

THE STATE OF TEXAS
COUNTY OF HIDALGO

§
§
§

CITY OF EDINBURG

INTERLOCAL AGREEMENT

In consideration of the covenants set forth herein, and subject to the terms and conditions herein, the Parties (as defined below) hereby agree to the terms and conditions of this Agreement (as defined below).

I. PARTIES & INDEX

A. Parties

1. THIS INTERLOCAL AGREEMENT (the "Agreement") is made by and between the CITY OF EDINBURG, TEXAS (hereafter referred to as "City"), a Texas General Law City, acting through its City Manager pursuant to Ordinance 2013-3693 passed and approved by the City Council on November 9, 2013, HIDALGO COUNTY (hereafter referred to as "County"), a political subdivision of the State of Texas, and REINVESTMENT ZONE NUMBER FOUR, CITY OF EDINBURG, TEXAS, a reinvestment zone created by the City pursuant to Chapter 311 of the Texas Tax Code, (hereafter referred to as the "Zone", as hereafter defined) acting by and through its duly authorized Board of Directors, established to administer, manage, and/or operate the Zone pursuant to Sections 311.009(b) and 311.010, Texas Tax Code ("Zone Board"). Collectively, the City, County, and Zone may be referred to as the "Parties". This Agreement is made pursuant to Chapter 791, Texas Government Code and Chapter 311 of the Texas Tax Code for the participation of City and County in the Edinburg City Development Project.

2. The initial addresses of the Parties are listed below. Each party may designate a different address by giving the City, County, Zone Board and County Auditor at least ten (10) days prior written notice.

CITY:

City of Edinburg
916 S. Mike Chapa
Edinburg, Texas 78562
Attention: Richard H. Garcia, Mayor

COUNTY:

County of Hidalgo
302 W. University Drive
Edinburg, Texas 78540
Attention: Ramon Garcia, Hidalgo County Judge

With Copy to:

Zone Board :

City of Edinburg – TIF Reinvestment
Zone #4

Edinburg, Texas _____
Attention: Richard H. Garcia, Chairman

With Copy to:

HIDALGO COUNTY AUDITOR:

Hidalgo County Auditor
2808 South Business Hwy 281
Edinburg, Texas 78539
Attention: Attention: Ray Eufrazio, CPA

B. Index

This Agreement consists of the following sections:

<u>Section</u>	<u>Description</u>	<u>Page</u>
I.	Parties	1
II.	Definitions	2
III.	Background	4
IV.	Rights and Obligations of County	4
V.	Rights and Obligations of City and Zone	9
VI.	Term and Termination	10
VII.	Miscellaneous	11
Exhibit "A"	Project Plan	
Exhibit "B"	City of Edinburg Ordinances	

C. Parts Incorporated

All of the above-described exhibits are hereby incorporated into this Agreement by this reference for all purposes.

II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set out below:

1. "Administrative Costs" means reasonable costs directly incurred by a Participating Taxing Entity (as hereinafter defined) related to its agreement to participate in the development of the Zone, as described in this Agreement. These costs include, but are not limited to, costs and expenses for legal review and financial analysis related to the Zone incurred prior to entering into this Agreement, as well as any such costs and expenses incurred after this Agreement becomes effective. The aggregate Administrative Costs over the life of the Zone are estimated to be _____ dollars (\$____,000). The only taxing entity to receive administrative expenses is the County.
2. "Agreement" means this Interlocal Agreement.
3. "Agreement Term" has the meaning set forth in Section VI.A. below.
4. "Applicable M&O Tax Rate" means for any given year the lesser of (i) the Base Year County M&O Tax Rate and (ii) the M&O Tax Rate for the given year.
5. "Available Tax Increment" shall mean the "Tax Increment," as defined below, less the Administrative Costs of the County.
6. "Captured Appraised Value" means the captured appraised value of the Zone, as defined by Section 311.012(b), Texas Tax Code (and as said Code may be amended from time to time); e.g., the total appraised value in a given year of all real property taxable by a participating taxing entity and located in the Zone for that year less the total appraised value of that property in 2013, the base year of the Zone.

7. “City” has the meaning set forth in Section I.A.1 above, and includes its successors and assigns.
8. “County” has the meaning set forth in Section I.A.1 above.
9. “County M&O Tax Rate” means that portion of the ad valorem tax rate used by the County for Maintenance and Operation. The County M&O Tax Rate may change from time to time. The County M&O Tax Rate as of January 1, 2013 (the Base Year), was \$0.5225 per \$100 dollars of valuation on the Captured Appraised Value and may be changed by the County during the term of the Zone.
10. “Maximum County Contribution” has the meaning set forth in Section IV.A.1 below.
11. “Participating Taxing Entity” or “Participating Taxing Entities” means, singularly, a taxing unit participating in the Zone, and collectively, two or more taxing units participating in the Zone, and may include City and County.
12. “Parties” has the meaning given such term in Section I.A.1 above.
13. “Project” refers to the City of Edinburg Proposed Public Improvements identified in the Project Plan.
14. “Project Costs” means the items set forth and described in Section 311.002(1), Texas Tax Code, that are included in the Project Plan for the Project. The Project Costs include, but are not limited to, public infrastructure improvements and related capital costs; including streets; streetlights; drainage; gas, water and sewer utilities; sidewalks; landscaping; and related facilities; railroad facilities; fencing; and rights-of-way.
15. “Project Plan” means the Final Project Plan and Financing Plan for Reinvestment Zone Number Four, City of Edinburg, Texas, Edinburg, Texas Arena Development Program January 15, 2015 as adopted by the Board of Directors of the Zone on January __, 2015 and approved by the City Commission of the City on _____, 2015 and attached hereto as Exhibit “A”.
16. “Tax Increment” for a Participating Taxing Entity means the total amount of ad valorem taxes levied and collected each year by that Participating Taxing Entity each year on the Captured Appraised Value of taxable real property in the Zone. Further, with respect to the County, this term shall be further limited to the total amount of ad valorem taxes levied and collected only on behalf of the County each year.
17. “Tax Increment Base” means the total appraised value of all real property taxable by a Participating Taxing Entity and located in the Zone as of January 1, 2013, the year in which the Zone was designated.
18. “Tax Increment Fund” means the tax increment fund created by the City for the deposit of Tax Increments for the Zone, entitled “Reinvestment Zone Number One City of Edinburg, Texas Tax Increment Fund”.
19. “Tax Increment Payment” means the amount of the Tax Increment that a Participating Taxing Entity is required to deposit annually into the Tax Increment Fund in accordance

with this Agreement and the Project Plan.

20. The "term of the Zone" has the meaning set forth in Section III.A below.
21. "TIRZ#1" means Reinvestment Zone Number One, City of Edinburg.
22. "Transportation Zone" means Transportation Reinvestment Zone Number Two, Hidalgo County.
23. "Zone" means Reinvestment Zone Number Four, City of Edinburg, the description of which is contained in Exhibit "B", attached hereto.
24. "Zone Board" has the meaning set forth in Section I.A.1 above.

III. BACKGROUND

A. The City Commission of City OF Edinburg on October 15, 2013, expressed the City's intent to create a tax increment financing reinvestment zone by approving Resolution 2013 -_____ to support revitalization activities for the Zone, by entering an "Agreement For Services" with TIF Service of South Texas. On November 19, 2013, the City Council of the City passed and approved Ordinance 2013-3697, which created the Zone and Ordinance 2013-3693 appointing a board of Directors for the Zone. The Zone will provide funding for public improvements within the Zone. The Zone is projected to terminate on December 31, 2045, unless earlier termination occurs under this Agreement (the "term of the Zone"), but the County's participation in the Zone, including all obligations of the County to make Tax Increment Payments will be construed as if the term of the Zone ended on December 31, 2045.

B. The City approved the Project Plan on January __, 2015. The City and the County agree to participate in the Zone and to deposit their respective Tax Increment Payments to the Tax Increment Fund, in accordance with the terms, and in consideration for the agreements, set forth herein. The Tax Increment Fund was authorized by Ordinance No. 2015- ____ attached hereto as Exhibit "B." The County hereby acknowledges receipt of notice of the initial creation of the Zone. The City represents and warrants that it complied with all legal requirements and notice requirements in the creation of the Zone.

C. The Parties hereto agree that, other than bonds or notes issued pursuant to §311.015 of the Texas Tax Code, no tax-supported public debt instrument will be issued by the City or the Zone Board to finance any costs or improvements on the Project.

D. Based on information submitted to the County by the City and the Zone, the County has determined that pursuant to Section VI.3.a.i. the Amended and Restated Tax Increment Reinvestment Participation Policy for Hidalgo County special circumstances exist with respect to the Project and the County in its discretion is opting to participate at 100% of the Applicable M&O Tax Rate, subject to the terms and conditions contained herein.

E. The City previously created TIRZ#1. While the Project is not within TIRZ#1, in accordance with Section 311.010(b) of the Texas Tax Code, TIRZ#1 is authorized to use tax increment revenues generated within TIRZ#1 to pay the costs of providing "areas of public assembly," such as the Project, in or out of the TIRZ#1. Pursuant to authority granted in Section 311.011(e) of the Texas Tax Code, on January 20, 2015, the City Council of the City approved Ordinance No. 2015-_____ for the purpose of amending the final project and reinvestment zone financing plan related to TIRZ#1 to incorporate being

able to use tax increment payments generated within TIRZ#1 to support the financing related to the Project in the Zone.

IV. RIGHTS AND OBLIGATIONS OF THE COUNTY

A. Tax Increment Participation by the County

1. Subject to the limitations set out in this Agreement, the County agrees to participate in the Zone by contributing to the Tax Increment Fund an amount equal to 100% of the revenue generated from the Available M&O Tax Rate as assessed and collected on the tax increment for the respective tax year. In no event shall the County contribution to the Tax Increment Fund be greater than _____ dollars (\$_____) (the "Maximum County Contribution"), over the life of the Zone (which for purposes of this provision will be deemed to end no later than December 31, 2045) beginning with the 2016 tax year (no tax increment shall be payable by the County for any prior tax year).

2. The Parties hereto agree that the County's contribution to the Tax Increment Fund shall be used to fund Project Costs including construction of public infrastructure improvements to support the development and revitalization efforts in the Zone. The County's contributions to the Tax Increment Fund shall end when (a) it has contributed the Maximum County Contribution, or (b) when it has made contributions of all Tax Increment Payments, as specified in the Project Plan, attributable to all periods through the end of the County's fiscal year 2045 (ending on December, 2045), or (c) when the City and County have contributed an aggregate of Twenty Nine Million, Seven Hundred Eighty Five Thousand, Four Hundred Sixteen dollars (\$29,785,416) to the Tax Increment Fund, including any amounts contributed to the Project from TIRZ#1, whichever occurs first.

B. Tax Increment Payment

1. a. County's obligation to contribute its Tax Increment Payment to the Tax Increment Fund, as provided in Section IV.A of this Agreement, shall accrue as the County collects its Tax Increment. The Parties hereto agree that all ad valorem property taxes collected each year by the County that are attributable to real property in the Zone shall first constitute taxes on the Tax Increment Base and after the total amount of taxes on the Tax Increment Base have been collected, then the remaining ad valorem taxes collected shall constitute the Tax Increment.

b. County agrees to deposit its first Tax Increment Payment to the Tax Increment Fund for tax year 2015 by the later of (i) all tax accounts having been coded by the Hidalgo County Appraisal District, the Hidalgo County Tax Office having received the list of tax accounts, collection reports having been provided to the Hidalgo County Auditor's Office, and the information required under Section 311.016 of the Tax Code having been provided to the County, (ii) May 1st, 2016, and (iii) 30 days after the full execution and delivery of this Agreement by all Parties. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received up to January 31, 2016, but only for tax year 2015.

c. For subsequent payments, the County agrees to contribute its yearly Tax Increment Payment to the Tax Increment Fund annually not later than the 90th day after the delinquency date for the County's property taxes (or the first business day thereafter) following the end of each tax year. The amount of each Tax Increment Payment shall be based on the Tax Increments that are

received up to January 31st following the end of the tax year, but which have not been previously deposited in the Tax Increment Fund, during the annual periods preceding each deposit date.

d. Under no circumstances shall the County be required to participate in the Zone with taxes attributable to periods after 2045.

e. Administrative Costs in the amount of one thousand dollars (\$1,000) per year will be reimbursed to the County by deduction from the annual payment made to the Tax Increment Fund (with any Administrative Costs in excess of such amount being reimbursed to the County pursuant to Section V.3. below, not to exceed an aggregate amount of _____ thousand dollars (\$__,000).

f. The City shall request collection reports from the Hidalgo County Tax Assessor Collector and provide a copy of these reports along with a payment request detailing the payment calculation as illustrated in the chart in subsection g. below to the County one month prior to a payment required to be made under this Agreement.

g. The chart below is an example of the calculation of the County's Tax Increment Reinvestment Zone payment amount.

Tax Increment Reinvestment Zone (TIRZ) Payment Calculation	EXAMPLE
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$ 100,000.00
<i>(Multiplied by)</i> Hidalgo County Current (GHD) Tax Rate (.59/100)	0.0059
GHD Actual Tax Levy for all real property tax accounts located within the TIRZ	\$ 590.00
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$ 100,000.00
<i>(Less)</i> Base Year Real Property Certified Appraised Value for Tax Accounts located within the TIRZ (Provided by HCAD)	\$ 10,000.00
Captured Appraised Value	\$ 90,000.00
Captured Appraised Value	\$ 90,000.00
<i>(multiplied by)</i> Contribution Rate (Available M&O Tax Rate) (.51/100)	0.0051
Tax Levy Due to TIRZ	\$ 459.00
TIRZ Collections (for February 1 through January 31) as per Collections Reports provided by Hidalgo County Tax Office	\$ 300.00
<i>(divided)</i> GHD Actual Tax Levy for all Real Property tax accounts located within the TIRZ	\$ 590.00
Percent Collected of Actual Levy	50.85%
Tax Levy Due to TIRZ	\$ 459.00
<i>(Multiplied by)</i> Percent Collected of Actual Levy	50.85%
TIRZ PAYMENT AMOUNT	\$ 233.39

2. One month prior to a payment required under Section IV.B. of this Agreement, the City shall provide to the County an updated fact sheet that includes detail as to what portion of the Project has been completed to date, a schedule of what portion of the Project is to be completed in the following year and a current roster of the Zone's board members, including the term of each board member, the entity that appointed the board member, the date for the next annual meeting and a formal request for payment. In addition to and as part of the City's fact sheet, the City shall supply the County with all information as required under Section 311.016 of the Texas Tax Code on or before the 90th day following the end of the fiscal year of the City.

3. In the event there is a conflict between the Parties in regards to the amount of the Tax Increment owed by the County, the Hidalgo County Auditor will make the final determination as to the amount of any Tax Increment owed by the County under this Agreement. The annual Captured Appraised Value for the real property contained within the Zone shall be determined by the Hidalgo County Appraisal District on the assessed appraised values and the Hidalgo County Tax Offices' verification of collections in regards to the real property contained with the Zone. If the certified taxable value changes after the initial tax increment payment has been made, the change in value will not be included in the tax payment in the upcoming years.

4. Any delinquent deposit by the County of a Tax Increment Payment under this Agreement shall be administered as provided in Sections 311.013(c) and 311.013(c-1) of the Texas Tax Code, which states as follows:

"(c) Notwithstanding any termination of the reinvestment zone under Section 311.017(a) and unless otherwise specified by an agreement between the taxing unit and the municipality or county that created the zone, a taxing unit shall make a payment required by Subsection (b) [Tax Increment Payment] not later than the 90th day after the later of:

(1) the delinquency date for the unit's property taxes; or

(2) the date the municipality or county that created the zone submits to the taxing unit an invoice specifying the tax increment produced by the taxing unit and the amount the taxing unit is required to pay into the tax increment fund for the zone.

(c-1) A delinquent payment incurs a penalty of five percent of the amount delinquent and accrues interest at an annual rate of 10 percent."

The Parties expressly agree that the County shall not owe any penalty or interest on Tax Increments attributable to taxes that have been levied, but not received by the County. Further, the County shall not be liable for the payment of any penalties or interest if the fact sheet and payment request required under Section IV.B.2 and the report required under Section 311.016 of the Texas Tax Code are not timely submitted to the County or in any situation in which the City is not obligated to pay penalties and interest.

5. The City and the Zone agree to comply with the Project Plan. The City and the Zone agree to provide prior written notice to all Participating Taxing Entities of a proposed material change (by which is meant any change that would constitute at least a twenty percent (20%) increase or decrease in either the Project Cost or the scope and scale of the Project) to the Project Plan; provided that any

change that is not approved by the County shall not change the amount of Tax Increment Payments due from the County. The City shall have the right to amend and modify the Project Plan without providing prior written notice to the Participating Taxing Entities so long as such amendment or modification does not constitute a material change.

6. If the City materially breaches this Agreement, then a Participating Taxing Entity may provide written notice to the City and the Zone (with a copy to any other Participating Taxing Entity still contributing Tax Increment Payments) stating its intent to terminate its participation in the Zone and detailing its objection(s) or concern(s). If the objections and/or concerns, as set out in the notice, are not resolved within 90 business days from the date of such notice, then County may discontinue its Tax Increment Payments and terminate its participation in the Zone.

7. Except for contributing its respective Tax Increment Payments to the Tax Increment Fund as set out in this Agreement, the County shall not have any obligation or responsibility for any costs or expenses associated with the development of the Zone or the implementation of the Project Plan, including, without limitation, any obligation to pay or repay any bond or other debt issued by another Participating Taxing Entity, the Zone or the Zone Board relating to the Zone or any costs associated with the operation of Zone, the Project or any other projects relating thereto.

8. Notwithstanding anything herein to the contrary, the County's total Tax Increment Payment to the Tax Increment Fund over the term of the Zone shall not the Maximum County Contribution, plus any applicable penalty, which penalties are, to the extent permitted by applicable law and/or interest allowed in Section 311.013 of the Tax Code, subject to the limitations in Section IV.B.4.

9. a. *General Provisions.* Subject to the provisions of this Agreement,, the County agrees to participate at one hundred percent (100%) of the Applicable M&O Tax Rate per \$100 valuation on the Captured Appraised Value) of real property in the Zone. [The City represents and warrants that none of the real property in the Zone is in the Transportation Zone.]

b. *Transportation Zone Overlap.* Notwithstanding anything to the contrary contained herein, in the event any of the property within the Zone is also within the Transportation Zone, during any period with respect to which the County is obligated to pay part of the tax increment on such real property in the Zone to the Transportation Zone, in lieu of the 100% of Applicable M&O Tax Rate specified above, the County contribution to the Zone with respect to real property that is within the overlap between the Transportation Zone and the Zone shall not exceed fifty percent (50%) of the Applicable M&O Tax Rate.

c. *Greater County M&O Tax Rate.* If the County M&O Tax Rate for any given year is greater than the Applicable M&O Tax Rate per \$100 valuation on the Captured Appraised Value during any year during the term of the Zone, the County shall retain all taxes collected in excess of the Applicable M&O Tax Rate per \$100 valuation on the Captured Appraised Value and to the extent any such excess has been contributed into the Tax Increment Fund, such excess shall be promptly refunded to the County.

10. County taxes that are delinquent for more than five years will be considered uncollectible and shall not be included in the tax increment payment.

11. Upon the occurrence of any event that allows the City to terminate hereunder, the County shall have the right to withhold tax increment payments under this Agreement until such time as such event is cured, and the County shall not incur any penalties or interest with respect to any such withheld payments notwithstanding any provision herein to the contrary.

C. Management of the Zone

1. The Zone shall in all respects be managed by the Zone Board, including the Director appointed by the County. The Zone Board shall have all powers allowed under Chapter 311 of the Texas Tax Code to manage the Zone and carry out the Project and Finance Plan. The Participating Taxing Entities, during the term of this Agreement, may inspect the Project site and review Project plans and drawings at times and intervals that will not interfere with ongoing operations.

2. The Zone Board shall be composed of five (5) members, as allowed under Section 311.009(b) of the Texas Tax Code. The County shall have the right to appoint _____ members of the Zone Board.

D. Expansion of the Zone

Notwithstanding anything to the contrary contained herein, the obligation of the County to participate in the Zone is limited to the description of the Zone in Exhibit "B" attached hereto and is subject to the terms of this Agreement. The County's participation shall not extend to the Tax Increment on any additional real property added to the Zone by the City unless the County approves such participation in writing.

V. RIGHTS AND OBLIGATIONS OF CITY AND ZONE

A. Tax Increment Participation by the City

Subject to the terms of this Agreement and the City agrees to participate in the Zone by contributing to the Tax Increment Fund _____ percent (____) of its Tax Increment each year during the term of this Agreement, beginning with the 2015 tax year. The City's contributions to the Tax Increment Fund shall end when the City has contributed the all Tax Increments attributable to periods before the Zone termination date in 2045.

B. Tax Increment Payment

1. The City's obligation to contribute its Tax Increment Payment to the Tax Increment Fund as provided above in Section V of this Agreement shall accrue as the City collects its Tax Increment. The City agrees to deposit its first Tax Increment Payment to the Tax Increment Fund for tax year 2015 by May 1, 2016. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received through January 31, 2016, but only for the tax year 2015 beginning January 1, 2015. For subsequent Tax Increment Payments, the City agrees to contribute its Tax Increment Payment to the Tax Increment Fund semi-annually on or before March 10th and August 10th (or the first business day thereafter) of each tax year. Any delinquent deposit of a Tax Increment Payment by the City under this Agreement shall be administered as provided in Sections 311.013(c) and (c-1) of the Texas Tax Code (or its successor provision).

2. The County, the City and the Zone expressly agree that the County and the City shall not owe any interest on Tax Increments that have been levied, but not received by the County or the City by the delinquency dates specified herein.

C. Financing of Project Costs

Each Participating Taxing Entity shall participate in the payment of Project Costs only to the extent described herein. The City and the Zone shall be entitled to enter into any other agreements for the City or the Zone to pay Project Costs and other reasonable expenses from the Tax Increments paid into the Tax Increment Fund without the consent of any other Participating Taxing Entity, but they will provide notice of such agreement(s) to each Participating Taxing Entity.

D. Disbursement of Funds in the Tax Increment Fund

1. Each Participating Taxing Entity agrees the Zone Board shall administer the Tax Increment Fund on behalf of the Zone, pursuant to Ordinance No. 2015-____ passed and approved by City Commission of the City on _____, 2015, and the Project Plan approved pursuant to Ordinance 2015-____ passed and approved by City Commission of the City January _____, 2015. No funds shall be disbursed from the Tax Increment Fund without the prior written approval of the Zone Board, and notice of use and disbursement of funds by the Zone shall be given at least annually to the County.

2. The parties agree and understand that under no circumstances shall reimbursable Administrative Costs exceed, in the aggregate, the amount set out and described in Section 11.1 above over the term of the Zone.

3. In addition to Project Costs and any other allowable costs, the City and Zone represent and warrant that they will use funds in the Tax Increment Fund to pay annual expenditures in the following order or priority of payment: (i) payment of any debt service on any Bonds issued with respect to the Zone under Section 311.015 of the Texas Tax Code; and (ii) to reimburse Administrative Costs incurred by the County to the extent not previously recouped by the County as a reduction to the annual Tax Increment Payment. City acknowledges that the only entity to receive Administrative Costs is County.

E. Implementation of Project Plan.

The City and Zone agree to implement the Project Plan in accordance with the terms thereof, including without limitation that the Project be implemented in such a way as to constitute an “[area] of public assembly out of TIRZ#1 pursuant to Section 311.010(b) of the Texas Tax Code.

VI. TERM AND TERMINATION

A. Agreement Term and Termination

This Agreement shall become effective as of the last date of execution by the Parties hereto, and shall remain in effect until December 31, 2045 unless earlier terminated as provided herein (the "Agreement Term"). Subject to the terms of this Agreement, the County agrees to participate under this Agreement, beginning with the 2015 tax year and ending in accordance with the terms provided herein. Notwithstanding the term of the Zone extending until December 31, 2045, nor anything to the contrary contained in this Agreement, the Parties agree and understand that the County's Tax Increment Payments will not be made after December 31, 2045.

B. Early Termination

Neither the City nor the Zone Board shall take any action to terminate the Zone earlier than the duration of the Zone as specified herein.

C. Disposition of Tax Increments

Upon expiration or termination of the Zone and after all bonds have been paid and all reimbursements have been made, any money remaining in the Tax Increment Fund shall be paid to the Participating Taxing Entities on a pro rata basis in accordance with Section 311.014(d) of the Texas Tax Code, or any successor thereto. Accounting to determine the pro rata distribution of remaining funds to the respective taxing entities shall be conducted according to generally accepted accounting principles, and shall be subject to review and audit by the County upon reasonable request. In the event a discrepancy occurs between the reviews conducted by the City and County, said dispute will be resolved by the respective audit offices of the City and County. In the event the dispute cannot be resolved it shall be submitted to mediation under the rules of the American Mediation Association with a mediator agreed upon by the County Judge of the County and the Mayor of the City.

VII. MISCELLANEOUS

A. Understanding

Any and all costs incurred by the City are not, and shall never become, general obligations or debt of any Participating Taxing Entity other than City. With respect to the City's costs, only eligible Project Costs and other allowable expenses under applicable law, if any, incurred by the City shall be payable from the Tax Increment Fund in the manner and priority provided in this Agreement and only to the extent that funds become available in the Tax Increment Fund. The Parties agree and understand that under no circumstance shall the eligible costs exceed the maximum specified in the final finance plan passed and approved in accordance with Ordinance 2015 - ___ dated January __, 2015. The City and the County are not obligated above and beyond what is actually collected as tax increment funds.

B. Severability

In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained.

C. Entire Agreement

This Agreement merges the prior negotiations and understandings of the Parties hereto and embodies the entire agreement of the Parties. There are no other agreements, assurances, conditions, covenants (express or implied), or other terms with respect to the covenants, whether written or verbal, antecedent or contemporaneous with the execution hereof.

With respect to the County's obligations, to the extent there is any discrepancy between this Agreement and any exhibit hereto, the terms of this Agreement shall control.

D. Written Amendment

This Agreement may be changed or amended only by a written instrument duly executed on behalf of each Party hereto. All Parties to this Agreement understand and recognize that only the City Commission of City and only the Commissioners Court of the County have authority to approve a change or amendment to this Agreement on behalf of the City or the County, respectively.

E. Notices

All notices required or permitted hereunder shall be in writing and delivered by personal delivery, facsimile or United States Postal Service (certified mail, return receipt requested) and

addressed to the respective other Party at the address prescribed in Section I of this Agreement, or at such other address as the receiving Party may have theretofore prescribed by notice to the sending Party. Such notices shall be deemed delivered the earlier of: (i) when actually received by personal delivery or facsimile if received during normal business hours and on the next business day if received after normal business hours; or (ii), if sent by the United States Postal Service, on the date indicated by the United States Postal Service on the return receipt as the date on which it was received by the respective other Party.

F. Non-Waiver

Failure of any Party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, or to enforce by any appropriate remedy, strict compliance with any other obligation hereunder or to exercise any right or remedy occurring as a result of any future default or failure of performance.

G. Assignment

All Parties to this Agreement understand and recognize that only the City Council of the City and only the Commissioners Court of the County have authority to approve a delegation or assignment of the County's or the City's rights in this Agreement on behalf of the City or the County, respectively.

H. Successors

This Agreement shall bind and benefit the Parties and their legal successors or assigns. This Agreement does not create any personal liability on the part of any trustee, officer, owner, partner, principal, employee, elected official or agent of a Party to this Agreement.

I. Project Plan

The Parties agree a material change to the Project Plan shall not apply to the County unless the County approves the amendment as provided herein if such amendment to the Project Plan (i) has the effect of directly or indirectly increasing the percentage or amount of Tax Increment to be contributed by the County to the Tax Increment Fund; or (ii) increases or reduces the geographical area of the Zone set forth in the Project Plan or (iii) otherwise materially changes the Project.

J. Access to Financial Information

The Zone agrees to conduct or to cause to be conducted, at a minimum, an annual financial review, a copy of which will be provided to the County. Furthermore, each Party to this Agreement shall have reasonable access to financial information and audit reports regarding the operation of the Zone, contribution of Tax Increment Payments to the Tax Increment Fund, and expenditures from the Tax Increment Fund for Project Costs. In addition, the City agrees, during the term of this Agreement, to prepare and deliver an annual report to the County in accordance with Section 311.016 and 311.0101(c), Texas Tax Code. The County shall have the right to withhold or delay payments to the Tax Increment Fund until such time as it has received the financial or other report from the City for the applicable tax year, and shall not incur any penalties or interest with respect to any such withheld or delayed payments notwithstanding any provision herein to the contrary.

K. Zone Designation

The City represents that its designation of the Zone meets the criteria of Section 311.005(a),

Texas Tax Code.

IN WITNESS HEREOF, the CITY OF EDINBURG; HIDALGO COUNTY AND REINVESTMENT ZONE NUMBER FOUR, CITY OF EDINBURG, TEXAS have made and executed this Agreement in triplicate originals on this ___th day of _____, 2015.

CITY OF EDINBURG

HIDALGO COUNTY

By: _____
Richard H. Garcia
Mayor

By: _____
Ramon Garcia
County Judge

ATTEST/SEAL:

ATTEST/SEAL:

Myra L. Ayala Garza
City Secretary

Arturo Guajardo, Jr.
County Clerk

APPROVED AS TO FORM FOR
CITY OF EDINBURG

APPROVED AS TO FORM FOR
HIDALGO COUNTY:

PALACIOS, GARZA & THOMPSON P.C

ATLAS, HALL & RODRIGUEZ, LLP

By: _____
City Attorney

By: _____
Stephen L. Crain

REINVESTMENT ZONE NUMBER FOUR, CITY
OF EDINBURG, TEXAS

By: _____
Richard H. Garcia
Chairperson

Exhibit A

Project Plan

Exhibit B

City of Edinburg Ordinances