI. MISCELLANEOUS:

1. It is expressly understood and agreed that, in the execution of this Agreement, neither the COUNTY nor CITY waives or shall be deemed hereby to waive any immunity or defense that would otherwise be available to it against claims arising in the exercise of governmental powers and functions.
2. All notices provided to be given under this Agreement shall be given by regular or certified mail addressed to the proper party, at the following address:

IF TO COUNTY: Hon. J.D. Salinas, County Judge
100 E. Cano, 2nd Floor
P.O. Box 1356
Edinburg, Texas 78540

WITH COPIES TO: Armando Barrera Jr., RTA
Hidalgo County Tax Assr/Coll
P.O. Box 178
Edinburg, Texas 78540-0178

Ray Eufrazio, County Auditor
2808 S. Bus Hwy 281
Edinburg, Texas 78539

IF TO THE CITY: Hon. Senovio Castillo, Mayor
City of Elsa
P.O. Box 427
Elsa, Texas 78543

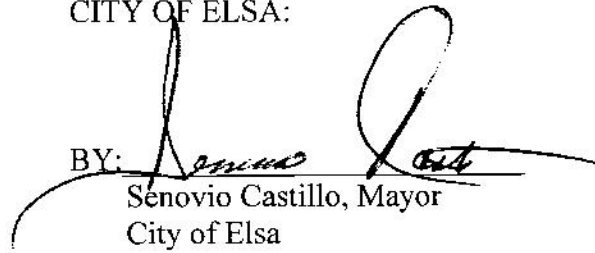
3. TEXAS LAW TO APPLY: This Agreement shall be construed under and in accordance with the laws of the State of Texas, and all obligations of parties created hereunder are performable in Hidalgo County, Texas.
4. LEGAL CONSTRUCTION: In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
6. PRIOR AGREEMENT SUPERSEDED: This Agreement constitutes the sole and only Agreement of the parties hereto and supercedes any prior understandings or written or oral agreements between the parties respecting the subject matter.

EXECUTED IN DUPLICATE ORIGINALS, EACH OF WHICH SHALL HAVE THE FULL FORCE AND EFFECT OF AN ORIGINAL THIS THE _____ DAY OF _____, _____.

COUNTY OF HIDALGO:

CITY OF ELSA:

BY: _____
J.D. Salinas,
Hidalgo County Judge
Hidalgo County, Texas

BY: 
Senovio Castillo, Mayor
City of Elsa

ATTEST:

Arturo Guajardo,
Hidalgo County Clerk
Hidalgo County, Texas

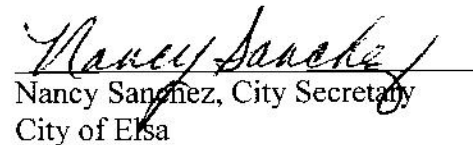

Nancy Sanchez, City Secretary
City of Elsa

EXHIBIT A

LOCKBOX INSTRUCTIONS

These Lockbox Instructions (Instructions) are given by the County of Hidalgo (County) to, and are hereby accepted by, First National Bank (Bank), a National Banking association.

Agreements:

In consideration of the mutual covenants herein expressed, the County hereby instructs Bank, and County and Bank agree as follows:

1. **Definitions:** As used in this Agreement, the following capitalized terms shall have the following meanings:

1. **Items** shall have the meaning set forth in the Lockbox Agreement.
2. **Tax Account** shall mean ad valorem tax accounts of any ad valorem taxpayer (s) of County
3. **Account Debtor** shall mean any person or entity obligated in respect of a Tax Account.
4. **Tax Account Payment** shall mean any payment made by or on behalf of any Tax Account.
5. **Lockbox** shall mean the lockbox described in the Lockbox Agreement of County and Bank.

2. Payment into Lockbox Account.

(a) From and after the date hereof, Tax Account Payments shall be mailed to the Bank by the Account Debtors and shall be addressed to the Lockbox. All Account Payments as are actually received by the Bank into the Lockbox shall be deposited on the day received in a suspense account in the name of the Tax Assessor-Collector of County, Such suspense account (s) are hereinafter referred to as the Lockbox Accounts. Within one business days following the date of deposit of funds in such suspense account, such funds shall be available to County and shall be available to County and shall be deposited into account(s) designated by the Tax Assessor-Collector of County.

(b) All invoices, collection notices, and other correspondence of County to each Account Debtor shall reflect that all Tax Account Payments then or thereafter made and returned by mail by Tax Account Debtors in respect of any Tax Account shall be mailed to the Lockbox.

3. **Access to Lockbox.** Bank shall have the sole and exclusive right to access the Lockbox.
4. **Schedule 1.** Schedule 1 is attached and incorporated herein at this point for all

purposes as constituting the services to be provided to County by Bank hereunder.

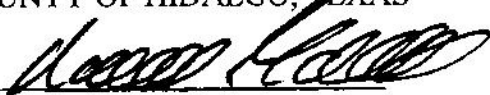
5. Amendments Neither these Instructions nor any provision hereof may be amended, changed or modified orally, except as provided in the Lockbox agreement, but may be amended, changed or modified only by an instrument in writing signed by County and the Bank.

IN WITNESS WHEREOF, these instructions are executed on the _____ day of _____ 2005, but are effective as of _____, 2005.

SIGNED FOR IDENTIFICATION:

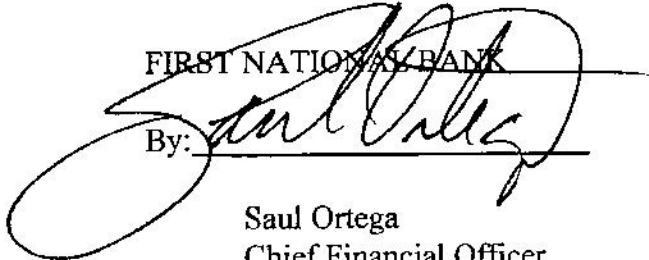
COUNTY OF HIDALGO, TEXAS

Approved by Commissioners' Court
on 5-10-05

By: 

Ramon Garcia, County Judge

FIRST NATIONAL BANK

By: 

Saul Ortega
Chief Financial Officer

Approved by Commissioners' Court on the 10th day of May, 2005

Approved As To Form:

Atlas & Hall, L.L.P.

By: 

Date: 8-9-05

Exhibit B

LOCKBOX PROCESSING AGREEMENT

In of the consideration of the mutual covenants and promises herein expressed, FIRST NATIONAL BANK, a national banking association with offices in Edinburg, Hidalgo County, Texas (Bank), and HIDALGO COUNTY, TEXAS (County), do hereby agree as follows:

ARTICLE I

Terms

The following terms shall have the meanings indicated:

- 1.1 Business Day - A day on which Bank is open for the general business of banking.
- 1.2 Instructions - A set of instructions, provided and executed by County and accepted by Bank, setting forth details as to how County desires Bank to handle items for county. One set of instructions shall be executed by County for each lockbox the County has with the Bank. A copy of instructions is attached hereto as Exhibit A
- 1.3 Items - Any and all checks, evidences of payments or accompanying documents delivered by U.S. mail or otherwise to lockbox (es)
P.O. Box 4290, Edinburg Texas, 78540-4290.
- 1.4 Lockbox Processing - Opening and handling of items by the Bank for County pursuant to the instructions.

ARTICLE II

Rights and Duties

- 2.1 Bank agrees to use its best efforts to perform Lockbox Processing for County in accordance with County's instructions on Business Days to perform the Lockbox Processing as described herein.
- 2.2 Bank will use its best efforts to handle items in accordance with the instructions specifically including, but not limited to, numbered paragraph 5 on Schedule I to the Lockbox instructions attached hereto as Exhibit A and return to County, pursuant to the instructions, those items which are not identified by the instructions as acceptable for processing:
- 2.3 Items which are checks or drafts for which Bank unsuccessfully tries to receive a credit will be charged back to County's account(s) specified in the applicable instructions, (unless otherwise specified in writing), and such items, if available, will be returned along with the debit advice, to County.
- 2.4 Checks drawn in foreign currency will be handled on an individual collection basis

only, and Bank assumes no risk of loss nor any liability which any party, including County, may suffer by virtue of any fluctuation(s) in exchange rates(s).

- 2..5 The term of this Agreement shall commence on the 10th day of May, 2005 , and shall terminate on the date of termination of that one certain Depository Agreement between the County and the Bank.
- 2.6 Bank shall indemnify County and hold County harmless for any act done or step taken or omitted by Bank or which in any manner may arise as a result of negligence by Bank or for any mistake in fact or law or for anything that Bank does or refrains from doing in connection with or as required by this Agreement.
- 2.7 Bank shall not be in default under this Agreement if Bank cannot perform its obligations hereunder due to the malfunction of the County's computer system, including both hardware and software, which malfunctions directly causes Bank to not fulfill its obligations under this Agreement. Bank shall not be responsible for the accuracy of tax statements mailed by County on written instructions given pursuant to this Agreement by County employees as authorized herein under paragraph 3.2.
- 2..8 In the event any Written Instructions relate to the processing of any items which are payable singularly or jointly to a person or entity other than County (Third Party), county expressly warrants that it has the authority and right to direct and control the funds presented by such items and that such authority and right has been expressly granted to it by such third Party and that County has the right and authority to direct the disposition of such funds.

ARTICLE III Miscellaneous

- 3.1 Each set of Instructions shall be effective as to one and only one lockbox of County with the Bank and shall remain in effect until this Agreement is terminated or until such instructions have been superseded by subsequent written instructions which have been agreed to by the Bank in writing.
- 3.2 Instructions may be executed by any one of the following and on behalf of County:

Name: Armando Barrera, Jr.	Title: Tax Assessor/Collector
Name: <u>Paul Villarreal</u>	Title: Chief Operations Manager
Name: <u>Yolanda Villescas</u>	Title: Tax Collection Manager
- 3.3 Bank will honor oral changes to instructions given by the persons authorized under 3.2 above, provided such oral modifications are valid for a period not to exceed one week (seven working days) and such instructions do not change the procedures specified in the Lockbox instructions attached hereto as Exhibit A. Within one week of the issuance of such oral modification, duly executed superseding instructions must be received by the Bank or the previous instructions, without the oral modifications, shall again be in full force and effect.

- 3.4 This Agreement may not be modified in any manner without the express written consent of both parties, except as provided for in Section 3.3 hereof.
- 3.5 Upon termination of this Agreement by expiration or otherwise, paragraphs 2.6 and 2.8 shall survive termination with respect to any action or inaction taken with respect to this Agreement prior to the effective date of termination.
- 3.6 Notices shall be in writing and either delivered in person or given by first class U.S. Mail and shall be deemed received two (2) business days after the postmarked date if given by mail.
- 3.7 Notice shall be addressed as follows unless otherwise designated in writing:

If to Bank: FIRST NATIONAL BANK
 P.O. Box 810
 Edinburg, Texas 78577
 Attn: Lock Box Department

If to County: COUNTY OF HIDALGO
 Attn: County Judge
 cc: Armando Barrera, Jr.
 Tax Assessor/Collector
 100 E. Cano, 2nd Floor
 Edinburg, Texas 78539

3.8 **Service Fees and Payment**, County shall pay the bank on a monthly basis, processing fees as follows:

Lock Box
 Schedule of Fees

Set up fee per Document Type:	No Charge
Set up fee for Mark Sense:	No Charge
Payment processing per coupon:	\$.25
Per Item Deposit:	No Charge
Mail Preparation:	No Charge
Annual Box fee:	Cost
Monthly Maintenance fee:	\$100
Exception Item: (if automated)	\$.25
Complete manual entry	\$1.00
CD-ROM:	\$10 per CD
File Transmission:	\$10 per Transmission
Foreign Item Collection:	Cost
LockBox Research:	Not Applicable

- 3.9 This Agreement incorporates by reference any and all agreements set forth on the signature cards for the accounts referenced herein or in any applicable written instructions and any and all reasonable rules or regulations now or hereafter promulgated by Bank which relate to the type of accounts referenced herein or referenced in any applicable written instructions. In the event of a conflict, the terms of this Agreement shall be controlling.
- 3.10 This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, except as Federal Law may otherwise apply.
- 3.11 Venue for any and all purposes under this Agreement shall be in Hidalgo County, Texas.
- 3.12 The undersigned represents and warrants that he/she has the requisite and necessary authority to execute this Agreement on behalf of County and that all necessary action has been take to authorize this Agreement and that this Agreement upon execution shall be a binding obligation of County.

EXECUTED this ___ day of ___, 2005, in Hidalgo County, Texas, but effective as of the date first set forth in paragraph 2.5 above.

Approved by Commissioners' Court
on 5-10-05 *AK*

COUNTY OF HIDALGO

By: *Ramon Garcia*
Ramon Garcia, County Judge

ATTEST:

By: *Juan D. Salinas III*
Juan D. Salinas, III, County Clerk

FIRST NATIONAL BANK

By: *Saul Ortega*
Saul Ortega, Chief Financial Officer

Approved by Commissioners' Court on the 10th day of May, 2005

Approved As To Form:

Atlas & Hall, L.L.P.

By: *AH* _____

Date: 8-9-05 _____

SERVICES

In accordance with the Lockbox Processing bid specifications and requirements, First National Bank propose the following:

- 1) The following definitions shall apply to these specifications:
 - a) Hits, Shorts, Overs, Partial Pymts ---Check and tax statement amounts match
---Current tax year
---Payable to: Armando Barrera, Jr.,
Tax Assessor/Collector
 - b) Multiples ---One check to pay several statements
---Several checks to pay one statement
 - c) Hits, Shorts, Overs, Partial Pymts, ---Customer requests a receipt, and qualifies
W/receipt requested. Place in all documents will be stapled to its different batch
corresponding envelope, dated and forwarded to Tax Assessor/Collector's Office for
processing
- 2) The Bank will have total jurisdiction of a Post Office box from approximately from May 10, 2005 to May 9, 2007 of the following year.
- 3) The County anticipates the bank will receive approximately 100,000 tax account payments through the Lockbox Processing.
- 4) The following steps, (not necessarily in the order shown) will be performed daily by the bank:
 - a) Mail Pick-up
 - b) Opening the mail
 - c) Sorting the mail;
 - d) Totaling the tax statements considered Hits, Shorts, Overs, Partial Payments
 - e) Batching
 - f) Filming of batches
 - g) Posting of payments
 - h) Delivery of completed work
- 5) That Bank proposes to process each statement under the following guidelines:
 - a) Insure that each check is properly endorsed and made payable to Armando Barrera, Jr.
Tax Assessor Collector.
 - b) That each statement contains the taxpayer's identification number, tax years and
amount due.
 - c) Only current tax payments will be processed, if over, system will default to delinquent

years, or refund. If short, will be applied as a partial payment. Partial Payments should be accepted.

- d) Exception (miss) statements such as: altered, receipt requested, incorrect tax year, any letter to the County; these types of statements will be segregated, dated, and given back to the Tax Assessors office for processing..
 - e) The Bank agrees to have in operation the following equipment:
 - 1) (2) Internet capable PC's that can VPN to Tax Office System
 - 2) Receipt Printers
 - 3) Report Printer (Laser Optional)
 - f) The bank also agrees to incur reasonable software and programming costs, to allow the bank access to County computer system for account purposes. The bank will be allowed to discuss any additional programming with the County vendor to minimize cost and receive the program in a manner, which provides service and reporting to both the bank and County.
 - g) The Bank will make its best effort to post all payments each day.
 - h) After receipt of processing, bank will deposit the tax payments directly into a Tax General account in the Tax Assessor/Collector's name. The total funds deposited will be logged daily. On the business day of the deposit, the bank shall make these funds available to the County.
 - i) The Bank will forward the posted tax statements and deposit receipts to the County the next business day.
 - j) Any and all daily reports furnished by the Bank will be those reports which are made available through the County's software.
 - k) The bank will furnish the County weekly CD's of all checks and coupons imaged.
6. Bank must accept tax payments over the counter at all bank locations during collection period of October 1 thru January 31st.

*The bank shall obtain further equipment as is necessary to perform the task hereunder.