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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

FROM: T. Clay Schultz, Ph.D., Director, Regional Water Project Development
Joe Koen, Manager, Regional Water Project Development

SUBJECT: Request by the City of Fort Worth to Change the Type of Debt Instrument and Pledge for its Commitment (Project No. 63050)

ACTION REQUESTED

Consider amending by resolution the previously adopted Texas Water Development Board Resolution No. 24-095, to change the City of Fort Worth's type of debt instrument and pledge for the approved commitment and to extend the Drinking Water State Revolving Fund commitment period.

BACKGROUND

On October 17, 2024, the City of Fort Worth (City) received a \$13,265,306 commitment consisting of \$6,500,000 in financing and \$6,765,306 in principal forgiveness from the Drinking Water State Revolving Fund Lead Service Line Replacement Program for construction of a lead service line replacement project.

The City's project consists of replacing galvanized service lines throughout its service area that are private side service lines from previous partial replacement efforts. The funding will be used to remove galvanized pipes when the upstream service line material is known to be or historically may have been lead.

KEY ISSUES

The City originally pledged water and wastewater system revenues for repayment of the proposed loan. However, to comply with federal tax law and the system's master ordinance, the City's bond attorneys have recommended the debt supporting this project be structured as taxable, combination tax and revenue-backed certificates of obligation.

The City proposes to change its pledge from tax-exempt system revenue bonds to taxable tax and surplus revenue certificates of obligation for repayment of the proposed loan. Based on analysis of financial documentation, current pledged revenues are sufficient to meet the

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L'Oreal Stepney, P.E., Chairwoman | Tonya R. Miller, Board Member
Bryan McMath, Executive Administrator

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. This proposed change will eliminate the cash reserve but will provide the Texas Water Development Board (TWDB) with two sources of repayment, taxes and surplus revenues, and require the City to budget 1.1X coverage.

Additionally, the City's loan commitment expires October 31, 2025, the City has requested an extension of this commitment through April 30, 2026, to allow sufficient time to complete administrative and legal procedures required between Board approval and loan closing.

RECOMMENDATION

The Executive Administrator recommends amending the TWDB Resolution No. 24-095 to change the City's existing commitment to taxable combination tax and revenue certificates of obligation and extend the commitment period to April 30, 2026.

Attachments:

1. Resolution (25-)
2. Resolution (24-095)
3. Letter requesting change in pledge and extension

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING THE FINANCIAL COMMITMENT TO THE CITY OF FORT WORTH IN TWDB
RESOLUTION NO. 24-095
BY APPROVING A CHANGE IN THE PLEDGE AND EXTENDING THE COMMITMENT
PERIOD EXPIRATION DATE

(25-)

Recitals:

At its October 17, 2024 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 24-095, made a commitment to provide financial assistance in the amount of \$13,265,306 to the City of Fort Worth (City) from the Drinking Water State Revolving Fund to finance the construction of certain lead service line replacements, to be secured by the TWDB's purchase of \$6,500,000 City of Fort Worth, Texas Water and Sewer System Revenue Bonds, Proposed Series 2025 and the execution of a Principal Forgiveness Agreement in the amount of \$6,765,306, for Project No. 63050.

The City offered and TWDB Resolution 24-095 identified the obligations as being secured by a pledge of water and sewer system revenue.

Pursuant to TWDB Resolution 24-095, the commitment period will expire on October 31, 2025.

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 system through the TWDB's proposed purchase of \$6,500,000 City of Fort Worth, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Taxable Series 2025, all as is more specifically set forth in the recommendations of the TWDB's staff, to which documents express reference is made.

The City has submitted a request to extend the TWDB's commitment for an additional six (6) months to allow it time to complete the administrative and legal procedures required for closing on the financial assistance, 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. 24-095 is amended to authorize the City to substitute a pledge of ad valorem taxes and surplus revenues of

the City's system to secure the TWDB's purchase of the \$6,500,000 City of Fort Worth, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Taxable Series 2025.

The commitment of the TWDB to provide financial assistance in the total amount of \$13,265,306, as authorized in TWDB Resolution No. 24-095, is amended to extend the commitment to April 30, 2026.

All other terms and conditions of TWDB Resolution No. 24-095 shall remain in full force and effect except as follows:

1. TWDB Resolution No. 24-095 Conditions No. 23-34, 45, and 46 are removed.

The following conditions are added to TWDB Resolution No. 24-095:

2. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.
3. 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 18th day of September, 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 IN THE AMOUNT OF
\$13,265,306 TO THE CITY OF FORT WORTH
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$6,500,000 CITY OF FORT WORTH, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2025
AND
\$6,765,306 IN PRINCIPAL FORGIVENESS

(24-095)

Recitals:

The City of Fort Worth (City), located in Tarrant, Parker, Denton, and Wise Counties, has filed an application for financial assistance in the amount of \$13,265,306 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain lead service line replacements identified as Project No. 63050.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$6,500,000 City of Fort Worth, Texas Water and Sewer System Revenue Bonds, Proposed Series 2025 (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$6,765,306, 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 water and sewer system revenue as sufficient security for the repayment of the Obligations.

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 application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* and Pub. L. 117-58, 135 Stat. 1400-1401, 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. The City has identified the lead service lines within its service area that can be replaced using the financing and demonstrated in a manner acceptable to the executive administrator that the project is viable, feasible, and sustainable.
6. The City has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
7. The City is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed \$6,765,306.

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

A commitment is made by the TWDB to the City of Fort Worth for financial assistance in the amount of \$13,265,306 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$6,500,000 City of Fort Worth, Texas Water and Sewer System Revenue Bonds, Proposed Series 2025, and the execution of a Principal Forgiveness Agreement in the amount of \$6,765,306. This commitment will expire on October 31, 2025.

The 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 the Obligations were issued have been complied with; 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 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 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 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 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 the rule, this 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 the Obligations and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to those bonds under SEC Rule 15c2-12.

7. 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.
8. The Obligations must include a provision requiring the City to use any financial assistance proceeds 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 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.
9. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
10. 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.
11. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds will 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.
12. 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, except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines. The Obligations must include an environmental indemnification provision wherein the City agrees, and agrees to cause its construction contractors, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action, or damages arising from activities performed by the City or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.

13. 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.
14. 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 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.
15. 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.
16. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
17. The TWDB retains the option to purchase the Obligations in separate lots 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.
18. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
19. 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.
20. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
21. 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).
22. 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.

Tax-Exempt Conditions:

23. 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.
24. 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.
25. 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 under section 141 (Regulations).
26. The Obligations must provide that no portion of the proceeds of this commitment 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 this commitment (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 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.
27. 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 must:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments) on its books of account separately and apart from all other funds (and receipts, expenditures and

investments) and retain all records of the 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 financing with other money of the City, provided that the City separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with them;

- b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financing, 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 under these sections. The City must maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of this commitment, and to induce the making of the commitment by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners 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 an error is made, to discover and promptly to 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;
28. 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.
29. 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.
30. 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.
31. 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).
32. 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.

33. The Obligations must provide that neither the City nor a related party 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.
34. 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:

35. The City must submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
36. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects will 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 the financial assistance made available must insert in full in any contract in excess of \$2,000 the contract clauses as provided by the TWDB.
37. 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.
38. 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.
39. 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.
40. The Obligations and Principal Forgiveness Agreement] must contain a covenant that the City must abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

41. 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:

42. For each proposed bond series as described in the commitment of this Resolution, the City must pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
43. 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.
44. 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:

45. The Obligations must be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
46. The Obligations must be governed by the additional debt test and reserve requirement as provided in the outstanding City of Fort Worth, Texas Water and Sewer System Revenue Bonds, Series 2024B.

Special Conditions:

47. Before closing, the City must execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
48. The Principal Forgiveness Agreement must include a provision stating that the City must return any principal forgiveness funds that are determined to be surplus funds.

APPROVED and ordered of record this 17th day of October 2024.

TEXAS WATER DEVELOPMENT BOARD


Brooke T. Paup
Brooke T. Paup, Chairwoman

DATE SIGNED: 10/17/24

ATTEST:

Bryan McMath
Bryan McMath, Executive Administrator



August 8, 2025

Joseph Koen, P.E.
Team Manager
Regional Water Project Development
Texas Water Development Board
1700 N. Congress Ave., Austin, Texas 78701

Re: TWDB DWSRF-LSLR Project No. 63050 Request for Change of Pledge and Extension of Commitment

Mr. Koen,

On October 17, 2024, the Texas Water Development Board adopted a resolution approving an application from the City of Fort Worth for financial assistance in the amount of \$13,265,306, from the Drinking Water State Revolving Fund through the proposed purchase of \$6,500,000 in City of Fort Worth, Texas Water and Sewer System Revenue Bonds and \$6,765,306 in principal forgiveness (TWDB Resolution 24-095). The commitment made through adoption of that resolution will expire on October 31, 2025.

The City's project consists of replacing galvanized requiring replacement (GRR) service lines throughout its service area that are remnants of previous partial replacement efforts. The funding will be used to remove galvanized pipes when the upstream service line material is known to be or historically may have been lead (the "Project").

While this Project provides critical public health benefits by reducing the risk of lead contamination to both the individually impacted end-use customers and the system as a whole, customer-side improvements will not be owned by the City or become part of the system.

WATER DEPARTMENT
ADMINISTRATION

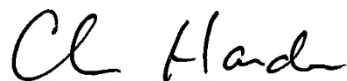
In order to comply with federal tax law and the system's master ordinance, the City's bond attorneys have recommended the debt supporting this Project be structured as taxable, combination tax-and-revenue-backed certificates of obligation ("COs"), and the Texas Attorney General's Office has indicated its approval of that debt structure.

This letter serves as the City's **formal request to change the pledge for this Project from tax-exempt system revenue bonds to taxable tax-and-revenue COs.**

Because it is anticipated that the Texas Water Development Board will not be in a position to consider the request to substitute the pledge until the Board's September meeting, this letter also respectfully requests that the Board **extend its commitment for this Project through April 30, 2026**. This extension would allow sufficient time to complete the administrative and legal procedures required between Board approval and loan closing, which include coordinating final legal documentation, securing City Council authorization for issuance and sale of the debt, and obtaining Attorney General approval.

The City appreciates the Board's consideration of these requests and stands ready to answer questions and provide any additional information the Board might require.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ch Harder".

Chris Harder, PE
Water Utility Director