

Position 3

Form RD 1942-46  
(Rev 6-98)

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
FARM SERVICE AGENCY

FORM APPROVED  
OMB NO. 0575-0015

### LETTER OF INTENT TO MEET CONDITIONS

Date JUN - 2 2008

TO: United States Department of Agriculture

USDA- Rural Development

(Name of USDA Agency)

2514 S. I. Road Suite 4  
Edinburg, TX. 78539

(USDA Agency Office Address)

We have reviewed and understand the conditions set forth in your letter dated JUN - 2 2008 it is our intent to meet all of them not later than 180 Days

County of Hidalgo

(Name of Association)

BY Juan D. Salinas III

Juan D. Salinas III, COUNTY JUDGE

(Title)

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Edinburg Sub-Area Office

**LETTER OF CONDITIONS**

JUN - 2 2008

The Honorable Juan D. Salinas, III  
County Judge, Hidalgo County  
100 E. Cano, 2<sup>nd</sup> Floor  
Edinburg, Texas 78539

Dear Judge Salinas:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application and which must be met before the loan can be closed. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to, and approved by, USDA Rural Development by written amendment to this letter. Any changes not approved by USDA Rural Development shall be cause for discontinuing processing of the application.

This letter is not to be considered as loan approval or as a representation as to the availability of funds. The docket may be completed on the basis of a loan in the amount of \$225,000 and a grant in the amount of \$46,308.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing. A written request should be submitted to USDA Rural Development staff at least 15 calendar days before loan closing, if the County does not want the interest rate changed to the rate at loan closing. The loan and/or grant will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to the County.

The loan will be scheduled for repayment over a period not to exceed 10 years. A cash reserve fund will be established in an amount equal to one annual installment. This amount will be reached by making monthly deposits, which will accumulate at the rate of one-tenth of the total annual installment each year. The reserve account is to assure that payments will be made on time and for emergency situations that may arise. This account will be established in a separate interest bearing account, or accounts, at a Federally insured financial institution.

Following are the conditions that must be understood, agreed to, and met.

**1. USE OF THE FACILITY**

The funds will be used to purchase two first responder trucks and one first responder crime scene unit for the County Sheriff Department. These vehicles will be used to respond to emergencies and crime scenes in rural areas of Hidalgo County.

**2. CONTRIBUTION BY APPLICANT AND REPAYMENT SCHEDULE**

- A. The applicant will be required to contribute \$93,096, which will be considered as the first funds expended and prior to Rural Housing Service (RHS) grant fund utilization.
- B. After providing for all authorized costs, any remaining Rural Housing Service (RHS) project funds will be considered RHS grant funds and refunded to RHS
- C. Principal payments will not be deferred after loan closing. Payments on this loan will be paid to RHS annually as set out on Form RD 440-22, "Promissory Note," to be executed at loan closing.
- D. Form RD 3550-28, "Authorization Agreement for PreAuthorized Payments," must be executed for this loan, as well as all existing loans. A copy of this agreement should be forwarded to the State Office.
- E. In the event a paying agent agreement is entered into, USDA Rural Development is not a party to this agreement; therefore, the requirements defined in the bond ordinance take precedence over the paying agent agreement.

The County will be responsible for payment of interest that accrues due to bond redemption notification issues, whether the improper notification lies with the borrower or the paying agent.

The County must communicate directly with USDA Rural Development when the County redeems bonds. The District should contact the Local USDA Rural Development office prior to delivery of funds to the paying agent, or deliver funds directly to USDA Rural Development.

**3. LOAN/GRANT DISBURSEMENTS**

- A. The Debt Collection Improvement Act (DCIA) of 1996 requires that, effective January 1999, all Federal payments must be made by Electronic Funds Transfer/Automated Clearing House (EFT/ACH). A benefit of receiving payments by EFT/ACH is that funds are directly deposited to the County's account at a financial institution and are available on the date of payment.

- B. The County will complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by USDA Rural Development at least thirty (30) days prior to loan closing.
- C. Cash advances should coincide with cash needs. If RHS grant funds are not disbursed immediately upon receipt, excess funds must be deposited into an interest bearing account, if possible. Interest earned of \$100 or more per year must be returned to USDA Rural Development at least quarterly.

**4. GRANT AGREEMENT**

- A. Attached is a copy of Form RD 3570-3, "Community Facilities Grant Agreement," for your review. You will be required to execute the agreement at the time of grant closing and before grant funds are advanced.
- B. The grantee understands that any property acquired or improved with Federal grant may have use and disposition conditions which apply to the property as provided by 7 CFR parts 3015, 3016, or 3019 in effect at this time and as may be subsequently modified.
- C. The grantee understands that any sale or transfer of property is subject to the interest of the United States Government in the market value in proportion to its participation in the project as provided by 7 CFR parts 3015, 3016, or 3019 in effect at his time and as may be subsequently modified.

**5. SECURITY REQUIREMENTS**

- A. Certificates of Obligation backed by ad valorem taxes in the amount of \$225,000, will be delivered to USDA Rural Development, made payable to the United States of America.
- B. The principal repayment schedule should be in the amount best adapted to making principal retirement and interest payments which closely approximate equal installments of combined interest and principal.
- C. The Bond Ordinance must contain the following:
  - 1. A clause to the effect that, in the event any Bond is mutilated, destroyed, lost or stolen, any security or indemnity as may be required by the Issuer and Registrar from the registered owner applying for the replacement Bond shall not be required from the United States of America as long as it is holder of the Bonds.
  - 2. The attached "Loan Program Requirements and Documents to Control," revised 6-10-02, and "Minimum Requirements for Bond Counsel Opinions," revised 10-9-02, as prepared by the Office of General Counsel, must be included without change.

- D. Attached is Form RD 1910-11, "Applicant Certification - Federal Collection Policies For Consumer or Commercial Debts." This form must be executed prior to loan closing.
- E. Attached is a copy of Form RD 3570-3, "Community Facilities Grant Agreement," for your review. You will be required to execute the agreement at the time of grant closing.
- F. Grantee understands that any property acquired or improved with Federal grant funds may have use and disposition conditions that apply to the property as provided by 7 CFR parts 3015, 3016, or 3019 in effect at this time and as may be subsequently modified.
- G. The grantee understands that any sale or transfer of property is subject to the interest of the United States Government in the market value in proportion to its participation in the project as provided by 7 CFR parts 3015, 3016, or 3019 in effect at his time and as may be subsequently modified.

**6. ORGANIZATION**

- A. The County will continue to operate under the general laws of the State of Texas.
- B. You must furnish a complete list of all elected officials.
- C. The County authorized official must approve the Operating Budget prior to funding approval.
- D. The applicant must adopt a Grant Resolution authorizing the Judge to execute the grant agreement.
- E. The County will adopt Form RD 1942-9, "Loan Resolution Security Agreement."

**7. REPORTING REQUIREMENTS**

The County hereby agrees to provide quarterly and annual reports (an audit) as required per Form RD 3570-3, "Community Facilities Grant Agreement," and as set forth in RD Instruction 1942-A, Section 1942.17(q).

**8. COMPLIANCE REQUIREMENTS**

- A. This loan is subject to the Federal Civil Rights and Equal Opportunity laws. The County must agree to comply with these requirements by executing Forms RD 400-4, "Assurance Agreement," and RD 400-1, "Equal Opportunity Agreement." These forms should be returned with the Letter of Intent to meet Conditions.

- B. The loan is subject to the provisions of Section 504 of the rehabilitation Act of 1973, as amended (29 U.S.C. Section 794). It provides, in part, as follows:

*"No handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."*

- C. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Cover Transactions," must be executed to certify that the County is not debarred or suspended from Government assistance.
- D. The grant is subject to the provisions of the Drug Free Workplace Act of 1988. The grantee must certify to USDA Rural Development that it will provide a drug free workplace. As a prior condition of being awarded a grant, the grantee shall make certification, by execution of Form AD-1049, that the provisions of the Act will be complied with.
- E. You must obtain a certification for any contract in excess of \$25,000 on Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transactions," from any person or entity you do business with as a result of this Government assistance that they are not debarred or suspended from Government assistance.

9. **INSURANCE AND BONDING**

- A. The ~~healthcare facility~~<sup>vehicles</sup> will be covered, as appropriate, by liability insurance that provides for replacement/repair of the facility in an amount no less than your debt to USDA Rural Development. Copies of all insurance policies will be obtained prior to loan closing and made part of the loan docket.

**Copies of all insurance policies will be obtained prior to loan closing and made part of the loan docket.**

- B. Fidelity or employee dishonesty bonding coverage will be provided to USDA Rural Development for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of the coverage required will be no less than the total annual debt service requirement for all RHS loans. Form RD 440-24, "Position Fidelity Schedule Bond," may be used. A copy of the policy will be furnished to USDA Rural Development at loan closing.

13. **PUBLIC INFORMATION REQUIREMENTS**

The applicant will be required to inform the general public regarding the development of this project. A public meeting must be held prior to loan approval to give the citizens an opportunity to become acquainted with the project and to comment on such items as economic and environmental impact, service area, and alternatives to the project. At least ten (10) days prior to the meeting, the applicant will be required to publish a notice of the meeting in a newspaper of general circulation in the service area, to post a public notice at the applicant's principal office, and to notify USDA Rural Development. The applicant will provide USDA Rural Development a copy of the published notice and minutes of the public meeting.

You must comply with the closing instructions issued by USDA Rural Development.

An additional copy of this letter and attachments are for your use. One copy should be furnished to your attorney. Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if your desire further consideration be given your application.

If the conditions set forth in this letter are not met within 180 days from the date hereof, USDA Rural Development reserves the right to discontinue the processing of the application.

Sincerely,

JAKE SHEERAN  
Area Director

Attachments