

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 11, 2022

PRESENTED BY: Joe Koen

ACTION REQUESTED

Approve by resolution a request from the City of Ennis (Ellis County) for \$3,456,790 in financial assistance consisting of \$3,284,000 in financing and \$172,790 in grant from the Flood Infrastructure Fund for planning, design, and construction of a flood management project.

PROJECT NAME AND NUMBER

Cottonwood Drainage Rehabilitation, Project Number 40185

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

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

The City of Ennis (City) is in Ellis County and located approximately 40 miles south of the City of Dallas. The City's extraterritorial jurisdiction is approximately 21,160 acres and has a population of approximately 22,000 residents.

PROJECT NEED AND DESCRIPTION

The City has experienced historical flooding events and bank failures along Cottonwood Creek. Several storm events occurring between May and June 2015 (Federal Emergency Management Agency Disaster #4223) resulted in large runoff volume causing erosion in Cottonwood Creek and flooding on adjacent roads. This disaster resulted in stranded residences on roadways, threatened safety of residences, damaged property, and eroded the banks of Cottonwood Creek.

The City is requesting funds for improvements to Cottonwood Creek. This includes removal of 7,500 linear feet of debris in Cottonwood Creek, construction of a 4-acre detention basin, stabilize 15,000 linear feet of creek channel bank, and repair of five vehicular crossings. The proposed drainage improvements would improve drainage issues, reduce creek bank erosion, address residences safety, and prevent damage to property. The current drainage area for Cottonwood Creek meets a 5-year storm event and the project improvements are estimated to meet a 25-year storm event.

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

PROJECT SCHEDULE

Task	Schedule Date
Closing	August 15, 2022
Engineering Feasibility Report Completion (End of Planning Phase)	February 1, 2023
Design Phase	October 1, 2023
Start of Construction	March 1, 2024
Construction Completion	March 1, 2025

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 \$172,790 grant under the FIF equal to approximately five percent of the total project cost of \$3,456,790.

LEGAL

Special Conditions

- Executed Grant Agreement

Attachments:

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

Financial Review

City of Ennis

Risk Score: 2A

Audit Reviewed: FY 2020

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	Ennis: 0.95%	State: 1.49%
Top 10 Customers % of Total Revenue	21%	10-15%
Median Household Income as % of State	93%	100%
Days of Cash on Hand (3-year Average)	229 days	30-149 days
Net Fixed Assets/ Annual Depreciation	15 years	12-24 years
Debt Service Coverage Ratio	1.5x	1.0x
Debt-to-Operating Revenues	1.55	4.00-5.99x
Unemployment Rate (February 2022)	Ennis: 3.8%	State: 4.70%
Working Capital Ratio	4.02	> 1.0

Key Risk Score Strengths

- Tax and utility system revenues are adequate to cover the existing and proposed debt.
- A high working capital ratio provides the City with sufficient resources to cover short-term liabilities and shows a strong liquidity position.
- A low self-supporting debt to operating revenue ratio indicates the City has ample capacity for new debt should it be necessary.

Key Risk Score Concerns

- The household cost factor is above the benchmark. However, rates have been in place since 2019 and the City will not need a rate increase for the proposed debt.
- The top 10 customers of the system are above the benchmark; however, none of the customers have a percentage over five percent. Elk corporation holds the highest portion at approximately four percent.

PLEDGE

Legal Pledge Name	Tax and Subordinate Lien 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 checked="" type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	12,000	\$75.55	\$74.55	2.74	2.74
WASTEWATER	10,000	\$56.85	\$56.85		

TAXES

	2021 Tax Year Rate	Max Projected Tax Rate (2021)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.45	\$0.45	\$2.50	99%	\$2,181,388,704
Interest & Sinking	\$0.28	\$0.28			
Total Tax Rate	\$0.73	\$0.73			

Cost Savings

Based on a 27-year maturity schedule and current interest rates, the City could save approximately \$1,471,308 over the life of the financing. The City is also saving \$172,790 in grant funding.

Responsible Authority	Ennis
Program	FLOOD
Commitment Number	G1001483, L1001482
Project Number	40185
List Year	2020
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Second Lien
Legal Description	\$172,790 Grant Agreement, \$3,284,000 City of Ennis, Texas Combination Tax and Subordinate Lien Revenue Certificate of Obligation, 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	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	N/A
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Thomas Quick	Dennis Newman	Chris Caran	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Ennis

\$3,284,000 City of Ennis, Texas Combination Tax and Subordinate Lien Revenue Certificate of Obligation, Series 2022

Dated Date: 8/15/2022
 Delivery Date: 8/15/2022
 First Interest: 2/1/2023
 First Principal: 2/1/2023
 Last Principal: 2/1/2049
 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: \$2,181,388,704

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 99%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$3,284,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2023	\$0.279	\$6,014,867	\$3,960,985	\$9,975,852	\$6,623,958	\$120,000	-	\$0	\$120,000	\$6,743,958	1.48
2024	\$0.279	6,014,867	\$3,960,985	9,975,852	6,627,269	120,000	0.00%	-	120,000	6,747,269	1.48
2025	\$0.279	6,014,867	\$3,960,985	9,975,852	6,369,231	120,000	0.00%	-	120,000	6,489,231	1.54
2026	\$0.279	6,014,867	\$3,960,985	9,975,852	5,272,622	120,000	0.00%	-	120,000	5,392,622	1.85
2027	\$0.279	6,014,867	\$3,960,985	9,975,852	5,202,613	120,000	0.00%	-	120,000	5,322,613	1.87
2028	\$0.279	6,014,867	\$3,960,985	9,975,852	5,012,342	120,000	0.00%	-	120,000	5,132,342	1.94
2029	\$0.279	6,014,867	\$3,960,985	9,975,852	5,028,032	120,000	0.00%	-	120,000	5,148,032	1.94
2030	\$0.279	6,014,867	\$3,960,985	9,975,852	5,008,710	120,000	0.00%	-	120,000	5,128,710	1.95
2031	\$0.279	6,014,867	\$3,960,985	9,975,852	5,016,418	120,000	0.00%	-	120,000	5,136,418	1.94
2032	\$0.279	6,014,867	\$3,960,985	9,975,852	4,813,233	120,000	0.00%	-	120,000	4,933,233	2.02
2033	\$0.279	6,014,867	\$3,960,985	9,975,852	4,808,805	120,000	0.00%	-	120,000	4,928,805	2.02
2034	\$0.279	6,014,867	\$3,960,985	9,975,852	4,813,666	120,000	0.00%	-	120,000	4,933,666	2.02
2035	\$0.279	6,014,867	\$3,960,985	9,975,852	4,184,967	120,000	0.00%	-	120,000	4,304,967	2.32
2036	\$0.279	6,014,867	\$3,960,985	9,975,852	3,526,527	120,000	0.00%	-	120,000	3,646,527	2.74
2037	\$0.279	6,014,867	\$3,960,985	9,975,852	3,520,471	120,000	0.00%	-	120,000	3,640,471	2.74
2038	\$0.279	6,014,867	\$3,960,985	9,975,852	2,837,601	120,000	0.00%	-	120,000	2,957,601	3.37
2039	\$0.279	6,014,867	\$3,960,985	9,975,852	2,576,613	120,000	0.00%	-	120,000	2,696,613	3.70
2040	\$0.279	6,014,867	\$3,960,985	9,975,852	1,555,500	120,000	0.00%	-	120,000	1,675,500	5.95
2041	\$0.279	6,014,867	\$3,960,985	9,975,852	-	120,000	0.00%	-	120,000	120,000	83.13
2042	\$0.279	6,014,867	\$3,960,985	9,975,852	-	125,000	0.00%	-	125,000	125,000	79.81
2043	\$0.279	6,014,867	\$3,960,985	9,975,852	-	125,000	0.00%	-	125,000	125,000	79.81
2044	\$0.279	6,014,867	\$3,960,985	9,975,852	-	125,000	0.00%	-	125,000	125,000	79.81
2045	\$0.279	6,014,867	\$3,960,985	9,975,852	-	125,000	0.00%	-	125,000	125,000	79.81
2046	\$0.279	6,014,867	\$3,960,985	9,975,852	-	125,000	0.00%	-	125,000	125,000	79.81
2047	\$0.279	6,014,867	\$3,960,985	9,975,852	-	125,000	0.00%	-	125,000	125,000	79.81
2048	\$0.279	6,014,867	\$3,960,985	9,975,852	-	125,000	0.00%	-	125,000	125,000	79.81
2049	\$0.279	6,014,867	\$3,960,985	9,975,852	-	129,000	0.00%	-	129,000	129,000	77.33
					\$82,798,577	\$3,284,000		\$0	\$3,284,000	\$86,082,577	

AVERAGE (MATURITY) LIFE	13.59 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$ 1,471,308
AVERAGE ANNUAL REQUIREMENT	\$3,188,244

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.

Budget Items	This Commitment	Total TWDB Funds
Construction		
Construction	\$2,456,790.00	\$2,456,790.00
Subtotal for Construction	\$2,456,790.00	\$2,456,790.00
Basic Engineering Services		
Construction Engineering	\$80,000.00	\$80,000.00
Design	\$280,000.00	\$280,000.00
Planning	\$140,000.00	\$140,000.00
Subtotal for Basic Engineering Services	\$500,000.00	\$500,000.00
Special Services		
Environmental	\$50,000.00	\$50,000.00
Permits	\$50,000.00	\$50,000.00
Subtotal for Special Services	\$100,000.00	\$100,000.00
Fiscal Services		
Bond Counsel	\$35,000.00	\$35,000.00
Financial Advisor	\$65,000.00	\$65,000.00
Fiscal/Legal	\$50,000.00	\$50,000.00
Subtotal for Fiscal Services	\$150,000.00	\$150,000.00
Contingency		
Contingency	\$250,000.00	\$250,000.00
Subtotal for Contingency	\$250,000.00	\$250,000.00
Total	\$3,456,790.00	\$3,456,790.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$3,456,790 TO THE CITY OF ENNIS
FROM THE FLOOD INFRASTRUCTURE FUND
THROUGH THE PROPOSED PURCHASE OF
\$3,284,000 CITY OF ENNIS, TEXAS COMBINATION TAX AND SUBORDINATE LIEN
REVENUE CERTIFICATES OF OBLIGATION
PROPOSED SERIES 2022
AND
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$172,790

(22 -)

WHEREAS, the City of Ennis (City), located in Ellis County, Texas, has filed an application for financial assistance from the Flood Infrastructure Fund (FIF), Chapter 15, Subchapter I, to finance planning, design, and construction of a flood project, identified as Project No. 40185; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$3,456,790 through the TWDB's proposed purchase of \$3,284,000 City of Ennis, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2022 (together with all authorizing documents) and \$172,790 through 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 ad valorem tax and a subordinate lien on the water and wastewater system 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 § 15.405; 31 TAC Chapter 355, Subchapter A; and the State Fiscal Year 2020 Flood Intended Use Plan (FIUP);
2. that the requested funds are necessary for the City to carry out adequate flood control planning;
3. 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);
4. the City has notified all appropriate entities of its application, in accordance with 31 TAC § 355.8; and

5. 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); and
6. that the City is eligible to receive grant funding in accordance with Texas Water Code § 15.534 and the FIUP;
7. that the City has demonstrated that the benefit-cost ration of the Project meets the requirements of the FIUP; and
8. 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;
9. 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;
10. that the Project was developed using the best and most recent available data, in accordance with the FIUP; and
11. that the City has documented that it has planned for operations and maintenance costs associated with the Project, in accordance with the FIUP; and
12. 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:

A commitment is made by the TWDB to City of Ennis for financial assistance in the amount of \$3,456,790 from the Flood Infrastructure Fund to be evidenced by the TWDB's proposed purchase of \$3,284,000 City of Ennis, Texas Combination Tax Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2022, and execution of a Grant Agreement in the amount of \$172,790. This commitment will expire on November 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 355;
4. the City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2);

The Following Conditions Must Be Included in the Obligations:

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

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

11. the Obligations must include a provision requiring a final accounting to be made of the total sources and authorized use of Project funds within 60 days of the completion of the Project;
12. the Obligations must include a provision requiring the City to deposit any bond proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting, including any interest earned on the bond proceeds, into the Interest and Sinking Fund;
13. the Grant Agreement must include a provision stating that the City shall either return or deposit into the Interest and Sinking Fund any grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the grant funds;
14. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
15. financial assistance proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256 and the Public Funds Collateral Act, Government Code, Chapter 2257;
16. financial assistance proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments, and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law;
17. the Obligations must contain a provision stating that the City shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G;

18. the Obligations must 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. 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;

Conditions to Close or for Release of Funds:

22. prior to closing, the City 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;
23. 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;
24. 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; and

25. 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:

26. prior to closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator; and
27. prior to release of funds for each Project phase or portion of a Project phase, the City must deposit into the City's construction account the City's share of funds, based on the Board-approved grant percentage, necessary to complete the upcoming phase(s) or portion of the phase of the Project, as approved by the Executive Administrator.

APPROVED and ordered of record this, the 11th day of May, 2022.

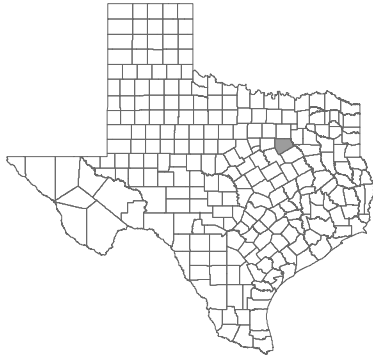
TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator



City of Ennis Ellis County

