

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: December 3, 2020

PRESENTED BY: Kathy Hopkins

ACTION REQUESTED

Approve by resolution a request from the City of Weslaco (Hidalgo County) for \$3,002,708 in financial assistance consisting of \$1,051,000 in financing and \$1,951,708 in grant from the Flood Infrastructure Fund for a federal grant award matching funds project.

STAFF RECOMMENDATION

Approve No Action

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 Texas Administrative Code Title 31 § 363.404 and further specified in the 2020 FIF Intended Use Plan. The prioritized list of projects was approved by the Board on September 17, 2020.

PROJECT NEED AND DESCRIPTION

The City of Weslaco's (City) Hazard Mitigation Grant Program (HMGP) application has been selected for \$1,300,000 in funding by the Texas Division of Emergency Management and Federal Emergency Management Agency. The grant will address repetitive flooding of structures and in some flood events, the inundation of floodwater up to three days in an area of the City which currently has an undersized storm water drainage system. HMGP provides up to 75 percent federal funding with the remainder of project costs covered by the local percent match. The City requested assistance meeting the local match requirement.

This project proposes to design and construct major drainage improvements including a detention pond and a 48-inch outfall structure as well as 1,900 linear feet of channel widening that will reduce severity of repetitive flooding to 1,217 structures and remove 169 structures from the 100-year flood plain.

PROPOSED PROJECT FUNDING

TOTAL PROJECT COST	\$4,967,708
Grant amount requested from FIF	\$1,951,708
Loan amount requested from FIF	\$1,051,000
Local contribution	\$565,000
Local in-kind	\$100,000
Federal funding	\$1,300,000

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JUNE 30, 2021

PROJECT SCHEDULE

Task	Estimated schedule date
Closing/contract execution	March 12, 2021
Design phase (beginning date)	November 16, 2020
Start of construction	July 12, 2021
Construction completion	March 18, 2022

KEY ISSUES

The selected project is eligible under Category 3, Federal Awards Matching Funds, of the 2020 Flood Intended Use Plan. This category of funding was designed to leverage federal funding by assisting applicants with their required local match. Category 3 projects are eligible to receive a maximum of 90% grant for their required match based on criteria outlined in the FIF Intended Use Plan. Recipients of financial assistance may either use their own available funds or borrow FIF funds at 0% interest for any portion of the required local share not provided through FIF grant funds.

The City qualifies for 65% grant and the remaining portion in a 0% loan from the FIF. For the financial review section, please see Attachment 1.

LEGAL

Special Conditions

- Prior to closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator; and
- Prior to closing, the City must submit documentation evidencing its receipt of a federal award contingent on the availability of local matching funds.

Attachments:

1. Financial Review
2. Resolution (20-)
3. Location Map

Financial Review City of Weslaco

Risk Score: 2B

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2019	City: 1.73%	State: 1.24%
Top 10 Taxpayers as % Total AV	7.75%	<15%
Median Household Income as % of State	74%	100%
Days of Cash on Hand (3-year Average)	24 days	30-149 days
Net Fixed Assets/ Annual Depreciation	30 years	12-24 years
Debt Service Coverage Ratio	1.24x	1.0x
Debt-to-Operating Revenues	1.95x	4.00-5.99x
Net Direct Debt/Total Assessed Valuation	3%	2.00-4.99%
Unemployment Rate	12.4%	8.3%

Key Risk Score Strengths

- Pledged revenues are derived from an ad valorem tax of properties of the City and have historically provided a strong debt service coverage ratio.
- The City has experienced consistent, high population growth for the past decade.
- Both the self-supporting debt to operating revenues and the direct debt to total assessed valuation are well below the benchmark, indicating that the City has excess debt capacity.

Key Risk Score Concerns

- The unemployment rate of the City is well above the state average due to retail and restaurant closures as well as capacity thresholds put in place due to COVID.
- Days of cash on hand are low, however the City does not face liquidity concerns due to ample authorized but unissued debt capacity and annual earmarked fund dedicated for ongoing flood activities.

PLEDGE

Legal Pledge Name	Ad valorem tax and surplus utility system 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 type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	11,600	\$58.50	\$58.50	2.68	2.68
WASTEWATER	9,800	\$37.41	\$37.41		

TAXES

	2019 Tax Year Rate	Max Projected Tax Rate (2021)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.5109	\$0.5109	\$2.50	97%	\$223,088,630
Interest & Sinking	\$0.1858	\$0.1917			
Total Tax Rate	\$0.6967	\$0.7026			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$589,988 over the life of the financing. The City is also saving \$1,951,708 in grant funding.

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Weslaco

\$1,051,000 City of Weslaco, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2021

Dated Date: 3/15/2021
 Delivery Date: 3/15/2021
 First Interest: 9/15/2021
 First Principal: 3/15/2022
 Last Principal: 3/15/2051
 Fiscal Year End: 09/30
 Required Coverage: 1.1

Source: FIF
 Rate: 0.00%
 IUP Year: 2020
 Case: Tax and Revenue
 Admin.Fee: \$0
 Admin. Fee Payment Date: N/A
 Total Assessed Valuation: \$2,014,633,430

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 96%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$1,051,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2021	\$0.1917	\$3,708,329	\$6,339,947	\$10,048,276	\$8,320,411	\$0	\$0	\$0	\$8,320,411	1.21	
2022	0.1839	3,556,798	6,339,947	9,896,745	7,983,597	35,000	-	-	8,018,597	1.23	
2023	0.1858	3,593,288	6,339,947	9,933,235	7,988,685	35,000	-	-	8,023,685	1.24	
2024	0.1190	2,301,838	6,339,947	8,641,785	6,936,630	35,000	-	-	6,971,630	1.24	
2025	0.1194	2,308,411	6,339,947	8,648,358	6,932,360	35,000	-	-	6,967,360	1.24	
2026	0.1198	2,317,261	6,339,947	8,657,208	6,932,666	35,000	-	-	6,967,666	1.24	
2027	0.1196	2,313,082	6,339,947	8,653,029	6,934,032	35,000	-	-	6,969,032	1.24	
2028	0.0913	1,765,432	6,339,947	8,105,379	5,336,588	35,000	-	-	5,371,588	1.51	
2029	0.0914	1,768,040	6,339,947	8,107,987	5,339,894	35,000	-	-	5,374,894	1.51	
2030	0.0910	1,760,118	6,339,947	8,100,065	5,347,322	35,000	-	-	5,382,322	1.50	
2031	0.0915	1,768,856	6,339,947	8,108,803	5,343,206	35,000	-	-	5,378,206	1.51	
2032	0.0915	1,769,602	6,339,947	8,109,549	5,349,934	35,000	-	-	5,384,934	1.51	
2033	0.0911	1,762,785	6,339,947	8,102,732	2,942,397	35,000	-	-	2,977,397	2.72	
2034	0.0583	1,127,567	6,339,947	7,467,514	2,365,996	35,000	-	-	2,400,996	3.11	
2035	0.0569	1,099,643	6,339,947	7,439,590	964,675	35,000	-	-	999,675	7.44	
2036	0.0570	1,103,080	6,339,947	7,443,027	967,800	35,000	-	-	1,002,800	7.42	
2037	0.0571	1,105,033	6,339,947	7,444,980	969,575	35,000	-	-	1,004,575	7.41	
2038	0.0571	1,105,136	6,339,947	7,445,083	969,669	35,000	-	-	1,004,669	7.41	
2039	0.0409	790,240	6,339,947	7,130,187	683,400	35,000	-	-	718,400	9.93	
2040	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2041	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2042	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2043	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2044	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2045	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2046	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2047	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2048	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2049	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2050	0.0018	35,006	6,339,947	6,374,953	-	35,000	-	-	35,000	182.14	
2051	0.0018	35,006	6,339,947	6,374,953	-	36,000	-	-	36,000	177.08	
					\$233,982,969	\$88,608,837	\$1,051,000	\$0	\$1,051,000	\$89,659,837	

AVERAGE (MATURITY) LIFE	15.51 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$ 3,628,670
AVERAGE ANNUAL REQUIREMENT	\$2,892,253

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.

Responsible Authority	Weslaco
Program	FLOOD
Commitment Number	G1001213, L1001214
Project Number	40114
List Year	2020
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$1,951,708 Grant Agreement, \$1,051,000 City of Weslaco, Texas Combination Tax and Revenue Certificates of Obligation, Series 2021
Tax-exempt or Taxable	Tax-Exempt
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	N/A
Pre-Design	No
Project Consistent with State Water Plan	N/A
Water Conservation Plan	N/A
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Kathy Hopkins	Lina Linehan	Robert Reynolds		Alexis Lorick

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$3,002,708 TO THE CITY OF WESLACO
FROM THE FLOOD INFRASTRUCTURE FUND
THROUGH THE PROPOSED PURCHASE OF
\$1,051,000 CITY OF WESLACO, TEXAS COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
PROPOSED SERIES 2021
AND
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$1,951,708

(20 -)

WHEREAS, the City of Weslaco (City), located in Hidalgo 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 provide matching funds to enable the City to participate in a federal program for a flood project, identified as Project No. 40114 (Project); and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$3,002,708 through the TWDB's proposed purchase of \$1,051,000 City of Weslaco, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2021 (together with all authorizing documents (the Obligations)) and \$1,951,708 through execution of a Grant Agreement, 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 an ad valorem tax and net revenues of the City's water and wastewater system as sufficient security for the repayment of the Obligations; and

WHEREAS, the City has received a federal award contingent on availability of matching funds; 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); and
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); and

3. that the City has submitted a written memorandum of understanding relating to the management of the project watershed executed by all governing bodies of eligible political subdivisions located in the project watershed; and
4. that in its opinion the taxes and 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); and
5. that the City is eligible to receive grant funding in accordance with Texas Water Code § 15.534 and the FIUP; and
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; and
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; and
8. that the Project was developed using the best and most recent available data, in accordance with the FIUP; and
9. 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
10. that the current water audit has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.0121; and

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

A commitment is made by the TWDB to the City of Weslaco for financial assistance in the amount of \$3,002,708 from the Flood Infrastructure Fund, to be evidenced by the TWDB's proposed purchase of \$1,051,000 City of Weslaco, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2021 and the execution of a Grant Agreement in the amount of \$1,951,708. This commitment will expire on June 30, 2021.

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 contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the Project;
7. 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;
8. 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;
9. 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;
10. 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;

11. 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;
12. 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;
13. 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;
14. 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;
15. 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;
16. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
17. the Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to "advance refundings");
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 the 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;

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

Special Conditions:

23. prior to closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator; and
24. prior to closing, the City must submit documentation evidencing its receipt of a federal award contingent on the availability of local matching funds.

APPROVED and ordered of record this, the 3rd day of December, 2020.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator



City of Weslaco Hidalgo County

