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Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

AGENDA ITEM MEMO

BOARD MEETING DATE: June 25, 2025

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Jessica Peña, Deputy Executive Administrator, Water Supply and Infrastructure

FROM: T. Clay Schultz, Ph.D., Director, Regional Water Project Development
Nancy Richards, Manager, Regional Water Project Development

SUBJECT: Amendment to the Bistone Municipal Water Supply District Closing Schedule

ACTION REQUESTED

Amend by resolution the previously adopted Texas Water Development Board Resolution No. 24-046 to modify the Bistone Municipal Water Supply District's State Water Implementation Revenue Fund for Texas annual loan closing schedule.

BACKGROUND

In July 2024, the Texas Water Development Board (TWDB), approved a $16,000,000 multi-year commitment to the Bistone Municipal Water Supply District (District) from the State Water Implementation Revenue Fund for Texas (SWIRFT) for the Carrizo Aquifer Development project, Project No. 51088. The multi-year loan closing schedule included anticipated loan closings for 2024 through 2026.

KEY ISSUES

The loan closing schedules included in TWDB Resolution No. 24-046 were based on the District's reasonable project schedule estimates at the early stages of the project. Each funding-cycle year, borrowers that received a multi-year commitment are required to submit an Annual Loan Closing Schedule. The updated Annual Loan Closing Schedules provide the TWDB with the most timely and accurate information and enable the TWDB to better evaluate program capacity based on final commitments and new abridged applications.

The District has requested changes to the closing amounts in 2025 and 2026. In 2025, the District requests to move its 2025 closing to 2026 and its 2026 closing to 2027.

Year	**Project 51088** Amount per Resolution No. 24-046	Changes	Proposed Revised Amount
Prior Years	$5,000,000		$5,000,000
2025	$5,000,000	-$5,000,000	$0
2026	$6,000,000	-$1,000,000	$5,000,000
2027	$0	$6,000,000	$6,000,000
Total	**$16,000,000**		**$16,000,000**

RECOMMENDATION

The requested amendment does not change the total amount of financing to the District and will better align the available financing with the District's project schedule. The Executive Administrator recommends that TWDB Resolution No. 24-046 be amended to reflect the annual loan closing schedules described above and as attached. The request will provide greater flexibility with the available financing for the District's project needs.

Attachments:
1. Proposed Resolution (25-)
2. Resolution (24-046)
3. Annual Loan Closing Schedule for the 2025 funding cycle

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING TWDB RESOLUTION NO. 24-046 PROVIDING FINANCIAL ASSISTANCE TO THE BISTONE MUNICIPAL WATER SUPPLY DISTRICT

(25 -___)

Recitals:

At its meeting on July 23 2024, the Texas Water Development Board (TWDB), by TWDB Resolution No. 24-046, made a multi-year commitment to provide financial assistance in the amount of $16,000,000 to the Bistone Municipal Water Supply District (District) from the State Water Implementation Revenue Fund (SWIRFT) to finance certain water supply project(s) to be secured by the TWDB's purchase of $16,000,000 Bistone Municipal Water Supply District Water Supply Revenue Bonds, Proposed Series 2024, 2025, and 2026 for Project No. 51088.

On November 18, 2024, the TWDB and the District closed on the TWDB's purchase of $5,000,000 Bistone Municipal Water Supply District Water Supply Revenue Bonds, Series 2024.

Pursuant to TWDB Resolution No. 24-046, the commitment period for the $5,000,000 Bistone Municipal Water Supply District Water Supply Revenue Bonds, Proposed Series 2025 (Proposed Series 2025) is set to expire December 31, 2025.

Pursuant to TWDB Resolution No. 24-046, the commitment period for the $6,000,000 Bistone Municipal Water Supply District Water Supply Revenue Bonds, Proposed Series 2026 (Proposed Series 2026) is set to expire December 31, 2026.

The District has submitted a request to modify the District's Annual Loan Closing Schedule and to extend the TWDB's commitment of the Proposed Series 2025 and Proposed Series 2026 by an additional twelve (12) months in order to more closely match the available financing with the District's project schedule, all as is more specifically set forth in the recommendations of the TWDB's staff, to which documents express reference is made.

Findings:

The TWDB hereby finds that the proposed amendment to TWDB Resolution No. 24-046, granting an extension of twelve (12) months for the Proposed Series 2025 and Proposed Series 2026 is reasonable, within the public interest, and will serve a public purpose.

In accordance with the Texas Water Code, the TWDB has carefully considered all matters as required by law.

Based on these considerations and findings, the TWDB resolves as follows:

1. The commitment made through TWDB Resolution No. 24-046 is amended and shall be evidenced by the TWDB's proposed purchase of Bistone Municipal Water Supply District Water Supply Revenue Bonds as follows:

   a) The Proposed Series 2025 scheduled distribution is amended as follows;
      i. $5,000,000 Bistone Municipal Water Supply District Water Supply Revenue Bonds, Proposed Series 2026;
      ii. The commitment will expire on December 31, 2026.

   b) The Proposed Series 2026 scheduled distribution is amended as follows;
      i. $6,000,000 Bistone Municipal Water Supply District Water Supply Revenue Bonds, Proposed Series 2027;
      ii. The commitment will expire on December 31, 2027.

2. Before closing, the Authority shall submit to the escrow agent a closing memo signed by the Executive Administrator.

3. All other terms and conditions of TWDB Resolution No. 24-046 shall remain in full force and effect.

APPROVED and ordered of record this, the 25th day of June, 2025.

TEXAS WATER DEVELOPMENT BOARD

____
L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: ________________________

ATTEST:

____
Bryan McMath, Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO BISTONE MUNICIPAL WATER SUPPLY DISTRICT IN THE FORM OF A MULTI-YEAR COMMITMENT FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS THROUGH THE PROPOSED PURCHASE OF $16,000,000 BISTONE MUNICIPAL WATER SUPPLY DISTRICT WATER SUPPLY REVENUE BONDS, PROPOSED SERIES 2024, PROPOSED SERIES 2025, AND PROPOSED SERIES 2026

(24-046)

Recitals:

The Bistone Municipal Water Supply District (District), located in Limestone County, has filed an application for financial assistance in the amount of $16,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design, and construction of a water supply project identified as Project No. 51088 (Project).

The District seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of $16,000,000 Bistone Municipal Water Supply District Water Supply Revenue Bonds, Proposed Series 2024, Proposed Series 2025, and Proposed Series 2026 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The District has offered a pledge of system revenues as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307.

Subject to the District's use of an approved debt service structure, interest rate subsidies are available to the District for State Fiscal Year 2024 at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% for financial assistance for a term of 26 to 30 years. The interest rate subsidy applicable to each subsequent proposed series may be different than the interest rate subsidy available for State Fiscal Year 2024 and will be set through each financing agreement executed between the TWDB and the District.

The interest rate subsidies provided above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program.

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.

2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).

3. The District has submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).

4. The District has completed its current water audit and filed it with the TWDB in accordance with Texas Water Code § 16.0121 and 31 TAC § 358.6.

5. The District acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB commits to the following:

The TWDB will provide financial assistance to Bistone Municipal Water Supply District in the amount of $16,000,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of Bistone Municipal Water Supply District Water Supply Revenue Bonds as follows:

a. $5,000,000 Proposed Series 2024, to expire on December 31, 2024;
b. $5,000,000 Proposed Series 2025, to expire on December 31, 2025;
c. $6,000,000 Proposed Series 2026, to expire on December 31, 2026.

The commitment is subject to the following:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of 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 District 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 District.

3. This commitment is contingent upon the District'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.

4. This commitment is contingent upon the District executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.

5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.

6. The District shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption.

8. The Obligations must provide that the District will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

9. The Obligations must provide that the District 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.

10. The Obligations must contain a provision requiring the District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

11. The Obligations must include a provision wherein the District, 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 District'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 the 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 SEC rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to the bonds under SEC Rule 15c2-12.

12. The Obligations must contain a provision requiring the District to levy a tax or maintain and collect sufficient rates and charges to produce system 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.

13. The Obligations must include a provision requiring the District to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.

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 District when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall include a provision that states the District is solely responsible for liability resulting from acts or omissions of the District, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the District, 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 include a provision stating that the District shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.

18. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).

19. The Obligations must contain a provision stating that the District 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 and Texas Water Code § 17.183.

20. The District must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Government Code § 2.103 and Texas Penal

Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.

21. The Obligations must provide that the District will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

22. The Obligations must include a provision that if the collateral or credit pledged by the District securing the Obligations is rated by a nationally-recognized statistical rating agency, the District, or other obligated person, will not discontinue the rating issued by a nationally-recognized statistical rating agency until the underlying Obligations are retired or no longer held by TWDB.

Tax-Exempt Conditions:

23. The Obligations must include a provision prohibiting the District from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated under it (Regulations).

24. The Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments, as defined in the Code and Regulations, that produce a yield materially higher than the yield on the TWDB's bonds issued to provide the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with;

   a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until the proceeds are needed for the facilities to be financed;

   b. amounts invested in a bona fide debt service fund within the meaning of section 1.148-1(b) of the Regulations; and

   c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the lesser of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.

25. The Obligations must include a provision that the District must take all necessary steps to comply with the requirement that amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the District will:

a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and retain all records of the accounting for at least six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the District, provided that the District separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with the Gross Proceeds;

b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the associated rulings. The District shall maintain a copy of the calculations for at least six years after the final Computation Date;

c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners of TWDB's Bonds for federal income tax purposes;

d. exercise reasonable diligence to ensure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time, including payment to the United States of any interest and any penalty required by the Regulations.

26. The Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.

27. The Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.

28. The Obligations must contain a covenant that the District will refrain from using the proceeds of the Obligations to pay debt service on another issue of the borrower's obligations in contravention of section 149(d) of the Code (related to "advance refundings").

29. The Obligations must provide that neither the District nor a party related to it will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the District by the TWDB.

Pledge Conditions:

30. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.

31. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding Bistone Municipal Water Supply District Water Supply Revenue Bonds, Series 2013.

Conditions To Close Or For Release Of Funds:

32. Before closing, the District 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.

33. Before closing, if not previously provided with the application, the District 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.

34. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the District 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.

35. Before closing, the District shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.

36. Before closing, the District's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the District when rendering this opinion.

37. Before closing, the District's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion.

38. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.

39. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information

reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

Special Conditions:

40. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the District has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction.

41. Before the release of construction funds for that portion of a Project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the District has the right to use the water that the Project financed by the TWDB will provide.

42. The District must notify the Executive Administrator before taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.

43. The Obligations must include a provision requiring that, before any action by the District to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

44. Before closing, the District must amend its water supply contract with the City of Mexia to extend through the life of the Obligations.

APPROVED and ordered of record this the 23rd day of July 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup

Brooke T. Paup, Chairwoman

DATE SIGNED: July 25, 2024

ATTEST:

Bryan McMath, Interim Executive Administrator

Attachment 3

Bistone Water

At Your Service

Bistone Municipal Water Supply District

May 20, 2025

Bistone Municipal Water Supply District
P.O. Box 145
Mexia, Texas 76667

Texas Water Development Board
1700 N. Congress Avenue
Austin, Texas 78701

Re: Request for 1-Year extension to SWIFT Commitment Nos. LM2501812 & LM2601812, Project No. 51088, Carrizo Aquifer Development, TWDB Resolution No. 24-046

Dear Ms. Richards,

The Bistone Municipal Water Supply District (District) has encountered various delays in proceeding with the above-referenced project. The USACE has notified the District it will be required to conduct a lengthy Cultural Resources Survey of the wellfield prior to drilling, similar to what USACE would require prior to inundating a new reservoir. Additionally, the District anticipates closing on approximately $29 million in funding for DWSRF Project No. 63071 later this year, and we would prefer to soften the financial impact on our ratepayers and spread the necessary rate increases out over the next three years or so. The District does not anticipate requiring additional funds to proceed with the referenced SWIFT project until 2026.

For these reasons, the District respectfully requests that the Texas Water Development Board consider amending its Resolution No. 24-046, granting a 1-year extension to SWIFT Commitment Nos. LM2501812 and LM2601812, until December 1, 2026 and December 1, 2027, respectively. We greatly appreciate your consideration of our request, and we look forward to working with you and your staff on our upcoming projects. If you should have any questions regarding this request, please call me at (254) 562-5922. You may also reach me by email at bistonewater@nctv.com.

Respectfully submitted,

R. Brent Locke

R. Brent Locke, General Manager
Bistone Municipal Water Supply District

Cc: Rodolfo Segura, McCall, Parkhurst & Horton L.L.P.
Bailey Liendo, McCall, Parkhurst & Horton L.L.P.
Marti Shew, Hilltop Securities Inc.
Scott Murrah, 5M Associates, LLC