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AGENDA ITEM MEMO

BOARD MEETING DATE: August 24, 2026

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Georgia Sanchez, Chief Financial Officer
Jessica Peña, Deputy Executive Administrator, Water Supply & Infrastructure

FROM: T. Clay Schultz, PhD, Director, Regional Water Project Development
Kevin Smith, Manager, Regional Water Project Development

SUBJECT: Nueces River Authority HB 500 Grant - New Water for South Texas
Conveyance System Phase 1- Project No. 21952

ACTION REQUESTED

Consider approving the resolution authorizing the Executive Administrator to execute an agreement with the Nueces River Authority for a \$7,000,000 grant pursuant to HB 500, 89th Legislative Session.

BACKGROUND

On July 8, 2022, Governor Greg Abbott issued a disaster proclamation certifying that drought conditions posed a threat of imminent disaster in numerous Texas counties. The Governor has renewed that proclamation every month since, most recently on July 16, 2026. Nueces County has been included in each renewal since October 2024.

The Nueces River Authority (Authority) in response to prolonged drought conditions and increasing water scarcity, is advancing the development of a 100 million gallons per day (MGD) seawater desalination plant, located on Harbor Island, and conveyance system to supply treated water to end-users. This initiative, supported through a public-private partnership, aims to diversify and secure the region's water supply by introducing a drought-resilient source of potable water. The Authority will retain responsibility for the conveyance infrastructure, delivered by design-bid-build approach. Funding will develop preliminary design reports for the Harbor Island pump station and Redfish Bay pipeline crossing, an alignment study and design report for pipeline from Aransas Pass to the San Patricio Municipal Water District, 10% of pipeline design and associated special and fiscal services. Land and easement acquisition for this alignment will also be funded.

Our Mission

Leading the state's efforts
in ensuring a secure
water future for Texas

Board Members

L'Oreal Stepney, P.E., Chairwoman | W. Brady Franks, Board Member | Ashley Morgan, Board Member
Bryan McMath, Executive Administrator

The 89th Texas Legislature, through House Bill 500, 89th Leg. R.S., Article 6, § 6.02 appropriated to the Texas Water Development Board (TWDB) \$1,038,000,000 out of the General Revenue Fund for the purpose of water infrastructure and supply projects and grants. In connection with that appropriation, the Nueces River Authority (the Authority), located in Uvalde County, Texas, has filed an application for a grant in the amount of \$7,000,000, to finance certain water supply and infrastructure system improvements related to the Harbor Island project.

RECOMMENDATION

The Executive Administrator recommends authorizing the execution of an agreement with the Nueces River Authority for a \$7,000,000 grant pursuant to HB 500, 89th Legislative Session.

Attachment:

1. Proposed Resolution (26-)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
 TO THE NUECES RIVER AUTHORITY
 THROUGH A GENERAL REVENUE FUND GRANT
 IN THE AMOUNT OF \$7,000,000

(26 -)

Recitals:

The 89th Texas Legislature, through House Bill 500, 89th Leg. R.S., Article 6, § 6.02 appropriated to the Texas Water Development Board (TWDB) \$1,038,000,000 out of the General Revenue Fund for the purpose of water infrastructure and supply projects and grants.

The Nueces River Authority (the Authority), located in Uvalde County, Texas, has filed an application for financial assistance in the amount of \$7,000,000, to finance certain water supply/water infrastructure system improvements, identified as Project No. 21952.

The Authority seeks financial assistance from the TWDB through execution of a Grant Agreement in the amount of \$7,000,000, as is more specifically set forth in the application and in recommendations of the TWDB's staff.

In accordance with its duties and responsibilities under Texas Water Code § 6.012, the TWDB has considered all matters required by law and in particular the instructions of the 89th Legislature.

Findings:

1. The Authority 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.
2. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
3. The TWDB hereby finds that the project is eligible to receive funds in accordance with House Bill 500, 89th Leg. R.S., Article 6, § 6.02.

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

A commitment is made by the TWDB to Nueces River Authority for a grant in the amount of 7,000,000 from the General Revenue Fund. This commitment will expire on December 31, 2026.

This commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent upon the Authority'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.
2. This commitment is contingent on the Authority executing a Grant Agreement in a form and substance acceptable to the Executive Administrator.
3. Financial assistance funds are public funds and, as such, the Grant Agreement 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
4. Financial assistance funds shall not be used by the Authority when sampling, testing, removing, or disposing of contaminated soils and/or media at the project site. The Grant Agreement shall include an environmental indemnification provision wherein the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law.
5. Before closing, and if not previously provided with the application, the Authority must submit an executed engineering contract as appropriate for the project scope of work, in a form and substance satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator.
6. Before closing, the Authority shall execute an escrow agreement approved as to form and substance by the Executive Administrator and shall submit that executed agreement to the TWDB.
7. Before closing, the Authority shall submit to the escrow agent a closing memo signed by the Executive Administrator.
8. The Authority must 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 F.
9. The Authority 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).

10. The Authority shall submit progress reports with sufficient documentation on costs on a quarterly basis to allow for the timely distribution of the grant funds.
11. Before release of funds for construction, the Authority must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements and rights-of-way have been completed or, if all acquisitions have not been completed, evidence that the applicant has the legal authority necessary to complete the acquisitions.

The Following Conditions Must Be Included in the Grant Agreement:

12. The Grant Agreement must contain a provision that the Authority agrees to comply with all conditions set forth in the TWDB Resolution. The Grant Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Grant Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
13. The Grant Agreement must provide that the Authority will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
14. The Grant Agreement must contain a provision requiring the Authority to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
15. The Grant Agreement must include a provision requiring a final accounting to be made of the total sources and authorized use of Project funds within 60 days of the completion of the Project.
16. The Grant Agreement must include a provision stating that the Authority must use or return any grant funds 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. The Grant Agreement must include a provision stating that the Authority must return any interest earned on the grant funds.

Special Conditions:

17. Before release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the Authority 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;
18. Before 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 Authority has the right to use the water that the project financed by the TWDB will provide;

APPROVED and ordered of record this 24th day of August 2026.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator