

**To the Mayor and Members of the City Council****April 2, 2024**

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**SUBJECT: UPPER LEBOW FLOOD MITIGATION – FLOOD  
INFRASTRUCTURE FUND FINANCIAL ASSISTANCE APPLICATION**

This Informal Report provides information to City Council in advance of an upcoming Mayor and Council Communication (M&C) requesting the adoption of a resolution to apply for financial assistance from the Texas Water Development Board (TWDB) for the Upper Lebow Flood Mitigation Project.

The Upper Lebow Flood Mitigation Project is a high-priority project that seeks to mitigate residential structure flooding and hazardous roadway overtopping locations as well as protect the life, safety, and welfare of the public. The current estimated cost of the project stands at \$90,000,000. The City Council approved a Stormwater Utility fee increase of 15% as a part of the City's Fiscal Year 2024 budget. Half of the new revenue will go toward funding an initial phase of flood mitigation improvements for three high priority areas- Upper Lebow, Linwood/W. 7<sup>th</sup>, and Berry/McCart (see Informal Report No. 23-0759 for information regarding the fee increase).

To potentially help fund the Upper Lebow Flood Mitigation Project and allow more funds to be used on the two other major projects, staff applied for two Federal Emergency Management Agency (FEMA) Grants (M&C 23-1058) in January 2024 and expects to hear whether funding will be awarded in late 2024. Additionally, staff also identified the TWDB Flood Infrastructure Fund (FIF) as another potential funding source. If the City is awarded a FEMA grant and FIF funding, the FIF funding could be used as the City's match in the FEMA grants.

The abridged FIF application is due by April 15, 2024. If invited by TWDB to submit a complete application, the complete application will be due in the Fall of 2024, and financial assistance commitments will be considered by TWDB in late 2024 or early 2025. If awarded, funding would be received in late 2025 or early 2026.

The FIF program provides funds through grants and zero-percent interest loans. Awards of funding from the FIF may be in the form of grants, loans, or a combination of both. Staff recommends applying for up to \$90,000,000 in financial assistance for the Upper Lebow Flood Mitigation Project.

If the project is selected, it is estimated that TWDB may offer a grant up to a maximum amount of \$18,750,000, which does not require a local match. Alternatively, if TWDB elects to offer a zero-percent interest loan, it would be capped at \$90,000,000, the amount to be requested in the resolution.

The City's willingness to accept any zero-percent interest loan will be guided by several factors:

1. The Stormwater Program's debt capacity;

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2. The avoidance of negative impact to the Linwood/W. 7<sup>th</sup> and McCart/Berry Flood Mitigation Projects based on previous commitments; and
3. Compliance with City financial policies.

The Stormwater Program's debt capacity is based on a holistic financial management philosophy, which places approximately 50% of the revenue towards operation, 30% towards pay-as-you-go capital projects, and the remaining 20% towards debt service.

At the time of the FY24 fee increase, it was estimated that approximately \$160M of revenue bonds would be issued in four tranches over twelve years to begin addressing the three locations of high-priority capital flood mitigation improvements. It was anticipated that most of the funding from the first revenue bond tranche, expected in Fiscal Year 2026, would go to the first phase of the Linwood/W. 7<sup>th</sup> Project.

Current debt capacity estimates indicate that the Stormwater Program could accept up to \$38,700,000 as a zero-percent interest loan while maintaining the aforementioned financial management philosophy without impacting the delivery of the first phase of the Linwood/W. 7<sup>th</sup> or McCart/Berry Projects. This option represents an estimated interest savings of \$24,000,000 over open-market stormwater revenue bond financing of the same amount.

However, current estimates also indicate that if a temporary reallocation of the financial management philosophy were authorized (24.2% debt service and 25.8% pay-as-you-go capital projects), the Stormwater Program could accept up to \$71,250,000 as a zero-percent interest loan without impacting the delivery of the first phase of the Linwood/W. 7<sup>th</sup> or McCart/Berry Projects. This option represents an estimated interest savings of \$40,000,000 over open-market stormwater revenue bond financing of the same amount.

The Stormwater Program has and will continue to work closely with the FWLab, Finance, and the City's financial advisors to ensure the City is well-positioned to accept as much funding assistance as possible. If TWDB offers a loan that exceeds the Stormwater Program's debt capacity, does not comply with financial policies, or will impact the delivery of the other two projects, the loan amount can be negotiated with TWDB.

If the City is invited by TWDB to submit a complete application, staff will inform the City Council. And, if any financial assistance is offered, City Council will be asked to accept the funding through an M&C.

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The Linwood/W. 7th and McCart/Berry Flood Mitigation Projects are currently in the early stages of project development. Staff will explore grant and additional funding sources for each project at appropriate stages in project development.

Questions about this Informal Report may be directed to Jennifer Dyke, TPW Assistant Director of Stormwater Management, at 817-392-2714.

**David Cooke**  
**City Manager**