



PROJECT FUNDING REQUEST

BOARD DATE: March 3, 2022

Team Manager: Dain Larsen

ACTION REQUESTED

Approve by resolution a request from the City of Fredericksburg (Gillespie County) for \$2,602,529 in financial assistance consisting of \$2,212,000 in financing and \$390,529 in grant from the Flood Infrastructure Fund for design and construction of a drainage improvements 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 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 Fredericksburg (City) is located in Gillespie County, approximately 80 miles west of Austin, Texas. The City is 9.25 square miles and has a population of approximately 10,875.

PROJECT NEED AND DESCRIPTION

The City's streets are used to convey stormwater through its neighborhoods, where the flow reaches significant depths and velocities, including a low water crossing of State Highway 16 (SH 16). The existing infrastructure is undersized, and erosion occurs in the channel along E. Travis street and through Der Stadt Friedhof, the City's historic cemetery.

The proposed project includes construction of storm sewer inlets to capture runoff from the western side of SH 16 North and convey the runoff via a storm sewer main within the SH 16 North right-of-way to its outfall into Town Creek. At the outfall, channel improvements, including precast concrete box culverts and manhole risers would be utilized to stabilize the channel banks because of the large, storm drain outfall using a bio-engineered design with naturally occurring construction materials. To minimize disruptions to traffic in the area the project will coincide with a public water line replacement project along the same stretch of roadway.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE SEPTEMBER 30, 2022

Task	Schedule Date
Closing	May 1, 2022
Engineering Feasibility Report Completion(End of Planning Phase)	September 1, 2022
Design Phase	March 1, 2023
Start of Construction	June 1, 2023
Construction Completion	December 30, 2023

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 \$390,529 grant under the FIF equal to 15 percent of the TWDB-eligible project cost of \$2,602,529. The City is also eligible to receive \$2,212,000 in FIF financing.

LEGAL

Special Conditions

- Executed Grant Agreement

Attachments:

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

Financial Review

City of Fredericksburg

Risk Score: 2A

Audit Reviewed: FY 2020

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 0.32%	State: 1.49%
Top 10 Customers % of Total Revenue	3%	10-15%
Median Household Income as % of State	82%	100%
Days of Cash on Hand (3-year Average)	1,168 days	30-149 days
Net Fixed Assets/ Annual Depreciation	5 years	12-24 years
Debt Service Coverage Ratio	7.2x	1.0x
Debt-to-Operating Revenues	3.60x	4.00-5.99x
Unemployment Rate (November 2021)	Gillespie Co.: 3.00%	State: 4.50%
Working Capital Ratio	5.6	> 1.0

Key Risk Score Strengths

- Pledged revenues of the City's drainage system provide ample debt service coverage ratio of over seven times in the first year of principal repayment and over three times for the life of the proposed obligation.
- A high number of days cash on hand and a high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- A stable population growth rate, low unemployment rate, and low top ten customers as a percent of total revenues are indicators of a strong socioeconomic base.

Key Risk Score Concerns

- A low fixed asset to annual depreciation ratio indicates that the drainage system is reaching the end of its useful life. The proposed project will contribute to the expected life of the City's drainage system.
- The City is pledging drainage system revenues as the single stream of repayment for the proposed obligation. The obligation will require a reserve fund of one year's average annual debt service requirement.

PLEDGE

Legal Pledge Name	Drainage Utility System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input 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	7,542	\$48.23	\$48.23	2.12	2.12
WASTEWATER	5,720	\$35.40	\$35.40		
DRAINAGE	N/A	\$5.62	\$5.62		

Cost Savings

Based on a 29-year maturity schedule and current interest rates, the City could save approximately \$1,129,215 over the life of the financing. The City is also saving \$390,529 in grant funding.

Responsible Authority	Fredericksburg
Program	FLOOD
Commitment Number	G1001480, L1001479
Project Number	40184
List Year	2020
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$390,529 City of Fredericksburg, Texas Grant Agreement, \$2,212,000 City of Fredericksburg, Texas Utility System Drainage Revenue Bonds, Proposed Series 2022
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	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
Dain Larsen	Tyrone Alcorn	Shubham Aggarwal	Kristin Miller	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Fredericksburg

\$2,212,000 City of Fredericksburg, Texas, Utility System Drainage Revenue Bonds, Proposed Series 2022

Dated Date: 5/1/2022	Source: FIF
Delivery Date: 5/1/2022	Rate: 0.00%
First Interest: 11/1/2022	IUP Year: 2020
First Principal: 5/1/2023	Case: Drainage Revenues
Last Principal: 5/1/2053	Admin.Fee: \$0
Fiscal Year End: 09/30	Admin. Fee Payment Date: N/A
Required Coverage: 1.0	Rating: Non-rated

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$2,212,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2023	\$360,898	\$0	\$50,000	-	\$0	\$50,000	\$50,000	7.22
2024	360,898	-	50,000	-	-	50,000	50,000	7.22
2025	360,898	-	50,000	-	-	50,000	50,000	7.22
2026	360,898	-	55,000	-	-	55,000	55,000	6.56
2027	360,898	-	55,000	-	-	55,000	55,000	6.56
2028	360,898	-	55,000	-	-	55,000	55,000	6.56
2029	360,898	-	60,000	-	-	60,000	60,000	6.01
2030	360,898	-	60,000	-	-	60,000	60,000	6.01
2031	360,898	-	60,000	-	-	60,000	60,000	6.01
2032	360,898	-	60,000	-	-	60,000	60,000	6.01
2033	360,898	-	65,000	-	-	65,000	65,000	5.55
2034	360,898	-	65,000	-	-	65,000	65,000	5.55
2035	360,898	-	65,000	-	-	65,000	65,000	5.55
2036	360,898	-	70,000	-	-	70,000	70,000	5.16
2037	360,898	-	70,000	-	-	70,000	70,000	5.16
2038	360,898	-	70,000	-	-	70,000	70,000	5.16
2039	360,898	-	75,000	-	-	75,000	75,000	4.81
2040	360,898	-	75,000	-	-	75,000	75,000	4.81
2041	360,898	-	75,000	-	-	75,000	75,000	4.81
2042	360,898	-	80,000	-	-	80,000	80,000	4.51
2043	360,898	-	80,000	-	-	80,000	80,000	4.51
2044	360,898	-	80,000	-	-	80,000	80,000	4.51
2045	360,898	-	85,000	-	-	85,000	85,000	4.25
2046	360,898	-	85,000	-	-	85,000	85,000	4.25
2047	360,898	-	85,000	-	-	85,000	85,000	4.25
2048	360,898	-	85,000	-	-	85,000	85,000	4.25
2049	360,898	-	85,000	-	-	85,000	85,000	4.25
2050	360,898	-	90,000	-	-	90,000	90,000	4.01
2051	360,898	-	90,000	-	-	90,000	90,000	4.01
2052	360,898	-	90,000	-	-	90,000	90,000	4.01
2053	360,898	-	92,000	-	-	92,000	92,000	3.92
		\$0	\$2,212,000		\$0	\$2,212,000	\$2,212,000	

AVERAGE (MATURITY) LIFE	17.65 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$1,770,632
AVERAGE ANNUAL REQUIREMENT	\$71,355

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
Fredericksburg
40184 - N Llano Storm Sewer System

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	\$1,761,609.00	\$0.00	\$1,761,609.00
Subtotal for Construction	\$1,761,609.00	\$0.00	\$1,761,609.00
Basic Engineering Services			
Construction Engineering	\$32,200.00	\$0.00	\$32,200.00
Design	\$279,200.00	\$0.00	\$279,200.00
Planning	\$0.00	\$25,000.00	\$25,000.00
Subtotal for Basic Engineering Services	\$311,400.00	\$25,000.00	\$336,400.00
Special Services			
Environmental	\$10,000.00	\$0.00	\$10,000.00
Geotechnical	\$15,000.00	\$0.00	\$15,000.00
Inspection	\$37,111.00	\$0.00	\$37,111.00
Surveying	\$30,000.00	\$0.00	\$30,000.00
Subtotal for Special Services	\$92,111.00	\$0.00	\$92,111.00
Fiscal Services			
Bond Counsel	\$8,500.00	\$0.00	\$8,500.00
Financial Advisor	\$13,852.00	\$0.00	\$13,852.00
Fiscal/Legal	\$5,000.00	\$0.00	\$5,000.00
Subtotal for Fiscal Services	\$27,352.00	\$0.00	\$27,352.00
Contingency			
Contingency	\$410,057.00	\$0.00	\$410,057.00
Subtotal for Contingency	\$410,057.00	\$0.00	\$410,057.00
Total	\$2,602,529.00	\$25,000.00	\$2,627,529.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$2,602,529 TO THE CITY OF FREDERICKSBURG
FROM THE FLOOD INFRASTRUCTURE FUND
THROUGH THE PROPOSED PURCHASE OF
\$2,212,000 CITY OF FREDERICKSBURG, TEXAS
UTILITY SYSTEM DRAINAGE REVENUE BONDS,
PROPOSED SERIES 2022
AND
THE EXECUTION OF A GRANT AGREEMENT
IN THE AMOUNT OF \$390,529

(22 -)

WHEREAS, the City of Fredericksburg (City), located in Gillespie 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, for the design and construction of a flood project, identified as Project No. 40184; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$2,602,529 through the TWDB's proposed purchase of \$2,212,000 City of Fredericksburg, Texas Utility System Drainage Revenue Bonds, Proposed Series 2022 (together with all authorizing documents (Obligations)) and \$390,529 through the execution of a Grant Agreement (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 drainage systems revenues 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 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;
4. 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);

5. that the City is eligible to receive grant funding in accordance with Texas Water Code § 15.534 and the FIUP;
6. that the City has demonstrated that the benefit-cost ratio of the Project meets the requirements of the FIUP;
7. 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;
8. 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;
9. that the Project was developed using the best and most recent available data, in accordance with the FIUP;
10. that the City has documented that it has planned for operations and maintenance costs associated with the Project, in accordance with the FIUP; and
11. 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.

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

12. A commitment is made by the TWDB to the City of Fredericksburg for financial assistance in the amount of \$2,602,529 from the Flood Infrastructure Fund, to be evidenced by the TWDB's proposed purchase of \$2,212,000 City of Fredericksburg, Texas Utility System Drainage Revenue Bonds, Proposed Series 2022, and the execution of a Grant Agreement in the amount of \$390,529. This commitment will expire on September 30, 2022; 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. [only for tax-exempt bonds] 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;
 19. [only for tax-exempt bonds] 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");
 20. 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.

21. the Obligations shall include a special covenant prohibiting the City from encumbering, pledging, or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the City shall in no way encumber, pledge, or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval;

Pledge Conditions for the Loan:

22. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
23. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after the term of any financial assistance made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
24. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the City certifies that the City is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the City must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator;

Conditions to Close or for Release of Funds:

25. 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;
26. 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;

27. 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;
28. 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; and
29. 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:

30. 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 3rd day of March 2022.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator



City of Fredericksburg Gillespie County

