

Funding Opportunities

The City and our Financial Advisors, Estrada Hinojosa, sought out grant opportunities for possible funding of the utility improvements. This is a typical issue that is faced by Cities looking to make capital infrastructure improvements. There are very few grants available associated with utility infrastructure improvements and it is very difficult to qualify for the few grants that are available.

To qualify, typically the utility needs to demonstrate that it is not in compliance with operating requirements set forth by the Texas Commission on Environmental Quality (TECQ) which oversees regulatory compliance with EPA and other related matters in Texas. In addition, the City typically would have to demonstrate a financial need, which is primarily based on very low to moderate income levels, and average values per capita.

To be eligible for Texas Water Development Board Clean Water State Revolving Fund grants, a city must qualify to be a Disadvantaged Community. The entity's service area meets the criteria for a disadvantaged community if the Annual Median Household Income (AMHI) for the entity's service area is less than or equal to 75% of the state's AMHI.

Palm Valley Annual Median Household Income: \$72,500*

Texas Annual Median Household Income: \$59,570*

*2018 Census Data

Palm Valley cannot be considered a Disadvantaged Community.

The City of Palm Valley has been proactive in seeking out grant opportunities but has found that qualifying has been a challenge. Given this challenge, the Elected Officials have sought to develop a plan for making the utility improvements over a period of years so as to manage the impact of the tax rate on taxpayers.

In addition, the Officials have worked with Estrada Hinojosa to secure financing for the utility improvements at some of the lowest possible costs by pursuing multi-year financings through the Texas Water Development Board (TWDB) which offers finance programs at approximately half of the typical interest rate Palm Valley might have to pay if it were pursuing financing in the public market given Palm Valley is not rated by any of the major rating agencies.

For example, Palm Valley can pursue financing through the TWDB at interest rates of approximately 1.69% to approximately 2.35% for up to 30 years. If pursuing financing in the public market, Palm Valley could be faced with paying interest at approximately 3.50% to 4.75% for a similar 30-year term. The interest savings can be considerable over the 30-year term since the interest rate is subsidized, which essentially acts like a grant to lower the annual payment Palm Valley would pay with an option to refinance in the future in the event interests were to be reduced.

The City has not made any major utility infrastructure improvements in over 50 years and these improvements will address the City's needs for years to come. Since the current interest rates are near all-time lows, the opportunity to take advantage of the subsidized interest rates provided by the TWDB will be available if the citizens of Palm Valley support the bond election to make major utility improvements to the system at very low borrowing costs therefore reducing the tax impact on the financial future of the City.

The City’s current Maintenance and Operations tax rate is \$0.515463, which is used to maintain and operate the City. The projects listed below would increase the Debt tax rate, currently at \$0.00, which would be additional to the current M&O tax rate.

Comparison of Financing Options

Project Completion in three years

Fiscal Year	Estimated I&S Tax Rate	I&S Tax*
2022-2051	\$0.8075	\$808

*Estimated tax impact on \$100,000 home value.

Project Completion in 6 years

Fiscal Year	Estimated I&S Tax Rate	I&S Tax*
2022	\$0.3187	\$319
2023	\$0.4135	\$414
2024	\$0.4986	\$499
2025	\$0.5821	\$582
2026	\$0.6642	\$664
2027	\$0.7447	\$745
2028	\$0.8238	\$824
2029	\$0.8969	\$897
2030-2051	\$0.8950	\$895

*Estimated tax impact on \$100,000 home value.

Project Completion in 9 years

Fiscal Year	Estimated I&S Tax Rate	I&S Tax*
2022	\$0.1165	\$117
2023	\$0.2232	\$223
2024	\$0.3727	\$373
2025	\$0.5436	\$544
2026	\$0.6421	\$642
2027	\$0.7207	\$721
2028	\$0.7875	\$788
2029	\$0.8493	\$849
2030-2057	\$0.8425	\$843

*Estimated tax impact on \$100,000 home value.