

# MOBILITY FOR THE FUTURE...



## HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY 2011 ANNUAL REPORT



# HCRMA

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY

510 South Pleasantview Drive, Weslaco, Texas 78596  
Phone: 956-969-5822 Fax: 956-969-5821

Dennis Burleson  
Chairman

April 11, 2012

Michael G. Cano  
Vice-Chair

Honorable Ramon Garcia  
Hidalgo County Judge  
1615 S Closner, Ste J  
Edinburg, Texas 78539

Joe Olivarez  
Secretary/Treasurer

Dear Judge Garcia:

Ricardo Perez  
Board Member

David Guerra  
Board Member

Alonzo Cantu  
Board Member

Forrest Runnels  
Board Member

Pursuant to 370.261(b) of the Texas Transportation Code, the Hidalgo County Regional Mobility Authority is required to make an annual report to the Hidalgo County Commissioners Court of its activities, financial strength and compliance with its current strategic plan. I am glad to report that the financial state of the Authority is strong. The recently approved eight year strategy will develop the TCC and IBTC over the next eight years as well as environmentally clear Segment D to the north. Also, with TxDOT's and the City of Pharr's assistance develop the US 281 Military Overpass. TxDOT will take the lead in developing the La Joya Relief Route as a non-tolled road with the HCRMA evaluating the route for development of a future toll road for the main lanes. The Authority is actively working to make the above projects a reality while maintaining fiscal responsibility.

On behalf of the Authority, I want to thank the commissioners Court for all of the assistance and support the Court has provided to the Authority and its' projects over the last year and ask that we each work to strengthen our partnership in support of these critical projects. The Authority could not have begun this 30 year effort to deliver the Loop without the innovative Vehicle Registration Fee adopted by the commissioners Court.

I am more convinced than ever that the development of the IBTC and TCC projects as well as the entire loop are the key establishing a world – class transportation system in Hidalgo County and expanding the economic viability the County has worked so diligently to create.

At your request, I would be happy to make a presentation in Court to submit the 2011 An-

Sincerely,

Dennis Burleson  
Chairman

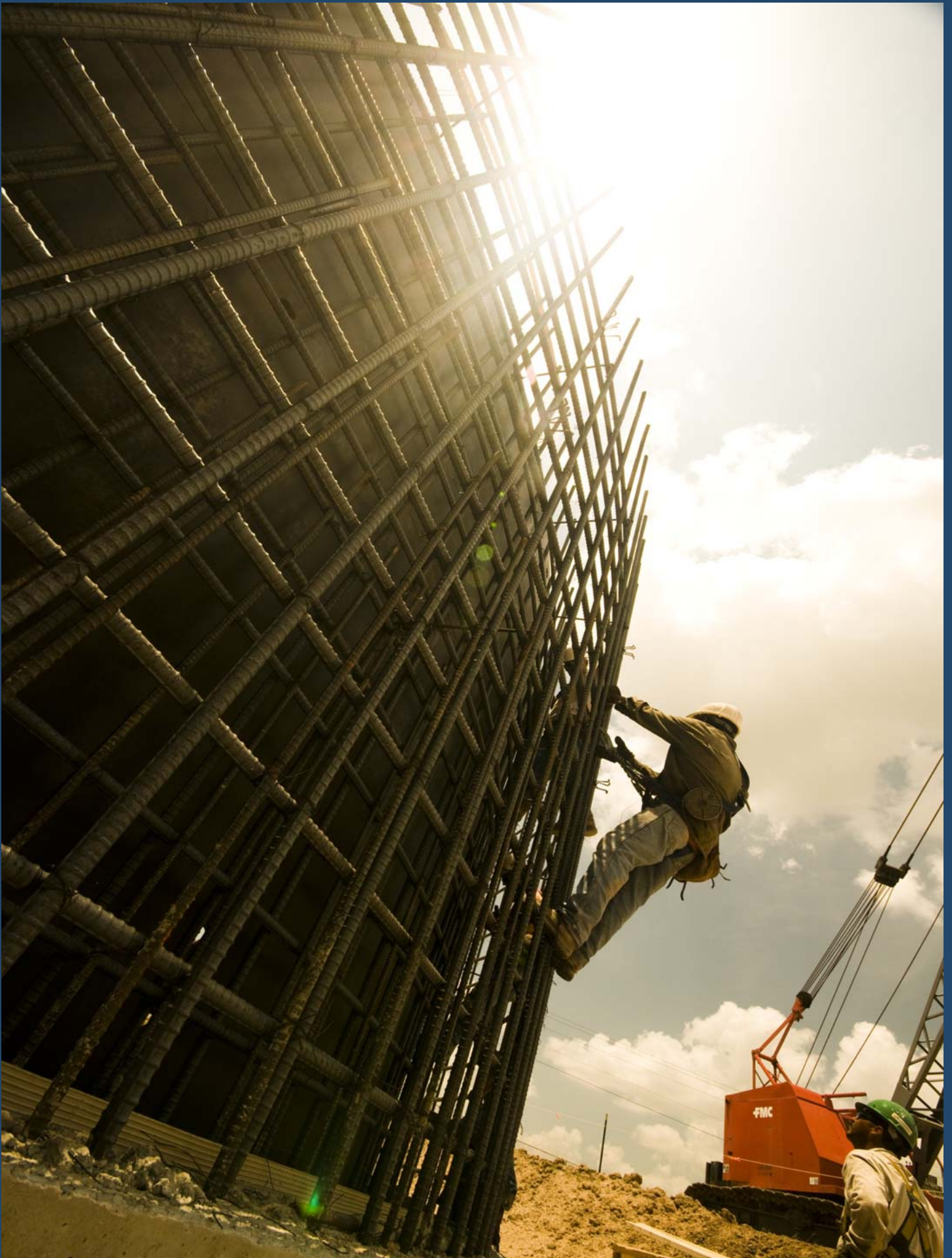
Cc:  
Hidalgo County Commissioners

In October of 2011 the Authority hired a Program Manager, Dannenbaum Engineering Corporation, to assist the Hidalgo County Regional Mobility Authority (HCRMA) in developing/implementing project document and cost controls; reviewing and assessing the completion of all deliverables to-date and developing a strategic plan. Also the Authority hired a new Executive Director, Pilar Rodriguez, to assist the Board in developing the 130 mile loop corridor.

The Authority, at its March 2012 meeting, adopted an eight year strategy that is focused on developing a four lane Modified Trade Corridor Connector (TCC), from the Anzalduas Bridge to the Pharr Bridge, with an anticipated construction start date of July 2014 and an opening date of May 2017. This adopted eight year strategy, also consists of having the Modified International Bridge Trade Corridor (IBTC), a four lane facility, shovel ready by early 2016 and, if funds are available, construction starting in June 2016 and opening in July 2019. The development cost of both projects totals over \$450 million.

The US 281 Military Highway overpass will be designed by the Authority and constructed by TxDOT. The La Joya Relief Route will be developed by TxDOT as a free road with the Authority's consideration of constructing a toll road at a later date.

# STRATEGIC PLANNING

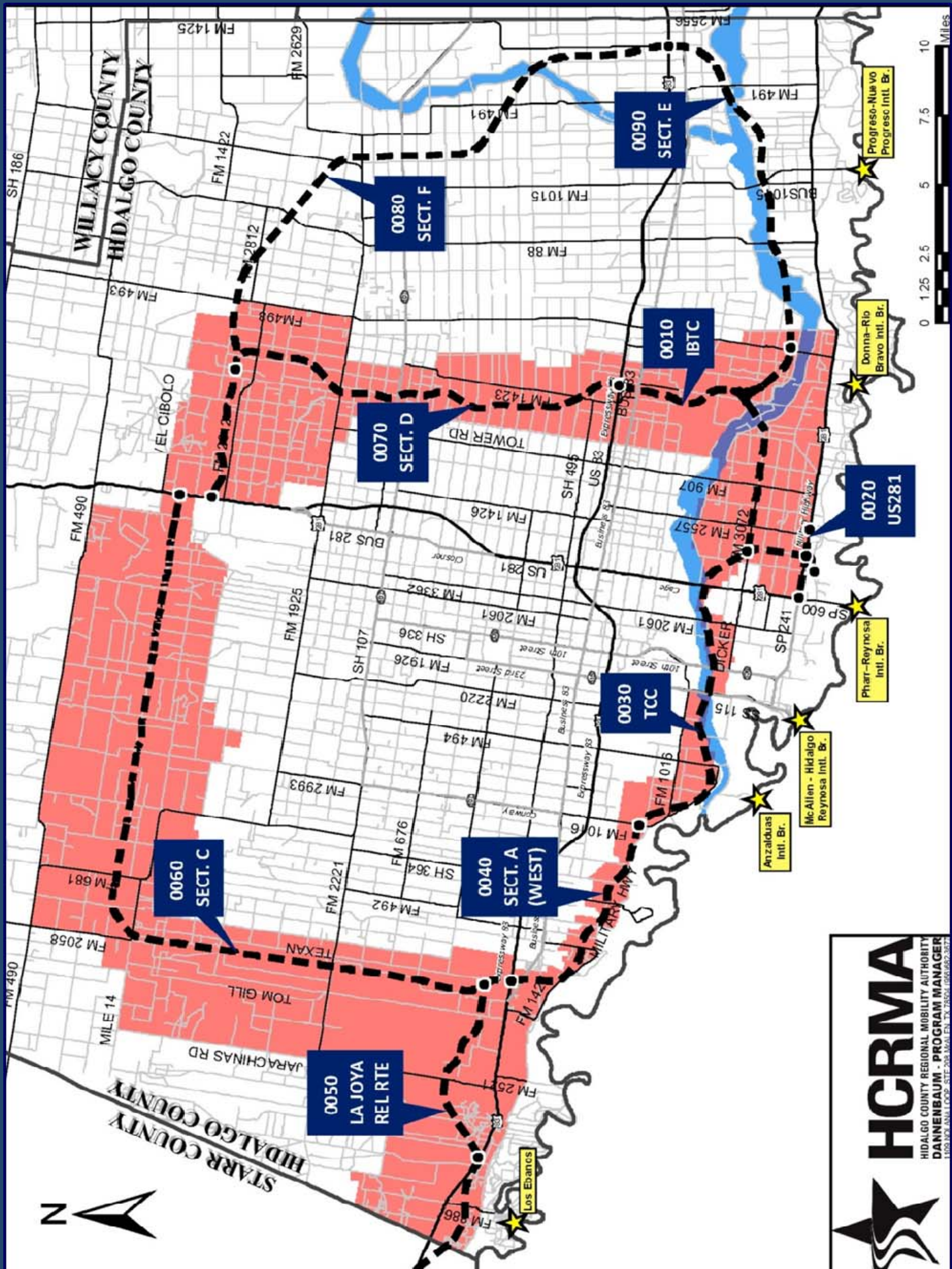


Hidalgo County is one of the fastest growing counties in the State of Texas. Hidalgo County has withstood the economic downturn better than many areas of the State. The HCRMA has not sat idle allowing the sluggish economy to stop its mission.

The mission of the HCRMA is to create mobility for the citizens of Hidalgo County through the development of its flagship project, the development of a 130 mile new location loop.

The recently approved eight year strategy envisions developing over \$450 million worth of projects in the next eight years. This project development is expected to create an economic impact of over \$1.5 billion and several thousand jobs for the citizens of Hidalgo County.

JOBS



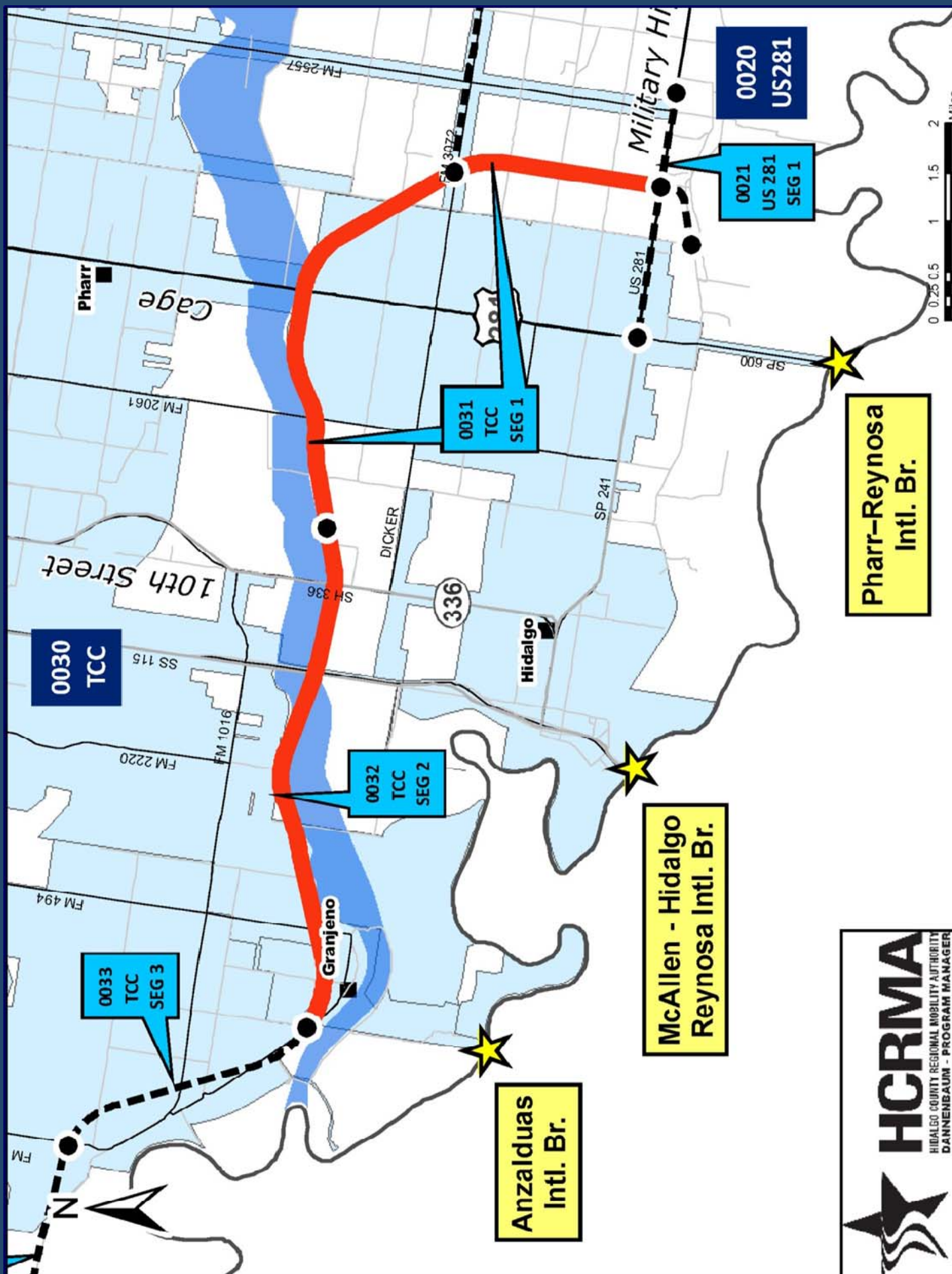
In 2000, the Hidalgo County Commissioners Court realized that a loop in Hidalgo County was essential for mobility. The Commissioners Court, after spending \$2 million for the initial route studies, created the Hidalgo County Regional Mobility Authority (HCRMA).

The HCRMA's signature project is the creation of the Hidalgo County Loop, a future 130 mile corridor serving the County's mobility needs for the next 50 years.

After five years of planning; the HCRMA is now in a position to move forward on its recently approved eight year strategy. This strategy envisions the development of the Trade Corridor Connector (TCC), an 11.9 mile, four lane facility connecting the International Bridges and the 12.6 mile International Bridge Trade Corridor (IBTC).

The development of these projects will allow efficient movement of traffic as well as international goods and service east and west utilizing the TCC, north through the IBTC to US 83.

## LOOP FOR THE FUTURE



The Trade Corridor Connector (TCC) is projected to be a four lane divided high speed toll road connecting the International Bridges of Pharr and Anzalduas.

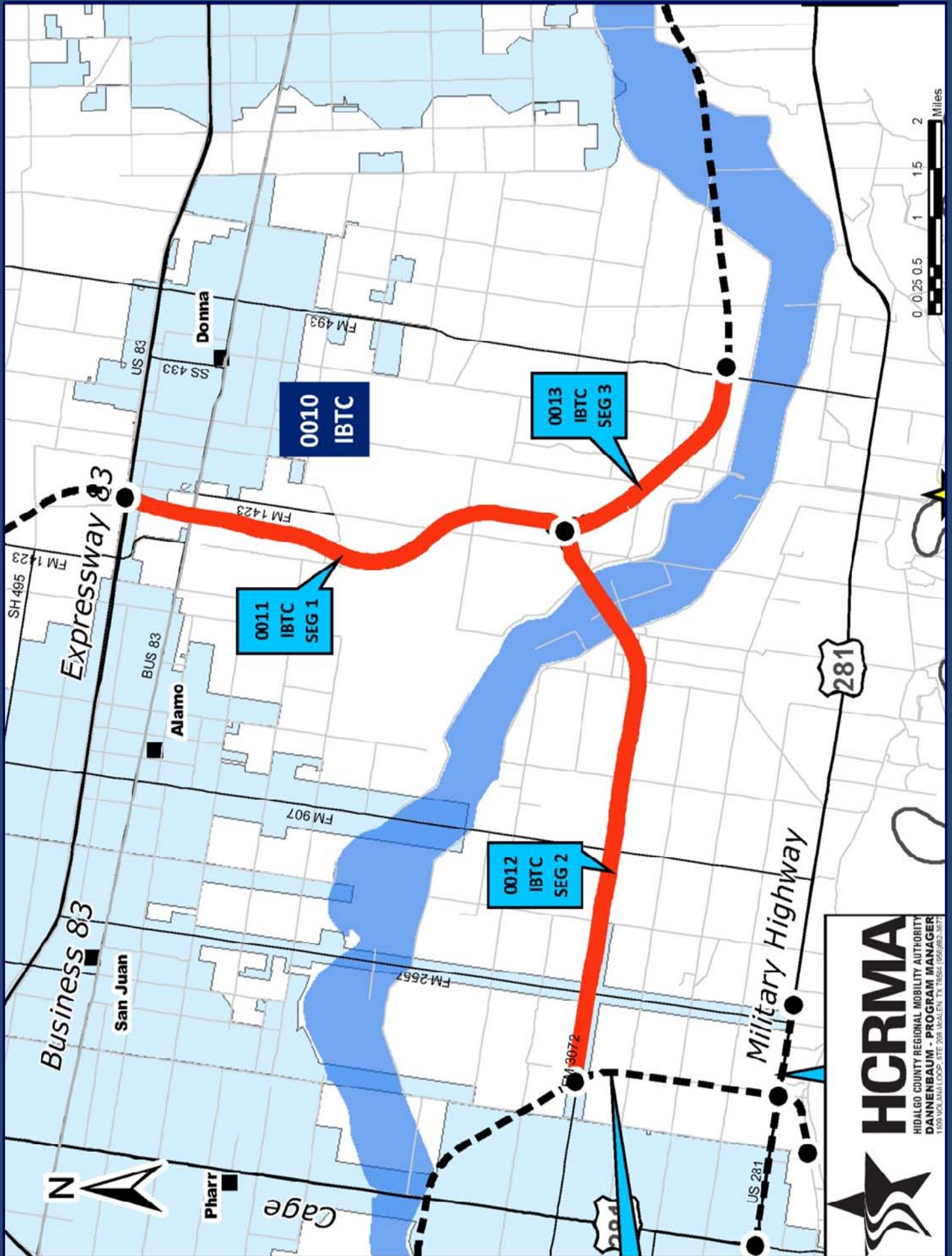
The TCC will move goods and services from east to west to the McAllen, Pharr and Mission (Hunt Development) Trade Zones.

The initial phase of this project is expected to cost \$137.5 million to construct, with a total development cost of \$281.1 million.

The right of way acquired will allow future expansion for the next 50 years, eventually containing a six lane freeway section.

The recently approved eight year strategy projects the TCC to start construction in July of 2014 and be open for operation by May 2017. This facility will be the first toll road in Hidalgo County representing a new era for mobility.

# CONNECTING OUR INTERNATIONAL BRIDGES (TCC)



The International Bridge Trade Connector (IBTC) is projected to be a four lane divided high speed toll road connecting the International Bridges of Pharr, Anzalduas, and Donna to US 83 in the vicinity of Donna.

The IBTC will move goods and services from east to west from the McAllen, Pharr, Donna and Mission (Hunt Development) Trade Zones, north to US 83 in Donna and eventually north to US 281 north of Edinburg through future Segment D.

The initial phase of the project is expected to cost \$144.6 million to construct, with a total development cost of \$242.9 million. The right of way to be acquired will allow future expansion for the next 50 years, eventually containing a six lane freeway section.

The recently approved eight year strategy projects the IBTC to be shovel ready by early 2016 and construction to start in June 2016 and be open for operation by July 2019. This facility enhances the TCC, allowing goods and services to move freely to US 83.

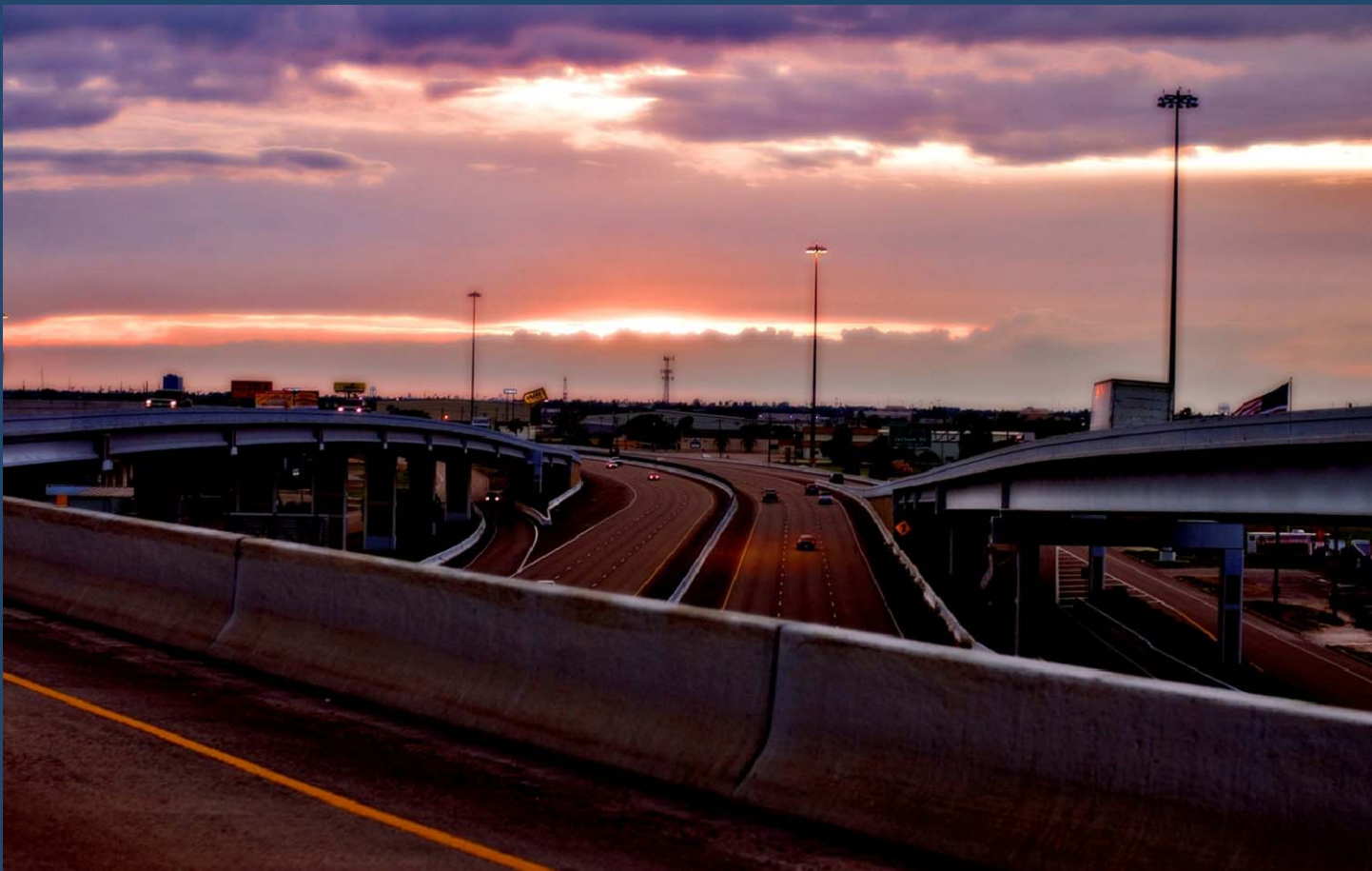
## MOVING TRADE FROM THE BORDER (IBTC)



The construction of the TCC and IBTC from mid 2014 to mid 2019 will result in expenditures of over \$450 million, with over \$280 million of construction activities. This will result in the HCRMA expending funds of over \$90 million per year for five years, creating a total economic impact of over \$1.5 billion (\$300 million per year), creating thousands of jobs for the local economy.

By supporting the HCRMA and its mission, the people of Hidalgo County are actually creating their own stimulus package while creating a new future for transportation in Hidalgo County.

## UPCOMING CONSTRUCTION



# Hidalgo County Regional Mobility Authority Board of Directors



*From left to right:*

Joe Olivarez, Secretary/Treasurer

Alonzo Cantu

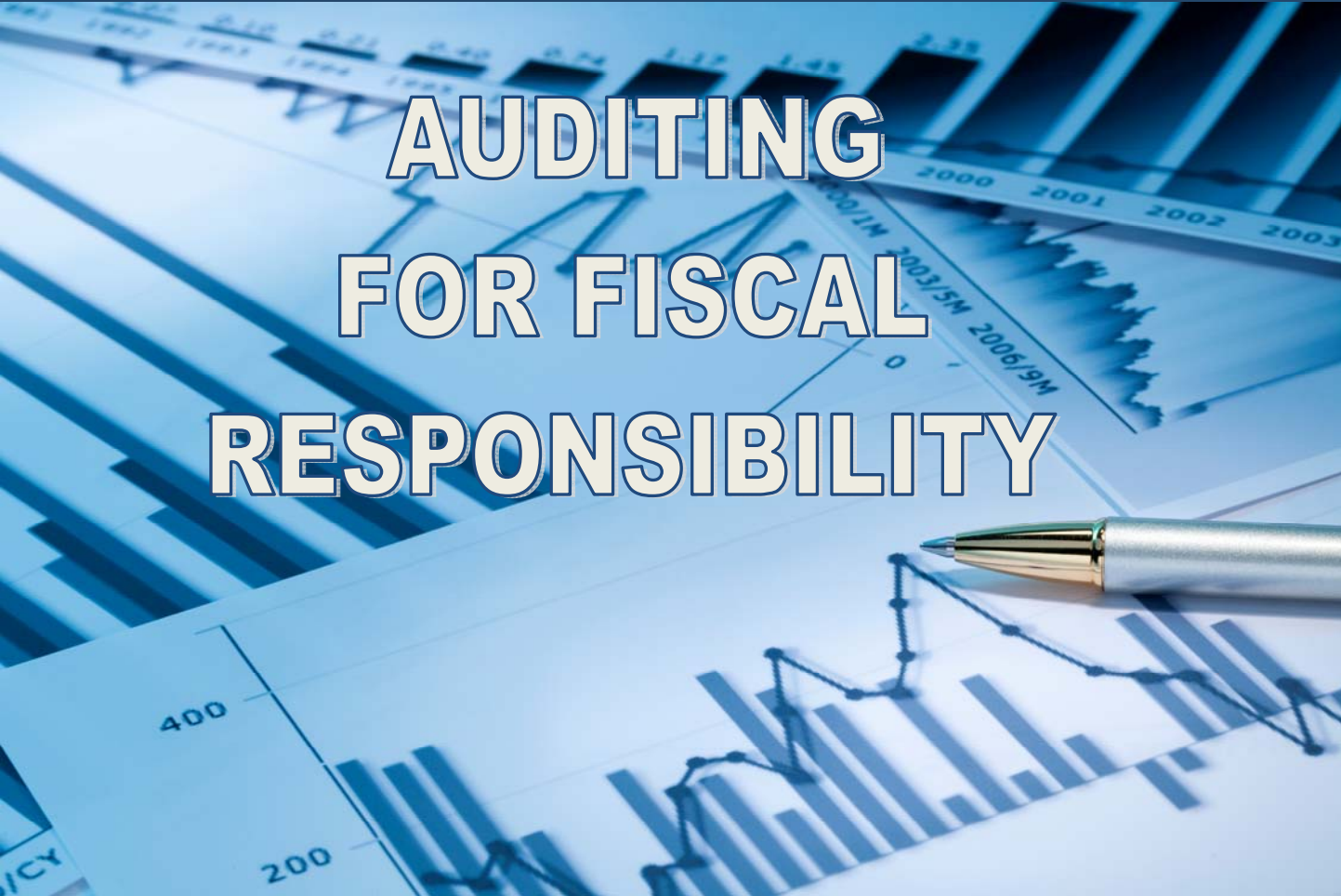
David Guerra

Dennis Burleson, Chairman

Ricardo Perez

Michael Cano, Vice-Chair

Forrest Runnels

A close-up photograph of financial documents. In the foreground, a silver pen with a gold-colored tip lies diagonally across a line graph. The background shows various financial charts, including a bar chart with blue bars and a line graph with a blue line. The text "AUDITING FOR FISCAL RESPONSIBILITY" is overlaid in a bold, white, sans-serif font with a blue outline.

# AUDITING FOR FISCAL RESPONSIBILITY

An aerial photograph of a large-scale highway interchange under construction. The image shows multiple levels of concrete overpasses and ramps, with construction equipment and vehicles visible on the site. The text "SETTING THE CONDITIONS FOR SUCCESS" is overlaid in a bold, dark blue, sans-serif font with a white outline.

# SETTING THE CONDITIONS FOR SUCCESS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hidalgo County Regional Mobility Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$5.0 million as a result of vehicle registration fees received from Hidalgo County to fund the long-term transportation projects in Hidalgo County.
- Capital assets were \$22.6 million and \$25.6 million as of December 31, 2010 and 2011, respectively. All capital costs pertain to construction in progress relating to advance planning, schematic design, environmental clearance, and financial planning.
- Long-term liabilities decreased from \$13.7 million in 2010 to \$12.1 million in 2011. This decrease was largely the result of principal payments of \$1.4 million being applied against a line of credit with First National Bank of Edinburg. The funds from the line of credit are restricted to use on capital projects.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *management's discussion and analysis* (this section), and *the basic financial statements*.

The basic financial statements presented are: the Statements of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets and the Statement of Cash Flows. These statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments.

The statements are prepared under the accrual basis of accounting in which revenues and assets are recognized when earned or acquired, and expenses and liabilities are recognized when incurred regardless of when cash is received or paid.

### FINANCIAL ANALYSIS OF THE AUTHORITY

#### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$18,637,129 at the close of this fiscal year.

A portion of the Authority's net assets (67.1%) reflects its investment in capital assets (capitalized planning costs related to Loop Project), less related debt used to acquire those assets that is still outstanding. Net assets restricted for long-term transportation projects (32%) represent resources that are subject to external restriction on how they may be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$57,373. Following is a brief summary of the Authority's net assets.

Table 1  
Net Assets  
(in thousands of dollars)

	2011	2010	Total % Change 2011-2010
Current and other assets	\$ 6,784	\$ 5,928	13%
Capitalized bond and other debt issuance costs	131	150	-15%
Capital assets	<u>25,613</u>	<u>22,628</u>	12%
Total assets	32,528	28,706	12%
Current Liabilities	1,843	1,351	27%
Long-term obligations	<u>12,048</u>	<u>13,684</u>	-14%
Total liabilities	13,891	15,035	-8%
Net assets:			
Invested in capital assets, net of related debt	12,505	8,114	35%
Restricted	6,075	5,499	9%
Unrestricted (deficit)	<u>57</u>	<u>59</u>	-4%
Total net assets	<u>\$ 18,637</u>	<u>\$ 13,672</u>	27%

#### Statement of Revenues, Expenses and Changes in Net Assets

Governmental activities increased the Authority's net assets by \$5.0 million. This increase is largely due to the receipt of grant funds from Hidalgo County from a \$10.00 surcharge on all County vehicle registrations. The total funds received from the County were \$4,967,459. These funds are restricted by State law for capital projects. Program expenses, which consist of administrative costs that could not be allocated to the Loop Project, totaled \$2,349 for 2011. Table 2 compares the 2011 change in net assets to the 2010 change in net assets.

Table 2  
Changes in Net Assets  
(in thousands of dollars)

	2011	2010	Total % Change 2011-2010
Revenues:			
Vehicle registration fees - Restricted	\$ 4,967	\$ 4,728	5%
Total revenue	4,967	4,728	5%
Expenses			
Administrative	<u>2</u>	<u>2</u>	0%
Total expenses	2	2	0%
Change in net assets	4,965	4,726	5%
Net assets, beginning of the year	<u>13,672</u>	<u>8,946</u>	35%
Total net assets, end of the year	<u>\$ 18,637</u>	<u>\$ 13,672</u>	27%

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2011 the Authority had invested approximately \$25.7 million in construction in progress, including engineering fees and preliminary costs such as funding, consulting, environmental, legal and traffic analysis fees. No tangible property or equipment has been acquired to date. Depreciation and amortization on construction in progress will not begin until each project is complete. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

### **Long-Term Debt**

The Authority has two long-term notes outstanding as of December 31, 2011. One note payable to Hidalgo County representing funds loaned by the County for general operations with a balance of \$200,000 was provided to the Authority for the purpose of assisting in its organization efforts and its general operations. A second note payable to First National Bank has a balance of \$13.4 million at December 31, 2011 which represents the remaining balance on a \$15 million line of credit. These funds are restricted to paying transportation project costs. Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

## **ECONOMIC FACTORS FOR NEXT YEAR**

The Authority's income from vehicle registration fees remains stable with a small increase year over year. The proceeds are sufficient for repayment of debt obligations and to continue with preliminary planning leading to construction. We anticipate the Trade Corridor Connector from FM 396 Bryan Road to US 281 Military to be operational by May, 2017 with land acquisition being completed by June, 2014 and construction starting by July, 2014. The Debt Markets for projects similar to the Authority's are challenging but Hidalgo County and TxDot have indicated financing assistance will be considered if needed.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patrons and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hidalgo County Regional Mobility Authority, 510 S. Pleasantview Drive, Weslaco, Texas 78596.

## **BASIC FINANCIAL STATEMENTS**

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

Assets

Current assets:		
Cash - unrestricted	\$ 258,498	
Cash - restricted	6,178,308	
Vehicle registration fee receivable	<u>347,560</u>	
Total current assets		\$ 6,784,365
Capital assets:		
Office equipment, net	2,469	
Construction work in progress	<u>25,610,421</u>	
Total capital assets, net		25,612,889
Other assets:		
Bond issuance costs, net		<u>131,158</u>
Total assets		<u>\$ 32,528,413</u>

Liabilities and Net Assets

Current liabilities:		
Due to LRGVDC	\$ 1,028	
Accrued expenses	97	
Payables from restricted assets:		
Accrued expenses	370,154	
Interest payable	80,489	
Note payable	<u>1,391,913</u>	
Total current liabilities		\$ 1,843,681
Noncurrent liabilities:		
Note payable		<u>12,047,602</u>
Total liabilities		13,891,284
Net assets:		
Invested in capital assets, net of related debt	12,504,532	
Restricted for:		
Debt service	150,000	
Long-term transportation projects	5,925,224	
Unrestricted	<u>57,373</u>	
Total net assets		<u>18,637,129</u>
Total liabilities and net assets		<u>\$ 32,528,413</u>

The accompanying notes are an integral part of these financial statements.

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**DECEMBER 31, 2011**

	Non-GAAP	Capitalized Expenses	GAAP Basis
Revenues:			
Vehicle registration fees	\$ 4,967,459	\$ -	\$ 4,967,459
Local contributions	93	-	93
Total revenues	<u>\$ 4,967,551</u>	<u>-</u>	<u>\$ 4,967,551</u>
Expenses:			
Administrative	234,816	(232,468)	2,348
Consulting and engineering	1,997,802	(1,997,802)	-
Financial consulting fees	45,880	(45,880)	-
Interest expense	508,811	(508,811)	-
Amortization expense	18,737	(18,737)	-
Legal and professional	172,056	(172,056)	-
Other loop project	9,262	(9,262)	-
Total expenses	<u>2,987,364</u>	<u>(2,985,016)</u>	<u>2,348</u>
Change in net assets	<u>\$ 1,980,187</u>	<u>\$ (2,985,016)</u>	4,965,203
Net assets, January 1, 2011			<u>13,671,926</u>
Net assets, December 31, 2011			<u>\$ 18,637,129</u>

The accompanying notes are an integral part of these financial statements.

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2011**

Cash flows from operating activities:		
Receipts from Department of Transportation	\$	5,285,369
Receipts from local contributions		93
Payments to vendors		<u>(2,167)</u>
Net cash flows provided from operating activities	\$	<u>5,283,294</u>
Cash flows from capital and related financing activities:		
Acquisitions for construction in progress		(2,703,149)
Principal paid on capital debt		(1,424,951)
Payments for debt issue cost		<u>18,737</u>
Net cash flows used in capital and related financing activities		<u>(4,109,363)</u>
Net increase in cash and cash equivalents		1,173,931
Cash and cash equivalents at beginning of year		<u>5,262,875</u>
Cash and cash equivalents at end of year	\$	<u>6,436,806</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$	4,965,203
Depreciation		319
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivables		317,910
Increase (Decrease) in accrued expenses		<u>(137)</u>
Net cash flows provided by operating activities	\$	<u>5,283,294</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest expense	\$	<u>503,561</u>

The accompanying notes are an integral part of these financial statements.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hidalgo County Regional Mobility Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently. The more significant of the Authority's accounting policies are described below:

**A. Reporting Entity**

The Authority is an independent governmental agency created in November 2005 pursuant with Chapter 370 of the Transportation Code. The Authority is governed by a seven-member Board of Directors (the Board) appointed by the Governor of the State of Texas and the Hidalgo County Commissioners' Court. The Board is responsible for setting policies, identifying priorities and ensuring the Authority is operated effectively. Board members, appointed to serve two-year terms, are volunteers and are not compensated for their service.

The Authority was created to be a proactive partner empowering the community to address congestion and mobility concerns through local means with local leadership. It was created to plan, develop, fund and maintain a transportation system to serve the estimated 1.5 million residents living in Hidalgo County by 2025. The Authority's mission is to develop a publicly owned transportation system that creates jobs through increased mobility and access, is locally funded for reliable delivery, pays for itself in terms of future maintenance and also funds new projects to meet the future transportation needs of the County. In its petition to create the Hidalgo County Regional Mobility Authority, Hidalgo County identified the Hidalgo Loop System (the Loop System) as the initial set of projects to be developed under the guidance of the Authority. The planning for the Loop System was started in 2000 by Hidalgo County and the Hidalgo County Metropolitan Planning Organization. The Authority has concluded its additional planning effort for the Loop System around the urban part of Hidalgo County in 2010. Based on this effort, the Authority identified 2 independent projects, the Trade Corridor Connector (TCC) and the International Bridge Trade Corridor (IBTC), that provide utility to County residents and together begin building the Loop System. Additional state aid through the Texas Department of Transportation and the addition of a potential third project, the La Joya Relief Route, has required the Authority to re-examine the initial projects. A five-year Strategic Plan approved in March 2012 should focus the Authority's efforts to begin development of the Loop System projects.

The Authority is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, *"The Reporting Entity"*. There are no component units included within the reporting entity.

**B. Basis of Accounting**

The operations of the Authority are accounted for within a single proprietary (enterprise) fund on an accrual basis. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions of the Authority are accounted on a flow of economic resources measurement focus.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (continued)**

Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized and all assets and liabilities associated with the operation of the Authority are included in the Statement of Net Assets. Operating expenses include the cost of administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These deposits are fully collateralized or covered by federal deposit insurance.

**D. Capital Assets**

All capital assets at year end represent capitalized costs for legal, consulting and engineering relating to advance planning on the Loop Project. Depreciation and amortization on construction in progress will not begin until the project is operational.

**E. Grants and Contracts**

Revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority considers all grant and contributions to be 100% collectible.

**F. Restricted Assets**

Certain proceeds of the Authority's loans and grants are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable loan covenants and grant agreements.

**G. Income Taxes**

The Authority is an instrumentality of the State of Texas. As such, income earned in the exercise of its essential government functions is exempt from state or federal income taxes.

**H. Classification of Operating and Non-operating Revenues and Expenses**

The Authority defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with GASB Statement No. 9 which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources available for use.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

At December 31, 2011, the carrying amount of the Authority's cash was \$6,436,806. The bank balance was \$7,000,690 as of December 31, 2011. The Authority's carrying amount at year end is as follows:

	Type	Amount
General Operating	Unrestricted	\$ 258,498
Loop Project	Restricted	1,614,142
Vehicle Registration	Restricted	4,414,166
Debt Service	Restricted	150,000
		<u>\$ 6,436,806</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. The Authority's cash deposits at December 31, 2011 and during the year then ended were covered by FDIC insurance.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. As previously stated, at year end, all funds were invested in demand deposit accounts at First National Bank of Edinburg. The Letter of Credit from the Federal Home Loan Bank securing the Authority's deposits is dependent upon the financial condition of the financial institution. However, the concentration of credit risk is mitigated by the fact that the Authority has debt outstanding with the bank that exceeds the amount of the deposits in the bank.

*Interest Rate Risk*

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio. All deposits of the Authority were invested in demand deposit accounts at year end.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. All deposits were backed by federal deposit insurance, an agency of the federal government.

**NOTE 3 – DISAGGREGATION OF PAYABLES**

Payables as of December 31, 2011 for the Authority are as follows:

Engineering Services	\$ 342,457
Legal Services	18,113
Administration Expenses	9,681
	<u>\$ 370,251</u>

**NOTE 4 - CAPITAL ASSETS**

Capital assets at year end totaled \$25,612,890 and represented capitalized costs relating to advance planning for the Loop Project. Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011
Capital Assets, not being depreciated:				
Construction in Progress	\$ 22,625,405	\$ 2,985,016	\$ -	\$ 25,610,421
Capital Assets, being depreciated:				
Office Equipment	3,186	-	-	3,186
Less accumulated depreciation for:				
Office Equipment	(399)	(318)	-	(717)
Total Capital Assets being depreciated (Net)	2,787	(318)	-	2,469
Total Capital Assets (Net)	<u>\$ 22,628,192</u>	<u>\$ 2,984,698</u>	<u>\$ -</u>	<u>\$ 25,612,890</u>

Construction in progress consists of the following:

Administrative	\$ 232,468
Consulting and engineering	1,997,802
Financial consulting fees	45,880
Interest expense	508,811
Amortization expense	18,737
Legal and Professional	172,056
Other Loop Project	9,262
	<u>\$ 2,985,016</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE 5 - LONG-TERM OBLIGATIONS**

Long-term obligations outstanding at December 31, 2011 were as follows:

	Beginning Balance 1/1/2011	Increases	Decreases	Ending Balance 12/31/2011	Due Within One Year
Hidalgo County	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
First National Bank	14,664,466	-	1,424,951	13,239,515	1,391,913
	<u>\$ 14,864,466</u>	<u>\$ -</u>	<u>\$ 1,424,951</u>	<u>\$ 13,439,515</u>	<u>\$ 1,391,913</u>

The note payable to Hidalgo County was funded as a result of an Interlocal Agreement between Hidalgo County and the Authority to loan funds to the Authority for the purpose of providing initial operating funds for the Loop Project. The Agreement allows for additional funding for operations if needed. The terms of the loan call for 8.25% annual interest with repayment from the proceeds of the first available revenues received by the Authority from the Project. If bonds are issued, a portion of the proceeds from the bonds shall be used to retire the loan.

The note payable to First National Bank represents funds advanced against a \$15 million line of credit. The loan proceeds are restricted to payment of Transportation Project Costs. The loan is secured by a pledge of the Vehicle Registration Fee collected by the County and remitted by the County to the Authority. The line of credit is payable in monthly installments of \$148,347 including interest at 3.5% through 2020.

*Bond Obligations*

The Authority and Hidalgo County authorized the pledge of the vehicle registration fee revenues to secure payment of the Hidalgo County Regional Mobility Authority Debt in a term not exceeding 40 years.

Debt service requirements on long-term debt at December 31, 2011 are as follows:

Year Ended December 31	Principal	Interest	Total
2012	\$ 1,391,913	\$ 452,018	\$ 1,843,931
2013	1,576,690	403,474	1,980,164
2014	1,425,655	354,510	1,780,165
2015	1,476,361	303,804	1,780,165
2016	1,528,119	252,045	1,780,164
2017-2020	6,040,777	438,621	6,479,398
	<u>\$ 13,439,515</u>	<u>\$ 2,204,472</u>	<u>\$ 15,643,987</u>

**NOTE 6 – CONSTRUCTION COMMITMENTS**

At December 31, 2011, the Authority had remaining construction commitments:

Project	Authorization	Expended	Remaining
Surveying Services	\$ 603,263	\$ 99,837	\$ 503,426
Surveying Services	415,439	35,000	380,439
Program Management	5,000,000	497,051	4,502,949
Engineering Services	5,887,542	804,547	5,082,995
			<u>\$ 10,469,809</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE 7 – PRELIMINARY DEVELOPMENT PROJECT**

On October 27, 2011 the HCRMA entered into an agreement with Dannenbaum Engineering Corporation to act as the Authority's Program Manager. The priority of the Program Manager is to develop a detailed Strategic Plan. In 2010 the plan was to build the International Border Trade Corridor (IBTC); however, after careful consideration and due to new funding sources and additional projects the Strategic Plan will provide several options and scenarios with the following projects IBTC, TCC, US 281 and the La Joya Relief Route to identify the most important and cost effective project to improve mobility in Hidalgo County. Based on the options and scenarios the Authority will adopt a comprehensive 8 year plan for the development and construction of transportation projects in Hidalgo County.



# STRATEGIC PLAN

## 2012 - 2021

### **The plan includes:**

- ◆ Construction and operation of the Modified TCC (Segs. 1 & 2) as a 4 lane tollroad with a construction letting date of July 2014 and toll operations starting May 2017.
- ◆ Development of the US 281 Military Highway Overpass as an environmental categorical exclusion (CE) on which preliminary engineering and final PS&E by February 2014.
  - ⇒ TxDOT, with the assistance of the City of Pharr, would thereafter purchase land and construct US281 Military Highway Overpass.
- ◆ Developing the Modified IBTC (all segments) to a point where it is fully shovel ready by June 2014.
  - ⇒ If construction funding is available, the letting of the Modified IBTC is projected to be September 2016 with toll operations starting July 2019.
- ◆ TxDOT to develop the La Joya Relief Route with non-toll road elements as an interim solution.
  - ⇒ This would provide the HCRMA time to reassess the decision to develop La Joya Relief Route into a toll road at such time when traffic and revenue projections show it to be toll-viable.

**Anticipated Bond Issue in 2012**

**Vehicle Registration Fee Bond**

**Type: Public Bond Sale**

**Debt Issue: \$30.00M**

**Use of Proceeds: Line of Credit,  
Development and Construction  
Costs, Reserve Fund,  
Financing Costs**

# CAPITAL FOR IMPROVEMENTS

**Capital Assets**

**2010 – \$22.63M**

**2011 – \$25.61M**

**An Increase of 13.2%**

**Year End Cash**

**2010 – \$5.26M**

**2011 – \$6.44M**

**An Increase of 22.4%**



**HCRMA**  
HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY

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