

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: September 1, 2022

PRESENTED BY: Mireya Loewe

ACTION REQUESTED

Approve by resolution a request from the City of Kingsville (Kleberg County) for \$700,000 in financial assistance consisting of \$399,000 in financing and \$301,000 in grant from the Flood Infrastructure Fund for planning, design, and construction of a stormwater drainage project.

STAFF RECOMMENDATION

Approve No Action

PROJECT NAME AND NUMBER

Drainage Master Plan Location 8, Project No. 40192

BACKGROUND

Passed by the 86th Texas Legislature and approved by voters through a constitutional amendment, the Flood Infrastructure Fund (FIF) was created to provide funding for flood mitigation projects. The purpose of the FIF, as outlined in Senate Bill 7, is to assist in financing drainage, flood mitigation, and flood control projects. FIF projects presented for consideration have been scored and ranked using prioritization criteria outlined in 31 Texas Administrative Code § 363.404 and further specified in the Flood Intended Use Plan. The prioritized list of projects was approved by the Board on September 17, 2020.

The City of Kingsville (City) is the seat of Kleberg County, approximately 41 miles southwest of Corpus Christi, Texas. The City has a population of approximately 25,400.

In 2018, the City conducted a city-wide drainage plan that divided the area into nine drainage areas. In April 2021, the City received four commitments from the FIF for the planning, design, and construction of flood management projects in four different areas of the City. The funding totaled \$6,024,000 and included \$2,666,000 in grant and \$3,358,000 in financing. Those projects are currently in progress.

PROJECT NEED AND DESCRIPTION

Heavy rainfalls have created flooding problems in several locations within the City limits. Plan Location 8 of the 2018 drainage plan is located on the southeast side of the City, east of the U.S. Hwy 77 bypass and south of General Cavazos Boulevard. This area has approximately 148 homes, has a drainage basin area of approximately 24.75 acres, and drains into Escondido Creek. The area experiences drainage issues along Paulson Falls Boulevard, particularly along Margaret Lane, Kelly Lane, Brook Lane, and the intersection of Alice Lane. The current drainage infrastructure in this area does not meet a two-year storm event.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE MARCH 31, 2023

The proposed drainage improvements include modifying the detention pond outfall to lower water surface elevation, regrading of approximately 700 linear feet of drainage ditch storm, constructing over 2,400 linear feet of 36-inch reinforced concrete pipe storm sewer, storm sewer outfalls, new curb and gutter inlets, and manholes; and replacing pavement and surface slope on Paulson Falls Drive for better surface water drainage. These improvements will meet a 10-year storm event and relieve the existing drainage issues during a heavy storm event.

PROJECT SCHEDULE

Task	Schedule Date
Closing	December 15, 2022
Engineering Feasibility Report Completion (End of Planning Phase)	April 3, 2023
Design Phase Completion	May 31, 2023
Start of Construction	June 30, 2023
Construction Completion	January 31, 2024

KEY ISSUES

The City's project is eligible under Category 2 of the 2020 Flood Intended Use Plan. This category of funding was designed for planning, acquisition, design, and construction activities to implement flood mitigation projects. Category 2 projects are eligible to receive up to 70 percent in grant funding. Recipients of financial assistance may either use their own available funds or borrow FIF funds at zero percent for any portion of the required local share not provided through FIF grant funds.

The City qualified for a \$301,000 grant under the FIF equal to 43 percent of the total project costs. The remaining 57 percent will be funded with \$399,000 in FIF financing.

LEGAL

The special condition for this item is an executed grant agreement.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (22-)
4. Location Map

Financial Review

City of Kingsville

Risk Score: 2A

Audit Reviewed: FY 2021

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: -0.31%	State: 1.49%
Top 10 Customers % of Total Revenue	19.35%	10-15%
Median Household Income as % of State	69%	100%
Days of Cash on Hand (3-year Average)	145 days	30-149 days
Net Fixed Assets/ Annual Depreciation	16 years	12-24 years
Debt Service Coverage Ratio	1.63x	1.00x
Debt-to-Operating Revenues	0.96	4.00-5.99x
Unemployment Rate (May, 2022)	City: 4.80%	State: 3.80%
Working Capital Ratio	4.96	> 1.0

Key Risk Score Strengths

- Water system revenues are adequate to maintain coverage of all existing and proposed debt.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City maintains a low debt to operating revenues ratio, which indicates that the City has the capacity to take on new system debt.
- The days of cash on hand for the City are within the benchmark, indicating they can pay operating expenses with the cash available.

Key Risk Score Concerns

- The population growth of the City has slightly declined by approximately 0.3 percent over the past ten years, but water and wastewater connections of the City have been increasing by approximately 0.4 percent over the past three years.
- The top customer of the utility system is Texas A&M University-Kingsville, which consists of 7.12 percent of the water system revenue. A stress test was done to remove these revenues, indicating the City would not have to increase rates.

PLEDGE

Legal Pledge Name	Ad valorem tax and subordinate lien revenues
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input checked="" type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (Year 2023)	Current Household Cost Factor	Projected Household Cost Factor
WATER	6,540	\$29.82	\$29.82	1.63	1.63
WASTEWATER	5,903	\$27.98	\$27.98		

TAXES

	2021 Tax Year Rate	Max Projected Tax Rate (Year 2023)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.6749	\$0.6749	\$2.50	94%	\$970,417,704
Interest & Sinking	\$0.1651	\$0.1651			
Total Tax Rate	\$0.8400	\$0.8400			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$399,730 over the life of the financing. The City is also saving \$301,000 in grant funding.

Responsible Authority	Kingsville
Program	FLOOD
Commitment Number	G1001549, L1001548
Project Number	40192
List Year	2020
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Second Lien
Legal Description	\$301,000 Grant Agreement, \$399,000 City of Kingsville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Taxable Series 2022
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	N/A
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Mireya Loewe	Arnoldo Rubio	Sam Kiger	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Kingsville

\$399,000 City of Kingsville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Taxable Series 2022

Dated Date:	12/15/2022	Source:	FIF
Delivery Date:	12/15/2022	Rate:	0.00%
First Interest:	2/1/2023	IUP Year:	2020
First Principal:	8/1/2023	Case:	Tax and Revenue
Last Principal:	8/1/2052	Admin.Fee:	\$0
Fiscal Year End:	09/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0	Total Assessed Valuation:	\$970,417,704

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 94%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$399,000 ISSUE				TOTAL DEBT SERVICE	TOTAL DEBT COVERAGE	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2023	\$0.1651	\$1,498,179	\$4,163,917	\$5,662,096	\$3,459,028	\$14,000	0.00%	-	\$14,000	\$3,473,028	1.63	
2024	0.1651	1,498,179	4,163,917	5,662,096	2,742,610	14,000	0.00%	-	14,000	2,756,610	2.05	
2025	0.1651	1,498,179	4,163,917	5,662,096	2,762,772	14,000	0.00%	-	14,000	2,776,772	2.04	
2026	0.1651	1,498,179	4,163,917	5,662,096	1,845,390	14,000	0.00%	-	14,000	1,859,390	3.05	
2027	0.1651	1,498,179	4,163,917	5,662,096	1,842,769	14,000	0.00%	-	14,000	1,856,769	3.05	
2028	0.1651	1,498,179	4,163,917	5,662,096	1,643,866	14,000	0.00%	-	14,000	1,657,866	3.42	
2029	0.1651	1,498,179	4,163,917	5,662,096	1,459,243	14,000	0.00%	-	14,000	1,473,243	3.84	
2030	0.1651	1,498,179	4,163,917	5,662,096	1,151,650	14,000	0.00%	-	14,000	1,165,650	4.86	
2031	0.1651	1,498,179	4,163,917	5,662,096	1,179,250	13,000	0.00%	-	13,000	1,192,250	4.75	
2032	0.1651	1,498,179	4,163,917	5,662,096	1,162,850	13,000	0.00%	-	13,000	1,175,850	4.82	
2033	0.1651	1,498,179	4,163,917	5,662,096	657,200	13,000	0.00%	-	13,000	670,200	8.45	
2034	0.1651	1,498,179	4,163,917	5,662,096	239,250	13,000	0.00%	-	13,000	252,250	22.45	
2035	0.1651	1,498,179	4,163,917	5,662,096	235,225	13,000	0.00%	-	13,000	248,225	22.81	
2036	0.1651	1,498,179	4,163,917	5,662,096	236,200	13,000	0.00%	-	13,000	249,200	22.72	
2037	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2038	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2039	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2040	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2041	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2042	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2043	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2044	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2045	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2046	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2047	0.1651	1,498,179	4,163,917	5,662,096	112,000	13,000	0.00%	-	13,000	125,000	45.30	
2048	0.1651	1,498,179	4,163,917	5,662,096	114,000	13,000	0.00%	-	13,000	127,000	44.58	
2049	0.1651	1,498,179	4,163,917	5,662,096	114,000	13,000	0.00%	-	13,000	127,000	44.58	
2050	0.1651	1,498,179	4,163,917	5,662,096	114,000	13,000	0.00%	-	13,000	127,000	44.58	
2051	0.1651	1,498,179	4,163,917	5,662,096	115,000	13,000	0.00%	-	13,000	128,000	44.24	
2052	0.1651	1,498,179	4,163,917	5,662,096	-	14,000	0.00%	-	14,000	14,000	404.44	
					\$22,306,302	\$399,000			\$399,000	\$22,705,302		

AVERAGE (MATURITY) LIFE	14.94 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$399,730
AVERAGE ANNUAL REQUIREMENT	\$13,300

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.



Project Budget Summary
Kingsville
40192 - Drainage Master Plan -
Location 8

Budget Items	This Commitment	Total
Construction		
Construction	\$500,000.00	\$500,000.00
Subtotal for Construction	\$500,000.00	\$500,000.00
Basic Engineering Services		
Design	\$35,700.00	\$35,700.00
Planning	\$6,800.00	\$6,800.00
Subtotal for Basic Engineering Services	\$42,500.00	\$42,500.00
Special Services		
Environmental	\$5,000.00	\$5,000.00
Inspection	\$10,000.00	\$10,000.00
Permits	\$5,000.00	\$5,000.00
Project Management (by engineer)	\$20,000.00	\$20,000.00
Surveying	\$17,500.00	\$17,500.00
Testing	\$12,000.00	\$12,000.00
Subtotal for Special Services	\$69,500.00	\$69,500.00
Fiscal Services		
Bond Counsel	\$9,250.00	\$9,250.00
Financial Advisor	\$18,850.00	\$18,850.00
Issuance Costs	\$1,900.00	\$1,900.00
Subtotal for Fiscal Services	\$30,000.00	\$30,000.00
Contingency		
Contingency	\$58,000.00	\$58,000.00
Subtotal for Contingency	\$58,000.00	\$58,000.00
Total	\$700,000.00	\$700,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$700,000 TO THE CITY OF KINGSVILLE
 FROM THE FLOOD INFRASTRUCTURE FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$399,000 CITY OF KINGSVILLE, TEXAS COMBINATION TAX AND SUBORDINATE LIEN
 REVENUE CERTIFICATES OF OBLIGATION,
 PROPOSED TAXABLE SERIES 2022
 AND
 THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$301,000

(22 -)

WHEREAS, the City of Kingsville (City), located in Kleberg County, Texas, has filed an application for financial assistance from the Flood Infrastructure Fund (FIF) in accordance with Texas Water Code Chapter 15, Subchapter I, to finance planning, design, and construction of a flood project, identified as Project No. 40192; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$700,000 through the TWDB's proposed purchase of \$399,000 City of Kingsville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Taxable Series 2022 (together with all authorizing documents and \$301,000 through execution of a Grant Agreement (together, the Obligations), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the City has offered a pledge of ad valorem taxes and a subordinate lien on the net revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the application and financial assistance requested meet the requirements of Texas Water Code, Chapter 15, Subchapter I; 31 TAC Chapter 363, Subchapters A and D; and the State Fiscal Year 2020 Flood Intended Use Plan (FIUP);
2. the City has demonstrated a sufficient level of cooperation among eligible political subdivisions and has included all of the eligible political subdivisions substantially affected by the flood project in accordance with Texas Water Code § 15.536(2);
3. that in its opinion the taxes or revenues pledged by the City will be sufficient to meet all Obligations assumed by the City in accordance with Texas Water Code § 15.536(3);

4. that the City is eligible to receive grant funding in accordance with Texas Water Code § 15.534 and the FIUP;
5. that the City has demonstrated that the benefit-cost ratio of the Project meets the requirements of the FIUP;
6. that the request for financial assistance does not include redundant funding for activities already performed and/or funded through another source, in accordance with the FIUP;
7. that the City has demonstrated that the application meets the requirements of the FIUP related to the National Flood Insurance Program in the area to be served by the Project;
8. that the Project was developed using the best and most recent available data, in accordance with the FIUP;
9. that the City has documented that it has planned for operations and maintenance costs associated with the Project, in accordance with the FIUP;
10. that the City has considered possible floodwater capture techniques that could be associated with the Project for water supply purposes, in accordance with the FIUP; and
11. that the current water audit has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.0121;

NOW THEREFORE, based on these findings, the TWDB resolves as follows:

12. A commitment is made by the TWDB to City of Kingsville for financial assistance in the amount of \$700,000 from the Flood Infrastructure Fund, to be evidenced by the TWDB's proposed purchase of \$399,000 City of Kingsville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Taxable Series 2022 and execution of a Grant Agreement in the amount of \$301,000. This commitment will expire on March 31, 2023; however, the Executive Administrator may, at his discretion, grant up to one extension for a maximum of three months.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on availability of TWDB funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City has complied with all of the requirements of the laws under which said Obligations were issued,

that said Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that said Obligations are valid and binding obligations of the City;

3. this commitment is contingent upon the City's continued compliance with all applicable laws, rules, policies, and guidance (as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement), including but not limited to 31 TAC Chapter 363;
4. the City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2);

The Following Conditions Must Be Included in the Obligations:

5. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
6. the Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
7. the Obligations must provide that the City will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project;
8. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;
9. the Obligations must include a provision wherein the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;
10. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges to produce revenues in an

amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;

11. the Obligations must include a provision requiring a final accounting to be made of the total sources and authorized use of Project funds within 60 days of the completion of the Project;
12. the Obligations must include a provision requiring the City to deposit any bond proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting, including any interest earned on the bond proceeds, into the Interest and Sinking Fund;
13. the Grant Agreement must include a provision stating that the City shall either return or deposit into the Interest and Sinking Fund any grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the grant funds;
14. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
15. financial assistance proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256 and the Public Funds Collateral Act, Government Code, Chapter 2257;
16. financial assistance proceeds shall not be used by the City 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 City 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, recycling, and disposition of any contaminated sewage sludge, contaminated sediments, and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law;
17. the Obligations must contain a provision stating that the City shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G;
18. the Obligations must contain a provision requiring the City to submit quarterly status reports on the progress of the project that details information requested by

the Executive Administrator. The Executive Administrator may withhold authorization to release funds from escrow or adjust the amount of funds to be released from escrow based on the receipt of the quarterly status reports and the projected quarterly needs for the project.

Conditions to Close or for Release of Funds:

19. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
20. prior to release of funds for the relevant services, and if required under the TWDB's financial assistance program and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel, for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
21. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
22. prior to closing, the City's bond counsel must prepare a written, unqualified approving opinion acceptable to the executive administrator. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
23. prior to release of funds for construction, the City must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the City has the legal authority necessary to complete the acquisitions;

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

24. prior to closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator;

APPROVED and ordered of record this, the 1st day, of September, 2022.

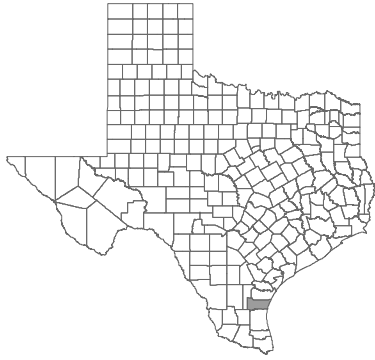
TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator



City of Kingsville Kleberg County

