

*City of*  
**PEÑITAS**



**MAYOR RODRIGO "RIGO" LOPEZ**

MAYOR PRO-TEM RAMIRO LOYA

COUNCILMAN ALEX GUAJARDO

COUNCILMAN JR FLORES

COUNCILMAN FELIPE QUINTANILLA

CITY MANAGER OMAR ROMERO

CITY SECRETARY ANA VALDEZ

July 14, 2020

Hon Richard Cortez  
County Judge  
100 E. Cano Street, Second Floor  
Edinburg, Texas 78539

VIA: Email

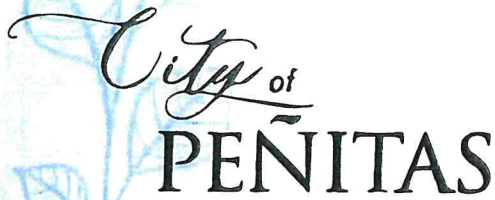
RE: Authorizing a waiver of provision in Inter-local Agreement between the City of Penitas, Hidalgo County, and the Tax Increment Reinvestment Zone No. 1, City of Penitas (the "Agreement")

Dear Judge Cortez,

We pray this short letter will find you healthy, in good spirits, and free of the CV19 virus. We are writing to request your consideration and help with authorizing the following: 1) a waiver of a provision detailed in **Section IV, B (1)(d)** in our jointly approved inter-local agreement for the Tax Increment Reinvestment Zone No. 1, City of Penitas, as it relates to the tax incremental payment due the City of Penitas for tax year 2019; and 2) authorizing and requesting County staff to update the collections report to reflect all taxes collected for tax year 2019 as of April 30, 2020.

The section cited above provides that Hidalgo County is only obligated to pay to the City pursuant to the Agreement those tax increments that have been collected and deposited in the County's tax increment fund as of January 31, of any given year for the prior year's assessed taxes. Up until this most recent tax year's collections, the vast majority of the collected and deposited tax incremental revenues for TIRZ #1, City of Penitas, have come in prior to that deadline. Collections historically have been typically above 93%. However, for 2019's taxes, we discovered upon receipt of the report for collections generated from the County's tax assessor collectors office, that collections were well under that collection rate. In fact, the report reflected just over 50% of the taxes were collected as of 1/31/2020. The impact of language in the inter-local agreement is that the payment due from the County will be well short of the actual amount collected to date, and will make it impossible for the TIRZ to fund its approved budget. We don't believe this was the intention of the agreement, and indeed it will deny our ability to fully fund our TIRZ operations this year if not rectified.





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Our TIRZ administrator, Bill Calderón, has also pointed out that as we pursue our first of several contemplated financings to fund infrastructure and road projects in the TIRZ, debt service on bonds will have to require both a debt service fund and a debt service reserve fund of one additional year of debt service, if this condition cannot be reasonably addressed. This also has the impact of reducing the revenues we might otherwise have from the borrowing to fund project costs due to the additional carve out of revenues for the reserve fund.

For this reason, we are requesting your assistance in approving a waiver of the provision cited above to allow for the City/TIRZ to receive all revenues attributable to the 2019 tax year collected as of April 30, 2020. We also requesting your help in getting an updated collections report reflecting revenues collected as of the same date. Given that we are very close to finalizing a financing that will pledge the future tax incremental revenues to debt service, we want and need to insure that the reported collections are consistently higher than 90%. An adjusted report will enable us to do that.

Mr. Calderon also has suggested recommending that your office consider amending the County's TIRZ policy, and allowing for one or two additional TIRZ payments to taxing jurisdictions to be based on all revenues collected attributable to the tax year in question, once all of the required reporting to your office and the County Auditor's office have been received and approved. This reconciliation process is already part of the "annual payment" process, and could simply be modified to allow for the extra payments needed with the policy adjustment. Going forward, there may be other alternatives we might jointly pursue to address this unanticipated and detrimental impact to smaller jurisdictions. Please feel free to reach out to Mr. Calderon with any questions you may have at 713-724-4460 or by email at: [bill.calderon1953@gmail.com](mailto:bill.calderon1953@gmail.com).

We thank you in advance for your consideration and assistance with these issues. Without the waiver, and based on current policy, we would be left with a budget shortfall we will be unable to address until next year, and it will hamper our ability to accomplish all the good works we intended when the budget was adopted.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Rodrigo Lopez".

Rodrigo Lopez  
Mayor

A handwritten signature in blue ink, appearing to read "John Womack".

John Womack  
Peñitas Redevelopment Authority



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RL:bc

CC: Omar Romero- Penitas City Manager  
Arcy Duran—Hidalgo County Auditor  
Reynaldo Cantu—County Auditor's office  
Laura Matamoros—Hidalgo County Economic Development Director  
Nestor Lopez—Hidalgo County Economic Development office  
Julio Espinoza—Hidalgo County Assessor Collectors office

