

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: January 19, 2023

PRESENTED BY: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the City of Sugar Land (Fort Bend County) for \$4,100,000 in financing from the Flood Infrastructure Fund for planning, design, and construction of a drainage project.

STAFF RECOMMENDATION

Approve No Action

PROJECT NAME AND NUMBER

Covington West and Imperial Woods Drainage Improvements (40203)

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 on September 17, 2020.

The City of Sugar Land (City) is in Fort Bend County approximately 20 miles southwest of downtown Houston. The proposed project is located within the Fort Bend County Drainage District, along Highway US 90 Alternate just southwest of its intersection with Texas State Highway 6. The City's total population is approximately 111,026 and the total population to be served by this project is approximately 760.

PROJECT NEED AND DESCRIPTION

In recent years, the City has experienced several major storm events that have caused structural flooding and severe street flooding in the Covington Woods West and Imperial Woods neighborhoods. During minor storm events the ponding duration exceeds 10 hours. This makes roadways impassable, which impedes residents from entering or leaving their neighborhood and prevents the City from providing emergency services. An analysis of an Atlas 14 100-year storm event showed this region had less than 6-inches of freeboard, a safety factor above a flood level for purposes of floodplain management, which puts 223 residential structures at an imminent risk of flooding.

The City is requesting funds for the construction of a drainage improvement project. The project is intended to increase storm water conveyance and decrease ponding depth and duration within the Covington West and Imperial Woods neighborhoods. The City proposes to install approximately 2,600 linear feet of storm sewer improvements which includes

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JULY 31, 2023
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replacement of inlets and outfall/headwall structures as well as pavement replacement along the installation corridor. Once implemented, the neighborhoods will see ponding duration reduced to less than 4 hours and the freeboard increased to 1 foot, which is the minimum recommended by the National Flood Insurance Program.

PROJECT SCHEDULE

Task	Schedule Date
Closing	April 1, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	February 1, 2023
Design Phase Completion	March 1, 2023
Start of Construction	June 30, 2023
Construction Completion	June 30, 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.

Attachments

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Location Map

Financial Review Sugar Land

Risk Score: 2A

Audit Reviewed: FY 2021

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 3.49%	State: 1.49%
Top 10 Taxpayers % of Total Revenue-GO Bond	5%	10-15%
Median Household Income as % of State	196%	100%
Days of Cash on Hand (3-year Average)-GO Bond	98 days	30-149 days
Debt-to-Operating Revenues	2.34	4.00-5.99x
Unemployment Rate (October, 2022)	City: 3.4%	State: 5.30%
Working Capital Ratio	8.32	> 1.0
Debt Service Coverage Ratio	1.16X	1.0X
Net Direct Debt/TAV	1.74%	2.00-4.99%

Key Risk Score Strengths

- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City has strong socioeconomic indicators, with a growing population, high median household income, and unemployment that is below the state's benchmark.
- The City's top ten customers of the water system are at five percent indicating that it does not rely on one customer to generate most of its revenue.

Key Risk Score Concerns

- The City is coming in for two separate bond issues. A general obligation (GO) bond and a certificate of obligation (CO) bond. The CO bond is intended to bridge the gap in increased costs of the project since the City's last election of its GO Bond. The City is proposing a combination of surplus revenues from the utility system and ad valorem tax. The City is projected to require a tax rate increase of \$0.086 in 2024 and intends to pay using ad valorem tax for each pledge.

PLEDGE

Legal Pledge Name	Ad Valorem Tax- General Obligation Bond
Type of Pledge	<input checked="" type="checkbox"/> Tax <input type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input checked="" type="checkbox"/> N/A

Legal Pledge Name	Ad Valorem Tax and Utility System Revenues- Certificate of Obligation
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 (Year 2022)	Current Household Cost Factor	Projected Household Cost Factor
Water	10,000	\$56.87	\$56.87	0.91	0.91
Wastewater	6,260	\$35.14	\$35.14		

TAXES

	2021 Tax Year Rate	Max Projected Tax Rate (Year 2024)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.2089	\$0.2089	\$2.50	99%	\$16,898,968,598
Interest & Sinking	\$0.1376	\$0.2242			
Total Tax Rate	\$0.3465	\$0.4329			

Cost Savings

General Obligation Bond:

Based on a 20-year maturity schedule and current interest rates, the City could save approximately \$2,251,005 over the life of the financing.

Certificates of Obligation:

Based on a 20-year maturity schedule and current interest rates, the City could save approximately \$853,316 over the life of the financing.

Project Data Summary

Responsible Authority	Sugar Land
Program	FLOOD
Commitment Number	L1001596, L1001602
Project Number	40203
List Year	2020
Type of Pledge	Tax Pledge & Combo Tax and Revenue
Pledge Level (if applicable)	N/A & Third Lien
Legal Description	\$3,000,000 City of Sugar Land, Texas, General Obligation Bonds, Proposed Series 2023, \$1,100,000 City of Sugar Land, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023A
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	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Nancy Richards	Chelsea Duran	Lucia Loera	Britt Paredes	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Sugar Land

\$1,100,000 City of Sugar Land, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023A

Dated Date: 4/1/2023
 Delivery Date: 4/1/2023
 First Interest: 7/1/2023
 First Principal: 7/1/2023
 Last Principal: 7/1/2052
 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: \$16,898,968,598

FISCAL YEAR	PROPOSED TAX RATE	PROPOSED TAX REVENUES WITH COLL. @ 99%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$1,100,000 ISSUE			TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2023	\$0.2171	\$36,320,613	\$21,967,116	\$58,287,729	\$50,169,680	\$35,000	-	-	\$35,000	\$50,204,680	1.16
2024	0.2242	37,508,290	21,967,116	59,475,406	52,361,328	35,000	0.00%	-	35,000	52,396,328	1.14
2025	0.2094	35,027,096	21,967,116	56,994,212	49,782,034	35,000	0.00%	-	35,000	49,817,034	1.14
2026	0.1847	30,908,449	21,967,116	52,875,565	45,544,799	35,000	0.00%	-	35,000	45,579,799	1.16
2027	0.1668	27,913,809	21,967,116	49,880,925	42,061,184	35,000	0.00%	-	35,000	42,096,184	1.18
2028	0.1642	27,467,298	21,967,116	49,434,414	41,495,898	35,000	0.00%	-	35,000	41,530,898	1.19
2029	0.1554	26,005,258	21,967,116	47,972,374	38,724,145	35,000	0.00%	-	35,000	38,759,145	1.24
2030	0.1482	24,797,293	21,967,116	46,764,409	35,479,830	35,000	0.00%	-	35,000	35,514,830	1.32
2031	0.1347	22,537,251	21,967,116	44,504,367	32,903,239	35,000	0.00%	-	35,000	32,938,239	1.35
2032	0.1324	22,152,493	21,967,116	44,119,609	30,839,931	35,000	0.00%	-	35,000	30,874,931	1.43
2033	0.1307	21,874,278	21,967,116	43,841,394	30,456,190	35,000	0.00%	-	35,000	30,491,190	1.44
2034	0.1217	20,361,296	21,967,116	42,328,412	27,715,946	35,000	0.00%	-	35,000	27,750,946	1.53
2035	0.1199	20,057,221	21,967,116	42,024,337	27,275,077	35,000	0.00%	-	35,000	27,310,077	1.54
2036	0.1065	17,822,211	21,967,116	39,789,327	24,039,792	35,000	0.00%	-	35,000	24,074,792	1.65
2037	0.0969	16,216,297	21,967,116	38,183,413	21,845,341	35,000	0.00%	-	35,000	21,880,341	1.75
2038	0.0896	14,983,286	21,967,116	36,950,402	19,114,761	35,000	0.00%	-	35,000	19,149,761	1.93
2039	0.0888	14,848,576	21,967,116	36,815,692	18,891,926	35,000	0.00%	-	35,000	18,926,926	1.95
2040	0.0721	12,059,209	21,967,116	34,026,325	14,577,322	35,000	0.00%	-	35,000	14,612,322	2.33
2041	0.0676	11,304,268	21,967,116	33,271,384	13,734,974	35,000	0.00%	-	35,000	13,769,974	2.42
2042	0.0317	5,305,173	21,967,116	27,272,289	7,148,523	35,000	0.00%	-	35,000	7,183,523	3.80
2043	0.0275	4,597,470	21,967,116	26,564,586	5,267,345	40,000	0.00%	-	40,000	5,307,345	5.01
2044	0.0190	3,184,440	21,967,116	25,151,556	3,044,440	40,000	0.00%	-	40,000	3,084,440	8.15
2045	0.0190	3,180,208	21,967,116	25,147,324	3,040,208	40,000	0.00%	-	40,000	3,080,208	8.16
2046	0.0190	3,177,038	21,967,116	25,144,154	3,037,038	40,000	0.00%	-	40,000	3,077,038	8.17
2047	0.0190	3,179,538	21,967,116	25,146,654	3,039,538	40,000	0.00%	-	40,000	3,079,538	8.17
2048	0.0096	1,610,000	21,967,116	23,577,116	1,470,000	40,000	0.00%	-	40,000	1,510,000	15.61
2049	0.0096	1,610,000	21,967,116	23,577,116	1,470,000	40,000	0.00%	-	40,000	1,510,000	15.61
2050	0.0096	1,610,000	21,967,116	23,577,116	1,470,000	40,000	0.00%	-	40,000	1,510,000	15.61
2051	0.0096	1,610,000	21,967,116	23,577,116	1,470,000	40,000	0.00%	-	40,000	1,510,000	15.61
2052	0.0096	1,610,000	21,967,116	23,577,116	1,470,000	40,000	0.00%	-	40,000	1,510,000	15.61
					\$648,940,486	\$1,100,000			\$1,100,000	\$650,040,486	

AVERAGE (MATURITY) LIFE	15.2 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$ 853,316
AVERAGE ANNUAL REQUIREMENT	\$36,667

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ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Sugar Land

\$3,000,000 City of Sugar Land, Texas General Obligation Bonds, Proposed Series 2023

Dated Date: 4/1/2023
 Delivery Date: 4/1/2023
 First Interest: 7/1/2023
 First Principal: 7/1/2023
 Last Principal: 7/1/2052
 Fiscal Year End: 09/30
 Required Coverage: 1.0

Source: FIF
 Rate: 0.00%
 IUP Year: 2020
 Case: Tax
 Admin.Fee: \$0
 Admin. Fee Payment Date: N/A
 Total Assessed Valuation: \$16,898,968,598

FISCAL YEAR	PROPOSED TAX RATE	PROPOSED TAX REVENUES WITH COLL. @ 99%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$3,000,000 ISSUE				*PROPOSED		COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	CO DEBT	TOTAL DEBT SERVICE	
2023	\$0.2171	\$36,320,613	\$0	\$36,320,613	\$36,185,613	\$100,000	-	-	\$100,000	\$35,000	\$36,320,613	1.00
2024	\$0.2242	37,508,290	\$0	37,508,290	37,373,290	100,000	0.00%	-	100,000	35,000	37,508,290	1.00
2025	\$0.2094	35,027,096	\$0	35,027,096	34,892,096	100,000	0.00%	-	100,000	35,000	35,027,096	1.00
2026	\$0.1847	30,908,449	\$0	30,908,449	30,773,449	100,000	0.00%	-	100,000	35,000	30,908,449	1.00
2027	\$0.1668	27,913,809	\$0	27,913,809	27,778,809	100,000	0.00%	-	100,000	35,000	27,913,809	1.00
2028	\$0.1642	27,467,298	\$0	27,467,298	27,332,298	100,000	0.00%	-	100,000	35,000	27,467,298	1.00
2029	\$0.1554	26,005,258	\$0	26,005,258	25,870,258	100,000	0.00%	-	100,000	35,000	26,005,258	1.00
2030	\$0.1482	24,797,293	\$0	24,797,293	24,662,293	100,000	0.00%	-	100,000	35,000	24,797,293	1.00
2031	\$0.1347	22,537,251	\$0	22,537,251	22,402,251	100,000	0.00%	-	100,000	35,000	22,537,251	1.00
2032	\$0.1324	22,152,493	\$0	22,152,493	22,017,493	100,000	0.00%	-	100,000	35,000	22,152,493	1.00
2033	\$0.1307	21,874,278	\$0	21,874,278	21,739,278	100,000	0.00%	-	100,000	35,000	21,874,278	1.00
2034	\$0.1217	20,361,296	\$0	20,361,296	20,226,296	100,000	0.00%	-	100,000	35,000	20,361,296	1.00
2035	\$0.1199	20,057,221	\$0	20,057,221	19,922,221	100,000	0.00%	-	100,000	35,000	20,057,221	1.00
2036	\$0.1065	17,822,211	\$0	17,822,211	17,687,211	100,000	0.00%	-	100,000	35,000	17,822,211	1.00
2037	\$0.0969	16,216,297	\$0	16,216,297	16,081,297	100,000	0.00%	-	100,000	35,000	16,216,297	1.00
2038	\$0.0896	14,983,286	\$0	14,983,286	14,848,286	100,000	0.00%	-	100,000	35,000	14,983,286	1.00
2039	\$0.0888	14,848,576	\$0	14,848,576	14,713,576	100,000	0.00%	-	100,000	35,000	14,848,576	1.00
2040	\$0.0721	12,059,209	\$0	12,059,209	11,924,209	100,000	0.00%	-	100,000	35,000	12,059,209	1.00
2041	\$0.0676	11,304,268	\$0	11,304,268	11,169,268	100,000	0.00%	-	100,000	35,000	11,304,268	1.00
2042	\$0.0317	5,305,173	\$0	5,305,173	5,170,173	100,000	0.00%	-	100,000	35,000	5,305,173	1.00
2043	\$0.0275	4,597,470	\$0	4,597,470	4,457,470	100,000	0.00%	-	100,000	40,000	4,597,470	1.00
2044	\$0.0190	3,184,440	\$0	3,184,440	3,044,440	100,000	0.00%	-	100,000	40,000	3,184,440	1.00
2045	\$0.0190	3,180,208	\$0	3,180,208	3,040,208	100,000	0.00%	-	100,000	40,000	3,180,208	1.00
2046	\$0.0190	3,177,038	\$0	3,177,038	3,037,038	100,000	0.00%	-	100,000	40,000	3,177,038	1.00
2047	\$0.0190	3,179,538	\$0	3,179,538	3,039,538	100,000	0.00%	-	100,000	40,000	3,179,538	1.00
2048	\$0.0096	1,610,000	\$0	1,610,000	1,470,000	100,000	0.00%	-	100,000	40,000	1,610,000	1.00
2049	\$0.0096	1,610,000	\$0	1,610,000	1,470,000	100,000	0.00%	-	100,000	40,000	1,610,000	1.00
2050	\$0.0096	1,610,000	\$0	1,610,000	1,470,000	100,000	0.00%	-	100,000	40,000	1,610,000	1.00
2051	\$0.0096	1,610,000	\$0	1,610,000	1,470,000	100,000	0.00%	-	100,000	40,000	1,610,000	1.00
2052	\$0.0096	1,610,000	\$0	1,610,000	1,470,000	100,000	0.00%	-	100,000	40,000	1,610,000	1.00
\$466,738,357						\$3,000,000			\$3,000,000	\$1,100,000	\$470,838,357	

*Proposed Combination of Tax and Surplus Revenues Certificate of Obligation debt will be paid with tax revenues

AVERAGE (MATURITY) LIFE	14.75 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$ 2,251,005
AVERAGE ANNUAL REQUIREMENT	\$100,000

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Project Budget Summary
Sugar Land
40203 - Covington West and Imperial Woods Drainage
Improvements

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	\$3,311,000.00	\$0.00	\$3,311,000.00
Subtotal for Construction	\$3,311,000.00	\$0.00	\$3,311,000.00
Basic Engineering Services			
Design	\$0.00	\$303,141.00	\$303,141.00
Planning	\$8,320.00	\$0.00	\$8,320.00
Subtotal for Basic Engineering Services	\$8,320.00	\$303,141.00	\$311,461.00
Special Services			
Geotechnical	\$0.00	\$12,900.00	\$12,900.00
Permits	\$10,460.00	\$0.00	\$10,460.00
Surveying	\$6,199.00	\$43,410.00	\$49,609.00
Subtotal for Special Services	\$16,659.00	\$56,310.00	\$72,969.00
Fiscal Services			
Bond Counsel	\$25,000.00	\$0.00	\$25,000.00
Financial Advisor	\$50,000.00	\$0.00	\$50,000.00
Fiscal/Legal	\$20,000.00	\$0.00	\$20,000.00
Issuance Costs	\$5,000.00	\$0.00	\$5,000.00
Subtotal for Fiscal Services	\$100,000.00	\$0.00	\$100,000.00
Contingency			
Contingency	\$664,021.00	\$0.00	\$664,021.00
Subtotal for Contingency	\$664,021.00	\$0.00	\$664,021.00
Total	\$4,100,000.00	\$359,451.00	\$4,459,451.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,100,000 TO THE CITY OF SUGAR LAND
FROM THE FLOOD INFRASTRUCTURE FUND
THROUGH THE PROPOSED PURCHASE OF \$3,000,000 CITY OF SUGAR LAND, TEXAS,
GENERAL OBLIGATION BONDS, PROPOSED SERIES 2023
AND \$1,100,000 CITY OF SUGAR LAND, TEXAS, COMBINATION TAX AND SURPLUS
REVENUE CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2023A

(23 -)

WHEREAS, the City of Sugar Land (City), located in Fort Bend 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 the planning, design, and construction of a flood project, identified as Project No. 40203; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$4,100,000 through the TWDB's proposed purchase of \$3,000,000 City of Sugar Land, Texas, General Obligation Bonds, Proposed Series 2023 and \$1,100,000 City of Sugar Land, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023A (together, "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 tax as sufficient security for the repayment of the General Obligation Bonds; and

WHEREAS, the City has offered a pledge of ad valorem tax and surplus system revenue as sufficient security for the repayment of the Certificates of Obligation; 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 and 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

4. that the City has demonstrated that the benefit-cost ratio of the Project meets the requirements of the FIUP; and
5. 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
6. 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
7. that the Project was developed using the best and most recent available data, in accordance with the FIUP; and
8. that the City has documented that it has planned for operations and maintenance costs associated with the Project, 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.

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

A commitment is made by the TWDB to the City of Sugar Land for financial assistance in the amount of \$4,100,000 from the Flood Infrastructure Fund, to be evidenced by the TWDB's proposed purchase of \$3,000,000 City of Sugar Land, Texas, General Obligation Bonds, Proposed Series 2023 and \$1,100,000 City of Sugar Land, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023A. This commitment will expire on July 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);
5. the City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition);

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
7. 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;
8. 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;
9. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;
10. 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;

11. the Obligations must contain a provision requiring the City to levy a tax and 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;
12. 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;
13. 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;
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.

Pledge Conditions for the Loan:

19. the City's Order authorizing the Certificates of Obligation must contain a provision that provides as follows:
 - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
 - b. if surplus revenues are based upon budgeted amounts:
 - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
 - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and
 - iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges so that after payment of the costs of operating and maintaining the project, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City that are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment

of such Obligations, or the City shall provide documentation that evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment

20. the City's Order authorizing the General Obligation Bonds must contain a provision that for each year the Obligations are outstanding, the City will levy a debt service tax rate, and collect taxes sufficient for the repayment of annual principal requirements on the Obligations;

Conditions to Close or for Release of Funds:

21. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
22. 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;
23. 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;
24. 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;
25. 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.

APPROVED and ordered of record this, the 19th day of January, 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

