

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Todd Chenoweth, General Counsel
Jessica Zuba, Deputy Executive Administrator
Joe Reynolds, Assistant General Counsel

FROM: T. Clay Schultz, Director, Regional Water Project Development
Mireya Loewe, Manager, Regional Water Project Development

DATE: August 2, 2017

SUBJECT: Hidalgo County Drainage District No. 1
General Revenue Grant Appropriation
Project No. 21770

ACTION REQUESTED

Authorize the Executive Administrator to execute a contract with the Hidalgo County Drainage District No. 1 for a \$4,500,000 grant pursuant to Rider No. 27 of the General Appropriations Act.

BACKGROUND

The existing outfall/drainage systems related to the Raymondville Drain Outfall System covers over 1,600 square miles of watershed, from Edinburg Lake in Hidalgo County to the Laguna Madre in Willacy County. These systems were designed primarily to convey agricultural run-off from a storm event statistically likely to occur every 9.5 years. Due to extraordinary urban growth in Hidalgo County, during major storm events, the capacity of the drainage systems in both Hidalgo County and Willacy County has been insufficient, causing flooding in the area.

The Raymondville Drain Project (Project) was authorized under Title IV, Section 401 of the Water Resources Development Act (WRDA) of 1986. The Project is being developed by Hidalgo County Drainage District No. 1 (District) under the regulations and guidelines of the US Army Corps of Engineers – Galveston District (USACE). It will encompass a drainage channel system of approximately 60 miles. With this project, the District intends to provide an alternate drainage conveyance for Hidalgo County and an improved drainage conveyance for northern Willacy County during major and/or regional storm events. Due to the size of the Project, as well as the estimated total construction cost (approximately

<p style="text-align: center;">Our Mission</p> <p>To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas</p>	<p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p>	<p style="text-align: center;">Board Members</p> <p>Bech Bruun, Chairman Kathleen Jackson, Board Member Peter Lake, Board Member</p> <p>Jeff Walker, Executive Administrator</p>
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\$418 million), the project has been divided into six major phases to be developed as funds become available.

The Project includes over 14 miles of new drainage channels, improvements to approximately 40 miles of existing channels, construction of a major detention lake (approximately 250 acres) south of Edinburg International Airport, and numerous weirs, bridges, and other flood control structures.

In 2015, the 84th Legislature, in HB 1 Rider No. 27, appropriated to the TWDB an amount not to exceed \$10,000,000 out of the General Revenue Fund for the purpose of making a grant to the District to implement the Raymondville Drain flood control project. At this time, the District seeks reimbursement of planning-related project costs with this appropriation.

KEY ISSUES

Financial

The funding being provided by the TWDB is in the form a 100% grant; therefore, it is not subject to a risk score. For grants, TWDB staff reviews audited financial information and other documentation to assess the entity's ability to manage existing obligations and business practices. Based on this analysis, staff believes the District has the adequate capabilities to manage its obligations.

Legal

Section 403.095(a) of the Texas Government Code provides that revenue that has been set aside by law for a particular purpose or entity is available for that purpose or entity to the extent money is appropriated for that purpose or entity.

Among its other duties and responsibilities, the TWDB has jurisdiction over areas specifically assigned by law. Tex. Water Code § 6.012(a)(4). The Legislature set aside funds for the Project and specifically directed the TWDB to provide those funds to the District for that purpose. Consequently, the TWDB may provide the funds from the General Revenue without reference to the requirements of other TWDB programs. The conditions necessary to effect the financing are only those necessary to protect the interests of the TWDB, and document the transaction to the satisfaction of the Executive Administrator.

RECOMMENDATION

The Executive Administrator recommends authorizing the Executive Administrator to execute a contract with the Hidalgo County Drainage District No. 1 for a \$4,500,000 grant pursuant to Rider No. 27 of the General Appropriations Act.

Attachments:

1. TWDB Resolution (17-)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
FROM GENERAL REVENUE THROUGH A GRANT
IN THE AMOUNT OF \$4,500,000

(17-)

WHEREAS, the General Appropriations Act, 84th Leg. R.S., ch. 1281, § 1, 2015, (HB 1) appropriated to the Texas Water Development Board (the TWDB) an amount not to exceed \$10,000,000 out of the General Revenue Fund for the purpose of making a grant to the Hidalgo County Drainage District No. 1 (District); and

WHEREAS, the funds are to be used to implement a flood control project authorized and designated by the U.S. Army Corps of Engineers; and

WHEREAS, the Hidalgo County Drainage District No. 1, located in Hidalgo County, Texas (the District), has filed an application for financial assistance in the amount of \$4,500,000 in grant funds for improvements and expansion of its existing drainage system, identified as Project No. 21744; and

WHEREAS, the proposed project is an authorized federal project with the U.S. Army Corps of Engineers, Galveston District, as the Project for Flood Control, Lower Rio Grande Basin, Texas, under Title IV, Section 401 of the Water Resources Development Act of 2007, has a regional impact, and includes components of regional storm water management and flood mitigation; and

WHEREAS, in accordance with its duties and responsibilities under Texas Water Code § 6.12, the Board has considered all matters required by law and, in particular, the instructions of the 84th Legislature; and

WHEREAS, the Board hereby finds that the project is eligible to receive funds in accordance with Section 1 of HB 1:

NOW THEREFORE, the Texas Water Development Board resolves as follows:

A commitment is made by the TWDB to Hidalgo County Drainage District No. 1 for financial assistance in the amount of \$4,500,000 in grant funds from the General Revenue Fund. This commitment will expire on August 31, 2017.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent upon the District's compliance with all applicable requirements contained in TWDB rules;
2. loan proceeds shall not be used by the District when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
3. prior to closing, the District and the Executive Administrator of the Board shall execute an agreement that sets forth the terms and uses of the grant funds; and
4. prior to closing, the District shall submit outlay reports with sufficient documentation on costs incurred in accordance with TWDB outlay report guidelines.

APPROVED and ordered of record this 17th day of August, 2017.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator