FIF FME PROJECT FUNDING REQUEST

BOARD DATE: September 10, 2026 **Presented by:** Chris Mercado

ACTION REQUESTED
Consider approving the selected flood management evaluation (FME) application and authorizing the Executive Administrator to execute contracts for grant and loan funding from the 2024-2025 Flood Infrastructure Fund cycle in an amount not to exceed $1,100,000 for watershed flood protection planning projects.

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 in April 2025.

KEY ISSUES
The selected project represents those eligible under the FME Category of the 2024-2025 Flood Intended Use Plan. This category of funding was designed to conduct studies to identify, assess, and quantify flood risk or identify, evaluate, and recommend flood risk reduction solutions. These studies involve planning of entire watersheds or sub-watersheds, as required by the TWDB regional flood planning program, to better inform the development of strategies using structural and nonstructural measures before a flood event. This may include determining and describing problems from or related to flooding, identifying, and planning solutions to flooding problems, and estimating the benefits and costs of these solutions. FMEs are eligible to receive a maximum of 100 percent grant funds based on criteria outlined in the Flood Intended Use Plan. Recipients of financial assistance may either use their own funds or borrow FIF funds at zero percent interest for any portion of the remaining project cost.

The applicant listed in Table 1 has submitted complete financial assistance applications and is eligible to receive grant funding through the FIF for a portion of their total project cost and is also eligible to receive a 0% loan funded through the FIF. Table 1 provides a summary of funding sources for this study, and project summary is attached.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE March 31, 2027, for projects that include grant and loan; however, the Executive Administrator may, at his discretion, grant up to one extension for a maximum of three months

Table 1 - Summary of FME grant application included in this project funding request

	Applicant name	Project name	Project #	Eligible grant (%)	Local share ($)	In-kind services ($)	FIF grant ($)	FIF loan ($)	Total project cost ($)
1	City of Seguin	Seguin Regional Drainage Masterplan	40235	75%	$0	$0	$825,000	$275,000	$1,100,000
	Total				$0	$0	$825,000	$275,000	$1,100,000

The project recommended for approval meets all minimum requirements found in the 2024-2025 Flood Intended Use Plan:

1. must be recommended in a Regional Flood Plan as a Flood Management Evaluation (FME).
2. all activities are considered "flood control planning" as defined in Texas Water Code § 15.405;
3. the application does not include the actual preparation of a Federal Emergency Management Agency Flood Insurance Rate Maps;
4. the funding request does not include redundant funding;
5. that the application demonstrates a sufficient level of cooperation among eligible political subdivisions and includes all of the eligible political subdivisions substantially affected by the Project;
6. the area to be served by the Project meets the requirements of the 2024-2025 Flood Intended Use Plan related to the National Flood Insurance Program; and the project was developed using the best/most recent available data.

The selected project recommended for approval meets the statutory and rule requirements found in Texas Water Code Chapter 15 Subchapter F and 31 Texas Administrative Code Chapter 355, including:

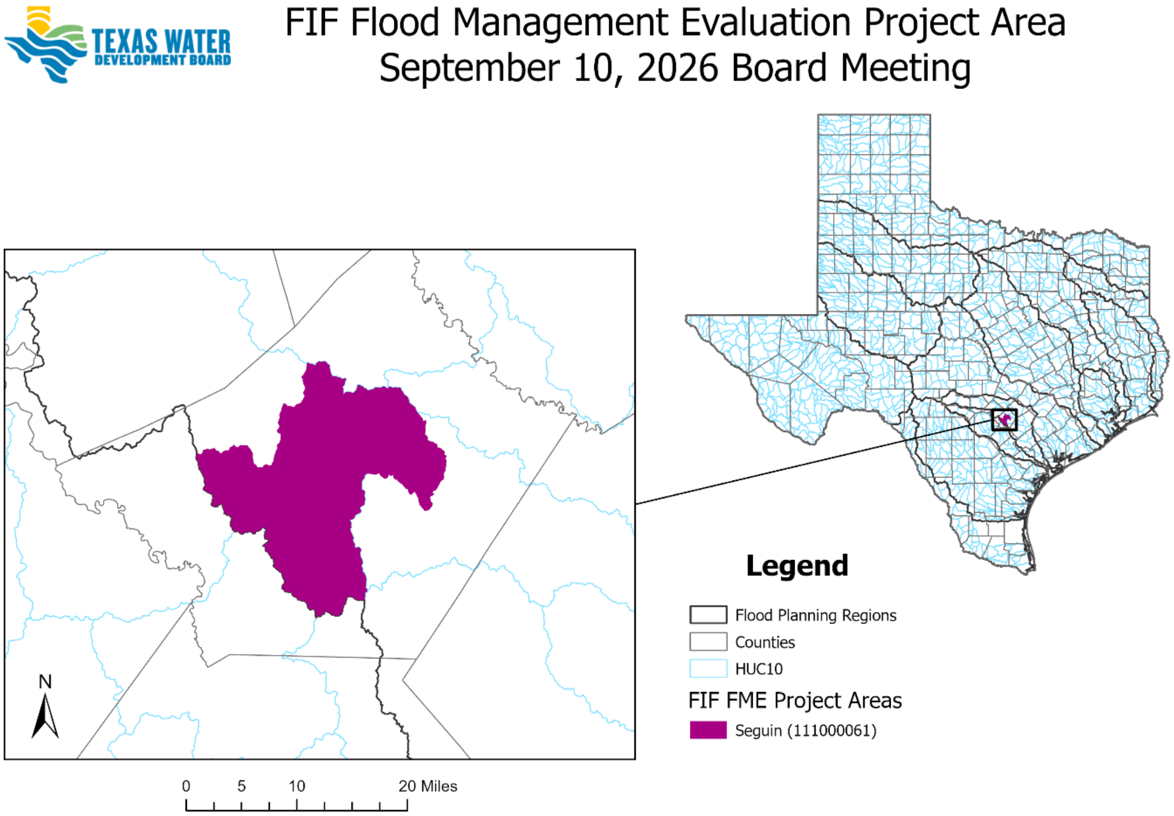
1. that financial assistance is necessary for the applicants to carry out adequate flood control planning; and
2. that the applicant has notified all required entities of the application.

Attachments:

1. Project Summary Map of FIF FME Area
2. Seguin Project Summary
3. Seguin Financial Review
4. Seguin Resolution

Attachment 1

Project Summary Map of FIF FME Area - Seguin



Attachment 2

CITY OF SEGUIN

PROJECT NAME Seguin Regional Drainage Masterplan, Project No. 40235

PROJECT NEED AND DESCRIPTION

Project Need

The proposed Seguin Regional Drainage Masterplan will help address the needs of the City of Seguin and Guadalupe County. Since 1998, the City of Seguin has experienced several major flood events, resulting in millions of dollars in property damage, loss of critical infrastructure, and significant stress to residents throughout the region The geography and climate of the region, with multiple complex watersheds passing through the region, makes flooding nearly inevitable. Responding to these emergencies after the fact, while necessary, is an inefficient and costly approach in comparison to investing in preventative mitigation studies. This project was recommended by the Region 11 Regional Flood Planning Group.

Project Description

The proposed study will expand on the existing Seguin Drainage Master Plan to incorporate the Youngs Creek, Cottonmouth Creek, Geronimo Creek, and Long Branch-Mill Creek watersheds. The study will provide a basis to identify flooding vulnerabilities for existing infrastructure and impacts from future growth to improve flood resilience in the watershed. This regional drainage master plan proposes to include solutions to increase drainage capacity, add stormwater detention and or/retention basins, and implement drainage improvements as deemed necessary to reduce flood risk.

Key project elements:

1. Project Management and Meetings
2. Data Collection and Review
3. Survey/Field Work: Collect existing conditions data for model input and planning for drainage improvements
4. Coordination with Regional Flood Planning Group (Region 11) and overlapping projects
5. Hydrologic Analysis: Perform hydrologic modeling and calibration
6. Hydraulic Analysis: Perform hydraulic modeling and calibration
7. Identification of Flood Problem Areas: Identify a minimum of 30 flood problem areas
8. Alternatives Analysis: Evaluate a minimum of 60 alternative analyses
9. Community Outreach
10. QC/Model Validation
11. Reporting

Key project deliverables:

1. Updated hydrologic and hydraulic models (analysis of the 10%, 1%, and 0.2% annual chance events) including QA/QC reporting
2. Memo summarizing data collected
3. Survey reporting on an estimated 80 field visits
4. List of Identified Hot Spots (minimum of 30 flood problem areas)
5. List/Table of Alternative Solutions (minimum of 60 alternatives)

6. Draft and Final Reports

PROPOSED PROJECT FUNDING

TOTAL STUDY COST	**$1,100,000**
Grant amount requested from FIF	$825,000
Loan amount requested from FIF	$275,000
Local Contribution	$0
Local in-kind	$0
Federal funding	$0

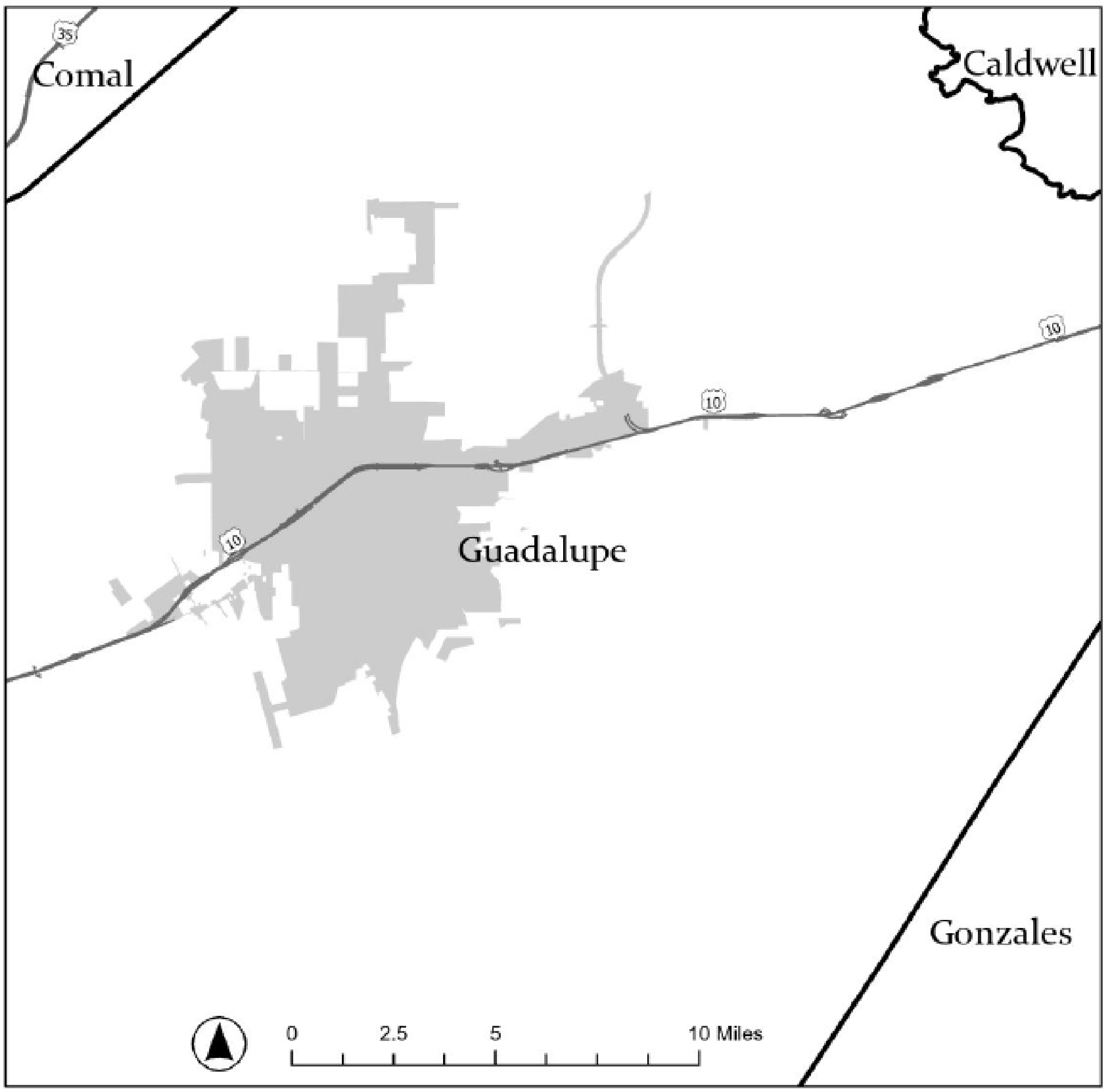
PROJECT SCHEDULE

Task	Schedule Date
Closing	March 31, 2027
FME Completion	April 30, 2029

FINANCIAL
The funding being provided by TWDB is in the form of grant and loan and is subject to our internal risk score analysis due to the loan component.

SPECIAL CONDITIONS
- Prior to closing, the entity shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator;
- Prior to closing, the entity must demonstrate its required local share listed in the table above, which may be provided through in-kind services with prior approval by the Executive Administrator;
- Prior to closing on any portion of financial assistance, the entity 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; and
- Prior to closing, the entity must submit documentation evidencing that the area to be served by the Project has floodplain ordinances or orders, as applicable, in place, in accordance with the 2024-25 Flood Infrastructure Fund Intended Use Plan or must include in the scope of work that the applicant will work with any community within the project area, that does not meet minimum standard, towards adoption and enforcement of floodplain management ordinances or orders, as applicable, in accordance with the 2024-25 Flood Intended Use Plan.

Seguin



Financial Review
City of Seguin

Risk Score: 2A | Audit Reviewed: FY 2025

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 1.57%	State: 1.49%
Top 10 Customers % of Total Revenue	13%	10-15%
Median Household Income as % of State	77%	100%
Days of Cash on Hand (3-year Average)	473 days	30-149 days
Total Assessed Valuation, Per Capita	$162,732	$30,000-$64,999
Debt per Capita	$25,036	$1,000-$1,999
Debt Service Coverage Ratio	1.0x	1.0x
Debt-to-Operating Revenues	1.05	4.00-5.99x
Unemployment Rate (May, 2026)	City: 4.00%	State: 4.30%
Working Capital Ratio	8.9	> 1.0

Key Risk Score Strengths

- The City's General Fund cash balance grew from $14,628,674 in 2020 to $34,690,137 in 2025, an increase of approximately 137 percent over five years. This growth demonstrates strong financial management, robust liquidity, and a well-positioned ability to cover short-term expenditures and unforeseen financial needs.
- The City's working capital ratio exceeds the benchmark, indicating strong near-term liquidity and financial stability to cover operational needs and unexpected expenses.
- The City's debt-to-operating revenues ratio remains below the state benchmark, reflecting a favorable debt position and demonstrating adequate revenue capacity to manage existing debt commitments.

Key Risk Score Concerns

- While the City is projected to require a tax rate increase of approximately $0.11 by 2029, its 2025 financial audit demonstrates strong financial flexibility through substantial unassigned fund balances and cash reserves. These resources provide the ability to meet debt service obligations through a combination of tax rate adjustments and the strategic use of available liquidity.
- The City carries a significant amount of debt per capita relative to its population; however, its use of diversified debt instruments helps manage and distribute associated risks.

PLEDGE

Legal Pledge Name	Ad Valorem Tax
Type of Pledge	☒Tax ☐ Revenue ☐ Tax & Revenue ☐ Contract ☐ Other
Revenue Pledge Level	☐ First ☐ Second ☐ Third ☒N/A

TAXES

	2025 Tax Year Rate	Max Projected Tax Rate (Year 2029)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	$0.2981	$0.2981	$2.50	98%	$4,789,535,785
Interest & Sinking	$0.2154	$0.3276			
Total Tax Rate	$0.5135	$0.6257			

<u>Cost Savings</u>
Based on a 5-year maturity schedule and current interest rates, the City could save approximately $33,213 over the life of the financing. The City is also saving $825,000 in grant funding.

Texas Water Development Board

Attachment 3

Project Data Summary

Responsible Authority	City of Seguin
Solicitation Program	FIF
Funding Program	FIF
Commitment Number	G1002372, L1002373
Project Number	40235
List Year	2024
Type of Pledge	Tax Pledge
Pledge Level (if applicable)	N/A
Legal Description	$825,000 Grant Agreement, $275,000 City of Seguin, Texas Tax note, Proposed Series 2026
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
Pre-Design	No
Project Consistent with State Water Plan	
Water Conservation Plan	
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Chris Mercado	Chelsea Duran			Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Seguin

$275,000 City of Seguin, Texas Tax Note, Series 2026

Dated Date:	**2/1/2027**	**Source:**	**FIF**
Delivery Date:	**2/1/2027**	**Rate:**	**0.00%**
First Interest:	**9/1/2027**	**IUP Year:**	**2024**
First Principal	**9/1/2027**	**Case:**	**Tax**
Last Principal:	**9/1/2031**	**Admin.Fee:**	**$0**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**N/A**
Required Coverage:	**1.0**	**Total Assessed Valuation:**	**$4,789,535,785**

					$275,000 ISSUE					
FISCAL YEAR	**PROJECTED TAX RATE**	**TAX REVENUES WITH COLL. @ 98%**	**PROJECTED TOTAL REVENUES**	**CURRENT DEBT SERVICE**	**PRINCIPAL PAYMENT**	**INTEREST RATE**	**INTEREST PAYMENT**	**TOTAL PAYMENT**	**TOTAL DEBT SERVICE**	**COVERAGE**
2027	$0.32631	$15,316,129	$15,316,129	$15,261,129	$55,000	-	$0	$55,000	$15,316,129	1.00
2028	0.31450	14,761,779	14,761,779	14,706,779	55,000	0.00%	-	55,000	14,761,779	1.00
2029	0.32769	15,380,998	15,380,998	15,325,998	55,000	0.00%	-	55,000	15,380,998	1.00
2030	0.32726	15,360,560	15,360,560	15,305,560	55,000	0.00%	-	55,000	15,360,560	1.00
2031	0.27963	13,124,891	13,124,891	13,069,891	55,000	0.00%	-	55,000	13,124,891	1.00
			$75,016,076	$73,669,356	$275,000		$0	$275,000	$73,944,356	

AVERAGE (MATURITY) LIFE	**2.58 YEARS**
NET INTEREST RATE	**0.000%**
COST SAVINGS	**$ 33,213**
AVERAGE ANNUAL REQUIREMENT	**$55,000**

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.

Internal Risk Scoring Worksheet

City of Seguin

No.	Indicator	Result	Points	Total Possible Points
1	Debt Service Coverage Ratio	1.00	16	20
2	Cash Balance Ratio	44%	10	10
3	Total Assessed Valuation, per capita	$ 162,732	10	10
4	Fund Balance as % of Revenues	67.25%	10	10
		Financial Sustainability (50%)	**46**	**50**
5	Qualitative & Other Quantitative Factors	2C	5	10
6	Median Household Income Index	77%	3	5
7	Tax Base Size: Full Value	$ 4,789,676,707	4	5
		Socioeconomic (20%)	**12**	**20**
8	Days of Cash on Hand (3-year average)	473	15	15
		Liquidity (15%)	**15**	**15**
9	Net Direct Debt-to-Operating Revenues	1.05	8	10
10	Net Direct Debt/ Total Assessed Valuation	1.21%	4	5
		Debt (15%)	**12**	**15**
		Total	**85**	**100**
		Risk Score	**2A**	

Additional Notes:

Indicator No. 1 projects 1.0 times coverage for tax only pledge based on required projected revenues.
Indicator No. 5 resulted in a 2C due to high debt per capital.

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
$1,100,000 TO THE CITY OF SEGUIN
FROM THE FLOOD INFRASTRUCTURE FUND
THROUGH THE PROPOSED PURCHASE OF
$275,000 CITY OF SEGUIN, TEXAS TAX NOTE,
PROPOSED SERIES 2026
AND
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF $825,000

(26 -)

Recitals:

The City of Seguin, Texas (City), located in Guadalupe 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 of a flood project, identified as Project No. 40235.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of $1,100,000 through the TWDB's proposed purchase of $275,000 City of Seguin, Texas Tax Note, Proposed Series 2026 (Obligations) (together with all authorizing documents) and $825,000 through execution of a Grant Agreement, as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The City has offered a pledge of taxes as sufficient security for the repayment of the Obligations.

Findings:

1. 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. 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. The City is eligible to receive grant funding in accordance with Texas Water Code § 15.534 and the FIUP.

5. 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.

6. 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.

7. The Project was developed using the best and most recent available data, in accordance with the FIUP.

8. 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:

9. A commitment is made by the TWDB to City of Seguin, Texas for financial assistance in the amount of $1,100,000 from the Flood Infrastructure Fund, to be evidenced by the TWDB's proposed purchase of $275,000 City of Seguin, Texas Tax Note, Proposed Series 2026and the execution of a Grant Agreement in the amount of $875,000. This commitment will expire on March 31, 2027. However, the Executive Administrator may, at his discretion, grant up to one extension for a maximum of three months.

The 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 the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the 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 must use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2).

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 a 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 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 must either return or deposit into the Interest and Sinking Fund any grant funds 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 must 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 must not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. The Obligations must 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. Before 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 must 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.

16. 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.

17. Before closing, the City must 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.

18. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the City must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.

Pledge Condition:

19. The Obligations 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.

Special Condition:

20. Before closing, the City must execute a Grant Agreement in a form and substance acceptable to the Executive Administrator.

APPROVED and ordered of record this, the 10th day of September 2026.

TEXAS WATER DEVELOPMENT BOARD

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L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _________________________

ATTEST:

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Bryan McMath, Executive Administrator