



PROJECT FUNDING REQUEST

BOARD DATE: July 25, 2023

PRESENTED BY: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the City of Irving (Dallas County) for \$45,000,000 in financial assistance consisting of \$38,700,000 in financing and \$6,300,000 in grant from the Flood Infrastructure Fund for construction of a flood management project.

STAFF RECOMMENDATION

Approve No Action

PROJECT NAME AND NUMBER

West Irving Creek Channel Improvements 40206

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 Irving (City) is in Dallas County and located 12 miles west of Dallas. The area within the City limits is approximately 43,008 acres and has an estimated population of 248,900.

PROJECT NEED AND DESCRIPTION

The City has experienced significant flooding due to its proximity to the Trinity River. The West Irving Creek watershed located in the east central part of the City is subject to frequent flooding. The watershed floods when heavy rainfalls cause the Trinity River to rise high enough to overflow channels and spread hazardous stormwater throughout the basin.

The City is requesting funds for construction of a flood management project that will provide the basin with expanded detention facilities, 2 new debris and sedimentation ponds, 6 new bridge structures, including about 20,000 linear feet of improved channels. These improvements will improve conveyance to a 100-year standard in most areas.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JANUARY 31, 2024

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 17, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	March 15, 2024
Design Phase Completion	June 14, 2024
Start of Construction	November 11, 2024
Construction Completion	November 11, 2026

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 \$6,300,000 grant under the FIF equal to 14 percent of the total project costs.

LEGAL/SPECIAL CONDITIONS

- Executed Grant Agreement

Attachments

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

Financial Review

City of Irving

Risk Score: 2A

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 1.73%	State: 1.49%
Median Household Income as % of State	105%	100%
Days of Cash on Hand (3-year Average)	606 days	30-149 days
Net Fixed Assets/ Annual Depreciation	40 years	12-24 years
Debt Service Coverage Ratio	1.01x	1.0x
Debt-to-Operating Revenues	7.73	4.00-5.99x
Unemployment Rate (April 2023)	City: 3.20%	State: 3.70%
Working Capital Ratio	2.907	> 1.0

Key Risk Score Strengths

- The City's days of cash on hand is above the benchmark, indicating that they can pay operating expenses with the cash available.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City's total assessed value per capita is above the benchmark, indicating that the City has a robust tax base available for debt service repayment. The City's total assessed value has increase by an average of nine percent over the previous five years.

Key Risk Score Concerns

- The City has pledged ad valorem taxes and surplus drainage system revenues as security for the proposed debt with the drainage system revenue as the primary source of repayment. Based on 2022 audited numbers, the City would need a max rate increase of \$9.13 in 2024 to meet debt service coverage requirements. However, in October of 2022 the City instituted a rate increase of \$1.13. In a no-growth scenario with the October rate increase, the City would need a maximum rate increase of \$8.00 in 2024 to meet debt service coverage requirements throughout the life of the financing.

PLEDGE

Legal Pledge Name	Ad Valorem Tax and Drainage System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2024)	Current Household Cost Factor	Projected Household Cost Factor
Drainage	N/A	\$7.88	\$15.88	1.64	1.78

TAXES

	2022 Tax Year Rate	Max Projected Tax Rate (Fiscal Year 2022)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.429	\$0.429	\$1.50	99%	\$35,242,794,957
Interest & Sinking	\$0.160	\$0.160			
Total Tax Rate	\$0.589	\$0.589			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$18,730,211 over the life of the financing. The City is also saving \$6,300,000 in grant funding.

Project Data Summary

Responsible Authority	Irving
Program	FLOOD
Commitment Number	G1001614, L1001613
Project Number	40206
List Year	2020
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$6,300,000 Grant Agreement, \$38,700,000 City of Irving, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2023
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	Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Exempt (\$500,000 or less)
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Thomas Quick	David Dera	Kylie Beard	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Irving

\$38,700,000 City of Irving, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2023

Dated Date: 11/17/2023	Source: FIF
Delivery Date: 11/17/2023	Rate: 0.00%
First Interest: 3/15/2024	IUP Year: 2020
First Principal: 9/15/2024	Case: Tax and Revenue
Last Principal: 9/15/2043	Admin.Fee: \$0
Fiscal Year End: 09/30	Admin. Fee Payment Date: N/A
Required Coverage: 1.1	Total Assessed Valuation: \$35,242,794,957

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 99%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$38,700,000 ISSUE			TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT				
2024	\$0.1597	\$55,658,005	\$13,215,039	\$68,873,044	\$60,676,858	\$1,935,000	-	\$0	\$1,935,000	\$62,611,858	1.10	
2025	\$0.1597	55,658,005	\$13,215,039	68,873,044	58,800,902	1,935,000	0.00%	-	1,935,000	60,735,902	1.13	
2026	\$0.1597	55,658,005	\$13,215,039	68,873,044	48,708,029	1,935,000	0.00%	-	1,935,000	50,643,029	1.36	
2027	\$0.1597	55,658,005	\$13,215,039	68,873,044	68,873,044	1,935,000	0.00%	-	1,935,000	49,518,766	1.39	
2028	\$0.1597	55,658,005	\$13,215,039	68,873,044	45,048,284	1,935,000	0.00%	-	1,935,000	46,983,284	1.47	
2029	\$0.1597	55,658,005	\$13,215,039	68,873,044	42,920,210	1,935,000	0.00%	-	1,935,000	44,855,210	1.54	
2030	\$0.1597	55,658,005	\$13,215,039	68,873,044	38,576,838	1,935,000	0.00%	-	1,935,000	40,511,838	1.70	
2031	\$0.1597	55,658,005	\$13,215,039	68,873,044	35,689,525	1,935,000	0.00%	-	1,935,000	37,624,525	1.83	
2032	\$0.1597	55,658,005	\$13,215,039	68,873,044	34,848,516	1,935,000	0.00%	-	1,935,000	36,783,516	1.87	
2033	\$0.1597	55,658,005	\$13,215,039	68,873,044	33,328,159	1,935,000	0.00%	-	1,935,000	35,263,159	1.95	
2034	\$0.1597	55,658,005	\$13,215,039	68,873,044	31,717,060	1,935,000	0.00%	-	1,935,000	33,652,060	2.05	
2035	\$0.1597	55,658,005	\$13,215,039	68,873,044	30,253,405	1,935,000	0.00%	-	1,935,000	32,188,405	2.14	
2036	\$0.1597	55,658,005	\$13,215,039	68,873,044	29,277,777	1,935,000	0.00%	-	1,935,000	31,212,777	2.21	
2037	\$0.1597	55,658,005	\$13,215,039	68,873,044	27,716,609	1,935,000	0.00%	-	1,935,000	29,651,609	2.32	
2038	\$0.1597	55,658,005	\$13,215,039	68,873,044	25,565,253	1,935,000	0.00%	-	1,935,000	27,500,253	2.50	
2039	\$0.1597	55,658,005	\$13,215,039	68,873,044	24,037,959	1,935,000	0.00%	-	1,935,000	25,972,959	2.65	
2040	\$0.1597	55,658,005	\$13,215,039	68,873,044	22,661,634	1,935,000	0.00%	-	1,935,000	24,596,634	2.80	
2041	\$0.1597	55,658,005	\$13,215,039	68,873,044	20,551,337	1,935,000	0.00%	-	1,935,000	22,486,337	3.06	
2042	\$0.1597	55,658,005	\$13,215,039	68,873,044	9,995,317	1,935,000	0.00%	-	1,935,000	11,930,317	5.77	
2043	\$0.1597	55,658,005	\$13,215,039	68,873,044	4,805,789	1,935,000	0.00%	-	1,935,000	6,740,789	10.22	
					\$672,763,227	\$38,700,000			\$0	\$38,700,000	\$711,463,227	

AVERAGE (MATURITY) LIFE	10.54 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$ 18,730,211
AVERAGE ANNUAL REQUIREMENT	\$1,935,000

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.



Current Budget Summary

City of Irving

40206 - West Irving Creek Channel Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$41,200,000.00	\$41,200,000.00
Subtotal for Construction	\$41,200,000.00	\$41,200,000.00
Basic Engineering Services		
Construction Engineering	\$0.00	\$0.00
Design	\$0.00	\$0.00
Planning	\$0.00	\$0.00
Subtotal for Basic Engineering Services	\$0.00	\$0.00
Special Services		
Environmental	\$0.00	\$0.00
Geotechnical	\$0.00	\$0.00
Special Service Other (Describe)	\$0.00	\$0.00
Subtotal for Special Services	\$0.00	\$0.00
Fiscal Services		
Bond Counsel	\$68,000.00	\$68,000.00
Financial Advisor	\$55,000.00	\$55,000.00
Issuance Costs	\$0.00	\$0.00
Loan Origination Fee	\$0.00	\$0.00
Other (Escrow & Legal Fees)	\$10,500.00	\$10,500.00
Subtotal for Fiscal Services	\$133,500.00	\$133,500.00
Contingency		
Contingency	\$3,666,500.00	\$3,666,500.00
Subtotal for Contingency	\$3,666,500.00	\$3,666,500.00
Total	\$45,000,000.00	\$45,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$45,000,000 TO THE CITY OF IRVING FROM THE FLOOD INFRASTRUCTURE FUND
THROUGH THE PROPOSED PURCHASE OF \$38,700,000 CITY OF IRVING, TEXAS
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION
PROPOSED TAXABLE SERIES 2023
AND
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$6,300,000

(23 -)

WHEREAS, the City of Irving (City), located in Dallas 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 construction a flood project, identified as Project No. 40206; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$45,000,000 through the TWDB's proposed purchase of \$38,700,000 City of Irving, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2023 (together with all authorizing documents (Obligations)) and \$6,300,000 through execution of a Grant Agreement, all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the City has offered a pledge of ad valorem tax and surplus drainage system revenue 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 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 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. that the City is eligible to receive grant funding in accordance with Texas Water Code § 15.534 and the FIUP;
5. that the City has demonstrated that the benefit-cost ratio of the Project meets the requirements of the FIUP; and

6. that the request for financial assistance does not include redundant funding for activities already performed and/or funded through another source, in accordance with the FIUP; and
7. that the 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 City of Irving for financial assistance in the amount of \$45,000,000 from the Flood Infrastructure Fund, to be evidenced by the TWDB's proposed purchase of \$38,700,000 City of Irving, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2023 and execution of a Grant Agreement in the amount of \$6,300,000. This commitment will expire on January 31, 2024; 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/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;
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 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;
15. 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;
16. 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;
17. 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;
18. 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;
19. 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:

20. the Obligations 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 of debt service requirements;

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 or, if applicable, 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; and
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.

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

Special Condition:

26. 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 25th day of July, 2023.

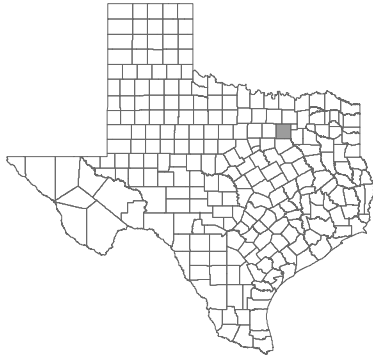
TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Amanda Lavin, Assistant Executive Administrator



City of Irving Dallas County

