P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

AGENDA ITEM MEMO

BOARD MEETING DATE: September 18, 2025

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Jessica Pena, Deputy Executive Administrator, Water Supply & Infrastructure
T. Clay Schultz, Ph.D, Director, Regional Water Project Development

FROM: Tyrone Alcorn, Credit Manager, Regional Water Project Development
Chelsea Duran, Financial Analyst, Regional Water Project Development

SUBJECT: Request by City of Liberty Hill to Change the Type of Debt Instrument and Pledge for its Commitment (Project No. 62939)

ACTION REQUESTED

Consider amending by resolution the previously adopted Texas Water Development Board Resolution No. 23-090, as amended, to change the City of Liberty Hill's type of debt instrument and pledge for the approved commitment.

BACKGROUND

On December 7, 2023, the City of Liberty Hill (City) received a $28,550,000 commitment consisting of a $18,550,000 loan and $10,000,000 principal forgiveness from the Drinking Water State Revolving Fund to finance planning, acquisition, design, and construction of a direct potable reuse project. The proposed project will help meet the water demands of this fast-growing area and will improve water quality in the South Fork of the San Gabriel River.

The City has received two six-month extensions to provide additional time for the City to procure a new consulting engineer and modify its pledge. The City's loan commitment expires on December 31, 2025.

KEY ISSUES

The City proposes to pledge ad valorem taxes and surplus revenues of the water and sewer system for repayment of the proposed loan. The City's current combined average water and sewer monthly rate is $115.35. Based on an analysis of the financial documentation, current pledge revenues are sufficient to meet the debt service requirements.

At the time of the commitment, the City contemplated the issuance of Utility System Revenue Bonds with a first lien pledge of the system's revenues. The City is requesting that the type of debt and pledge be converted to Tax and Utility System Revenue Certificates of Obligation secured by a pledge of ad valorem tax and utility system surplus revenues. The City intends to pay with ad valorem tax revenue. This proposed change will eliminate the cash reserve requirement but will provide the Texas Water Development Board (TWDB) with two sources of repayment and require the City to budget 1.1X coverage of revenues.

RECOMMENDATION

The Executive Administrator recommends amending the TWDB Resolution No. 23-090, as amended, to change the City's existing commitment to Tax and Utility Services Revenue Certificates of Obligation with a combined security pledge of ad valorem taxes and utility system surplus revenues.

Attachments:

1. Debt service schedule
2. Resolution (25-)
3. Resolution (24-119)
4. Resolution (24-034)
5. Resolution (23-090)
6. Letter requesting change in pledge and extension

Attachment 1

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Liberty Hill

$3,060,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025A

Dated Date:	**10/15/2025**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**10/15/2025**	**Rate:**	**0.00%**
First Interest:	**2/15/2026**	**IUP Year:**	**2023**
First Principal:	**8/15/2026**	**Case:**	**Tax and Revenue**
Last Principal:	**7/15/2050**	**Admin.Fee:**	**$60,000**
Fiscal Year End:	**9/30**	**Admin. Fee Payment Date:**	**10/15/2025**
Required Coverage:	**1.1**	**Total Assessed Valuation:**	**$1,344,291,311**

$15,490,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025B

Dated Date:	**10/15/2025**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**10/15/2025**	**Rate:**	**2.84%**
First Interest:	**2/15/2026**	**IUP Year:**	**2023**
First Principal:	**8/15/2026**	**Case:**	**Tax and Revenue**
Last Principal:	**7/15/2050**	**Admin.Fee:**	**$303,725**
Fiscal Year End:	**9/30**	**Admin. Fee Payment Date:**	**10/15/2025**
Required Coverage:	**1.1**		

						$3,060,000 ISSUE				$15,490,000 ISSUE					
FISCAL YEAR	REQUIRED TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 100%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE
2026	$0.1650	$2,211,205	$638,783	$2,849,988	$1,413,750	$105,000	-	$0	$105,000	525,000	1.82%	$332,260	$857,260	$2,376,010	1.20
2027	0.1650	2,211,205	638,783	2,849,988	1,411,675	105,000	-	-	105,000	530,000	1.81%	389,158	919,158	2,435,833	1.17
2028	0.1650	2,211,205	638,783	2,849,988	978,400	105,000	-	-	105,000	540,000	1.81%	379,565	919,565	2,002,965	1.42
2029	0.1650	2,211,205	638,783	2,849,988	973,850	105,000	-	-	105,000	545,000	1.82%	369,791	914,791	1,993,641	1.43
2030	0.1650	2,211,205	638,783	2,849,988	978,350	110,000	-	-	110,000	550,000	1.86%	359,872	909,872	1,998,222	1.43
2031	0.1650	2,211,205	638,783	2,849,988	976,450	110,000	-	-	110,000	555,000	1.92%	349,642	904,642	1,991,092	1.43
2032	0.1650	2,211,205	638,783	2,849,988	978,350	110,000	-	-	110,000	560,000	1.99%	338,986	898,986	1,987,336	1.43
2033	0.1650	2,211,205	638,783	2,849,988	983,850	110,000	-	-	110,000	570,000	2.04%	327,842	897,842	1,991,692	1.43
2034	0.1650	2,211,205	638,783	2,849,988	977,700	115,000	-	-	115,000	575,000	2.15%	316,214	891,214	1,983,914	1.44
2035	0.1650	2,211,205	638,783	2,849,988	980,350	115,000	-	-	115,000	580,000	2.25%	303,851	883,851	1,979,201	1.44
2036	0.1650	2,211,205	638,783	2,849,988	981,350	115,000	-	-	115,000	585,000	2.41%	290,801	875,801	1,972,151	1.45
2037	0.1650	2,211,205	638,783	2,849,988	980,700	120,000	-	-	120,000	595,000	2.51%	276,703	871,703	1,972,403	1.44
2038	0.1650	2,211,205	638,783	2,849,988	973,400	120,000	-	-	120,000	605,000	2.63%	261,768	866,768	1,960,168	1.45
2039	0.1650	2,211,205	638,783	2,849,988	714,650	120,000	-	-	120,000	615,000	2.71%	245,857	860,857	1,695,507	1.68
2040	0.1650	2,211,205	638,783	2,849,988	714,400	125,000	-	-	125,000	625,000	2.80%	229,190	854,190	1,693,590	1.68
2041	0.1650	2,211,205	638,783	2,849,988	714,000	125,000	-	-	125,000	635,000	2.87%	211,690	846,690	1,685,690	1.69
2042	0.1650	2,211,205	638,783	2,849,988	717,600	125,000	-	-	125,000	645,000	2.94%	193,466	838,466	1,681,066	1.70
2043	0.1650	2,211,205	638,783	2,849,988	-	130,000	-	-	130,000	655,000	3.00%	174,503	829,503	959,503	2.97
2044	0.1650	2,211,205	638,783	2,849,988	-	130,000	-	-	130,000	670,000	3.04%	154,853	824,853	954,853	2.98
2045	0.1650	2,211,205	638,783	2,849,988	-	135,000	-	-	135,000	685,000	3.06%	134,485	819,485	954,485	2.99
2046	0.1650	2,211,205	638,783	2,849,988	-	140,000	-	-	140,000	700,000	3.09%	113,524	813,524	953,524	2.99
2047	0.1650	2,211,205	638,783	2,849,988	-	140,000	-	-	140,000	715,000	3.10%	91,894	806,894	946,894	3.01
2048	0.1650	2,211,205	638,783	2,849,988	-	145,000	-	-	145,000	730,000	3.11%	69,729	799,729	944,729	3.02
2049	0.1650	2,211,205	638,783	2,849,988	-	145,000	-	-	145,000	745,000	3.13%	47,026	792,026	937,026	3.04
2050	0.1650	2,211,205	638,783	2,849,988	-	155,000	-	-	155,000	755,000	3.14%	23,707	778,707	933,707	3.05
				$71,249,690	$16,448,825	$3,060,000		$0	$3,060,000	$15,490,000		$5,986,368	$21,476,368	$40,985,193	

$3,060,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	**13.64 YEARS**
NET INTEREST RATE	**0.000%**
COST SAVINGS	**$1,888,889**
AVERAGE ANNUAL REQUIREMENT	**$122,400**

$15,490,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	**13.63 YEARS**
NET INTEREST RATE	**2.836%**
COST SAVINGS	**$3,594,553**
AVERAGE ANNUAL REQUIREMENT	**$859,055**

TOTAL AVERAGE ANNUAL REQUIREMENTS
$1,639,408

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.

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING THE FINANCIAL COMMITMENT TO THE CITY OF LIBERTY HILL IN TWDB RESOLUTION NO. 23-090, AS AMENDED BY TWDB RESOLUTION NO. 24-034 AND 24-119, BY APPROVING A CHANGE IN THE PLEDGE

(25-)

Recitals:

At its December 7, 2023 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 23-090, made a commitment to provide financial assistance in the amount of $28,550,000 to the City of Liberty Hill (City) from the Drinking Water State Revolving Fund to finance improvements to its water system, to be secured by the TWDB's purchase of $3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A and $15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, and the execution of a Principal Forgiveness Agreement in the amount of $10,000,000, for Project No. 62939.

At its meeting on June 12, 2024, by TWDB Resolution No. 24-034, the TWDB amended TWDB Resolution No. 23-090 to extend the financial commitment period to December 31, 2024.

At its meeting on December 17, 2024, by TWDB Resolution No. 24-119, the TWDB amended TWDB Resolution No. 23-090, as amended by TWDB Resolution No.24-034, to extend the financial commitment period to December 31, 2025.

The City offered and TWDB Resolution 23-090 identified the obligations as being secured by a pledge of net revenues of the City's water and sewer system.

The City has submitted a request to change the pledge securing obligations to a pledge of ad valorem taxes and the surplus revenues of the City's water and sewer system through the TWDB's proposed purchase of $3,060,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025A and $15,490,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025B, (together with all authorizing documents (Obligations)), all as is more specifically set forth in the recommendations of the TWDB's staff, to which documents express reference is made.

Findings:

1. The revenue or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607.

2. The TWDB hereby finds that granting the City's request reasonable and that the request is in the public interest and will serve a public purpose.

NOW THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

The commitment made through TWDB Resolution No. 23-090, as amended by TWDB Resolution No. 24-034 and 24-119, is amended to authorize the City to substitute a pledge of ad valorem taxes and surplus revenues of the City's water and sewer system to secure the TWDB's purchase of the $3,060,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025A and $15,490,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025B.

All other terms and conditions of TWDB Resolution No. 23-090 shall remain in full force and effect except as follows:

1. TWDB Resolution No. 23-090 Condition No. 5 is replaced with: The Series 2025B Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date which 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.

2. TWDB Resolution No. 23-090 Condition No. 6 is replaced with: The Series 2024A Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations, at a redemption price of par.

3. TWDB Resolution No. 23-090 Conditions No. 46, 47, and 48 are removed.

The following conditions are added to TWDB Resolution No. 23-090:

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

5. 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 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 before the time taxes are to be levied for that year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues or both, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination of these, 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 in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, 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 which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of the Obligations, or the City shall provide documentation which 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.

APPROVED and ordered of record this the 21st day of August, 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 AMENDING TWDB RESOLUTION NO. 23-090, AS AMENDED BY TWDB RESOLUTION NO. 24-034, TO EXTEND THE FINANCIAL ASSISTANCE COMMITMENT PERIOD FOR THE $3,060,000 CITY OF LIBERTY HILL, TEXAS WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024A, $15,490,000 CITY OF LIBERTY HILL, TEXAS WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024B, AND $10,000,000 IN PRINCIPAL FORGIVENESS

(24-119)

Recitals:

At its December 7, 2023 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 23-090, made a commitment to provide financial assistance in the amount of $28,550,000 to the City of Liberty Hill (City) from the Drinking Water State Revolving Fund to finance improvements to its water system, to be secured by the TWDB's purchase of $3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A, $15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, and the execution of a Principal Forgiveness Agreement in the amount of $10,000,000, for Project No. 62939.

Pursuant to TWDB Resolution No. 23-090, the commitment period was set to expire on June 30, 2024.

At its meeting on June 12, 2024, by TWDB Resolution No. 24-034, the TWDB amended TWDB Resolution No. 23-090 to extend the commitment period to December 31, 2024.

The City has submitted a request to extend the TWDB's commitment for an additional twelve (12) months due to transitioning to a new project engineer, staff vacancies, and to finalize the revenue source that will be used to repay the proposed TWDB financial assistance requiring repayment, all as is more specifically set forth in the recommendations of the TWDB's staff, to which documents express reference is made.

The TWDB hereby finds that granting an extension of twelve (12) months is reasonable and that the request is in the public interest and will serve public purpose.

NOW THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. the commitment made through TWDB Resolution No. 23-090, as amended by TWDB Resolution No. 24-034, is amended to extend the commitment to December 31, 2025; and

2. all other terms and conditions of TWDB Resolution No. 23-090 shall remain in full force and effect.

APPROVED and ordered of record this the 17th day of December 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup

Brooke T. Paup, Chairwoman

DATE SIGNED: 12/17/24

ATTEST:

Bryan McMath, Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 23-090
TO EXTEND THE FINANCIAL ASSISTANCE COMMITMENT PERIOD FOR THE
$3,060,000 CITY OF LIBERTY HILL, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024A,
$15,490,000 CITY OF LIBERTY HILL, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024B,
AND
$10,000,000 IN PRINCIPAL FORGIVENESS

(24-034)

Recitals:

At its December 7, 2023 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 23-090, made a commitment to provide financial assistance in the amount of $28,550,000 to the City of Liberty Hill (City) from the Drinking Water State Revolving Fund to finance improvements to its water system, to be secured by the TWDB's purchase of $3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A, $15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, and the execution of a Principal Forgiveness Agreement in the amount of $10,000,000, for Project No. 62939.

Pursuant to TWDB Resolution No. 23-090, the commitment period will expire June 30, 2024.

The City has submitted a request to extend the TWDB's commitment for an additional six (6) months as it is in the process of procuring a new project engineer, all as is more specifically set forth in the recommendations of the TWDB's staff, to which documents express reference is made.

The TWDB hereby finds that granting an extension of six (6) months is reasonable and that the request is in the public interest and will serve public purpose.

NOW THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. the commitment made through TWDB Resolution No. 23-090, is amended to extend the commitment to December 31, 2024; and

2. all other terms and conditions of TWDB Resolution No. 23-090 shall remain in full force and effect.

APPROVED and ordered of record this the 12th day of June 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup

Brooke T Paup, Chairwoman

DATE SIGNED: June 20, 2024

ATTEST:

Bryan McMath, Interim Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $28,550,000 TO THE CITY OF LIBERTY HILL FROM THE DRINKING WATER STATE REVOLVING FUND THROUGH THE PROPOSED PURCHASE OF $3,060,000 CITY OF LIBERTY HILL, TEXAS WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024A, $15,490,000 CITY OF LIBERTY HILL, TEXAS WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024B, AND $10,000,000 IN PRINCIPAL FORGIVENESS

(23-090)

Recitals:

The City of Liberty Hill (City), located in Williamson County, Texas, has filed an application for financial assistance in the amount of $28,550,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design, and construction of certain water system improvements identified as Project No. 62939.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of $3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A, $15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of $10,000,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of net revenues of the City's water and sewer system 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 § 371.13.

The City is requesting a waiver of the requirement that the project be addressed in a manner that is consistent with the state and regional water plans because the project would not be a material deviation from the 2021 Brazos G Plan and the project has received the support of Regional Water Planning Region G.

The City is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss because the City's strategy to investigate for water loss and plan for making repairs when issues are discovered will help to mitigate the City's real water loss.

Findings:

1. The revenue pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607.

2. The application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq*. as well as state law, in accordance with Texas Water Code § 15.607.

3. The term of the Obligations does not exceed the expected useful life of the project proposed by the City.

4. The City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques, or technology prescribed by the Texas Water Code and TWDB's rules.

5. A current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

6. Based on the conditions described above, the City is satisfactorily addressing its system water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate system water loss in accordance with Texas Water Code § 16.0121(g).

7. The City meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(23) and is therefore eligible for principal forgiveness in the amount of $6,000,000.

8. The City meets the definition of a "small" or "rural" disadvantaged community in the applicable IUP and is therefore eligible for funding with a reduced interest rate in an amount, including the origination fee, not to exceed $3,060,000.

9. The TWDB has determined that the entire Project, or a portion of the Project, satisfies the applicable Intended Use Plan's criteria for Green Projects and is eligible for Principal Forgiveness in the amount of $4,000,000.

10. The conditions, as described above, warrant a waiver of the requirements that the TWDB determine that the needs to be addressed by the project will be addressed in a manner that is consistent with the State Water Plan, and with the approved Regional Water Plan that includes the area that will benefit from the proposed project.

NOW, THEREFORE, based on these findings, the TWDB resolves as follows:

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.053(j), pursuant to Texas Water Code § 16.053(k).

2. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g).

3. A commitment is made by the TWDB to the City of Liberty Hill for financial assistance in the amount of $28,550,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of $3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A, $15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, and the execution of a Principal Forgiveness Agreement in the amount of $10,000,000. This commitment will expire on June 30, 2024.

Such commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.

2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which said Obligations were issued have been complied with; 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 compliance with all applicable requirements contained in 31 TAC Chapter 371.

4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.

5. The Series 2024B Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date which 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.

6. The Series 2024A Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations, at a redemption price of par.

7. 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.

8. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds 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.

9. The Obligations must include a provision requiring the City to use any financial assistance from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds.

10. The Obligations must include a provision requiring the City to use any financial assistance from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner approved by the Executive Administrator.

11. 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 will be of no force and effect.

12. The financial assistance is public funds and, as such, the Obligations must include a provision requiring that these proceeds must 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.

13. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must include a provision that states the City is solely responsible for liability resulting from acts or omissions of the City, 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 City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.

14. Before closing, the City must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.

15. Before closing, and if not previously provided with the application, the City must submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts 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.

16. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City must execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.

17. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

18. The TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.

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

20. 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.

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

22. 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).

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

Conditions Related to Tax-Exempt Status:

24. The City'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 City when rendering this opinion.

25. The City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.

26. The Obligations must include a provision prohibiting the City 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 of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations).

27. 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 which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for 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 such 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 such amounts do not exceed the least 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.

28. The Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government to satisfy the

requirements of section 148 of the Code. The Obligations must provide that the City 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 such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;

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 rulings thereunder. The City must maintain a copy of such calculations for at least six years after the final Computation Date;

c. as additional consideration for the making of the financial assistance, and to induce the making of the 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 thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and

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

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

30. 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 section 149(b) of the Code.

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

32. The Obligations must contain a provision that the City will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings).

33. The transcript must include evidence that the information reporting requirements of section 149(e) of the 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.

34. The Obligations must provide that neither the City nor a related party thereto 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 City by the TWDB.

35. The City's federal tax certificate must provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

State Revolving Fund Conditions:

36. The City must submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.

37. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects must be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors must ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein must insert in full in any contract in excess of $2,000 the contracts clauses as provided by the TWDB.

38. The Obligations must include a provision stating that the City must provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City must obtain a Unique Entity Identification Number and must register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.

39. The Obligations must provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and must provide that the City will adhere to the approved project schedule.

40. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.

41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

42. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.

Drinking Water State Revolving Fund Conditions:

43. The City will pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

44. Before closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations.

45. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

Pledge Conditions for the Financial Assistance:

46. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements of the Obligations and the annual debt service requirement of all additional debt, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.

47. If the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any financial assistance made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB must be at least on a parity with lien or liens

securing such outstanding obligations.

48. The Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements of the Obligations and the annual debt service requirement of all additional debt after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant.

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

Special Conditions:

49. The three (3) year temporary period identified at condition 27 may be extended to a five (5) year temporary period if, before closing, the City and a licensed architect or engineer provide a certification to the Executive Administrator that the longer period is necessary to complete the project.

50. Before closing, the City must execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.

51. The Principal Forgiveness Agreement must include a provision stating that the City will return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator.

APPROVED and ordered of record this 7th day of December 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup

Brooke T. Paup, Chairwoman

DATE SIGNED: Dec 7, 2023

ATTEST:

Jeff Walker, Executive Administrator

Attachment 6

City of Liberty Hill
926 Main Street – P.O. Box 1920
Liberty Hill, Texas 78642

Mike Etienne, ICMA-CM, PhD
Deputy City Manager
Phone (512) 778-5449
metienne@libertyhilltx.gov

June 10, 2025

Mr. Tom Barnett, Brazos Team Manager
Texas Water Development Board
1700 North Congress Avenue
Austin, Texas 78701

Re: Texas Water Development Board Resolution 23-060 (Project No. 62939; DWSRF) – Request for Change in Security

Dear Mr. Tom Barnett;

Pursuant to Resolution 23-090, the Texas Water Development Board ("TWDB") made a commitment to the City of Liberty Hill, Texas (the "City") for financial assistance in the amount of $28,550,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of $3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A, $15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, and the execution of a Principal Forgiveness Agreement in the amount of $10,000,000. The System revenue bonds were to be secured by a pledge of the net revenues of the City's water and sewer system (the "System"). The City respectfully requests that the security pledge to the repayment of the financial assistance be amended.

In lieu of System revenue bonds, the City proposes to repay the financial assistance through the issuance of $3,060,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025A, $15,490,000 City of Liberty Hill, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025B and the and the execution of a Principal Forgiveness Agreement in the amount of $10,000,000 (collectively, the "Obligations"). The repayment of the Obligations would be secured by an ad valorem tax and the surplus revenues of the System. Surplus revenues of the System are the revenues remaining after payment of operation and maintenance expenses of the System and the payment of all debt service, reserve and other requirements in connection with the City's bonds or other similar obligations payable in whole or in part from and secured by a lien on and pledge of the net revenues of the System.

The City makes this request for change in security and the issuance of the Obligations to provide greater flexibility in repaying the financial assistance provided by the TWDB and in supporting the development of the System, including the advanced water purification facility.

We appreciate your willingness to work with the City and will work to ensure a smooth closing of the Obligations.

Best regards,

Mike Etienne, ICMA-CM, PhD
Deputy City Manager
City of Liberty Hill, Texas

cc: Paul Brandenburg, City Manager

Josh Armstrong, Finance Director