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Phone (512) 463-7847, Fax (512) 475-2053

## AGENDA ITEM MEMO

**BOARD MEETING DATE:** December 16, 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  
Candice De Lello, Manager, Regional Water Project Development

**SUBJECT:** Amendment to the City of Liberty Hill Closing Schedule

### **ACTION REQUESTED**

Consider amending by resolution the previously adopted Texas Water Development Board Resolution No. 23-090, as amended, to extend the City of Liberty Hill's Drinking Water State Revolving Fund commitment to June 30, 2026.

### **BACKGROUND**

In December 2023, the Texas Water Development Board (TWDB) approved a \$28,550,000 commitment to the City of Liberty Hill (City) from the Drinking Water State Revolving Fund for planning, acquisition, design, and construction of a direct potable reuse (DPR) project. The commitment included \$18,550,000 in financing and \$10,000,000 in principal forgiveness.

In June 2024, a six-month extension was granted to provide additional time to procure a new consulting engineer for the project. A subsequent 12-month extension was approved in December 2024 to allow the City more time to secure supplemental funding for Phase 1 and finalize its financial pledge. In September 2025, the pledge was revised to include ad valorem taxes and surplus revenues from the water and sewer system for repayment of the obligations. The current commitment is set to expire on December 31, 2025.

### **KEY ISSUES**

The City requires a third extension to the commitment expiration date due to proposed scope modifications and the need to coordinate additional external funding prior to closing. Should the project scope change, future Board consideration will be required.

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

In May 2024, the City selected Garver Engineering as its new consulting engineer. In September 2024, Garver provided updated cost estimates that significantly exceeded the City's original projections. Phase 1 of the DPR project, designed to provide 1 million gallons per day (MGD) is estimated to cost \$38.2 million, with a full build-out to a 4 MGD facility projected at approximately \$120 million. Because TWDB funds must support a complete, operable project, staff advised the City to secure roughly \$10 million in additional funding necessary to complete Phase 1 before closing on this commitment. The December 2024 extension provided time for that effort.

In April 2025, the United States Environmental Protection Agency (EPA) notified the City that it had been selected to submit an application for Water Infrastructure Finance and Innovation Act (WIFIA) funding of up to \$240 million. The City has been preparing to pursue WIFIA financing; however, progress has been delayed, and coordination with the EPA and TWDB has been limited due to the federal government shutdown. While the City intends to move forward with the WIFIA application, it has not yet been submitted.

With the potential for additional WIFIA funding, the City has elected to discontinue the original 1 MGD Phase 1 project and instead pursue a 5 MGD facility, with a possible future expansion to 10 MGD. The total estimated project cost is approximately \$229 million.

The requested amendment does not alter the total TWDB financing amount but will allow additional time for both the City and TWDB to determine the next steps required to proceed.

### **RECOMMENDATION**

The Executive Administrator recommends amending the TWDB Resolution No. 23-090, as amended, to extend the commitment expiration to June 30, 2026.

#### Attachments:

1. Proposed Resolution (25- )
2. Resolution No. 25-134
3. Resolution No. 24-119
4. Resolution No. 24-034
5. Resolution No. 23-090

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 NOS. 24-034, 24-  
119, AND 25-134, BY EXTENDING THE COMMITMENT EXPIRATION DATE

(25- )

Recitals:

WHEREAS, 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.

WHEREAS, 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, to provide time for the City to engage a new consulting engineering firm.

WHEREAS, 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 to provide additional time for the City to transition to its new consulting engineering firm as well as to seek funding in addition to the TWDB's commitment, which they were advised by their newly engaged consulting engineering firm would be necessary to complete the project.

WHEREAS, in April 2025, the United State Environmental Protection Agency selected the City to apply for additional funding from the through the Water Infrastructure Financing and Innovation Act.

WHEREAS, at its meeting on September 18, 2025, by TWDB Resolution No. 25-134, the TWDB amended the TWDB Resolutions No. 23-090, as amended by TWDB Resolution No. 24-034 and 24-119, 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.

The Executive Administrator has submitted a request to change the commitment expiration date for Project No. 62939 to June 30, 2026, to accommodate delays due to the City's need to secure funding from additional sources to ensure a complete, operable project.

Findings:

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

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

1. the commitment of the TWDB to provide financial assistance in the amount of \$28,550,000, as authorized in Resolution No. 23-090 and amended by TWDB Resolution No. 24-034, 24-119, and 25-134 is amended to extend the commitment to June 30, 2026;
2. the proposed \$3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2025A and \$15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2025B are modified to Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2026A and \$15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2026B to reflect the updated year of proposed issuance; and
3. all other terms and conditions of TWDB Resolution No. 23-090, as amended by TWDB Resolution No. 24-034, 24-119, and 25-134 shall remain in full force and effect.

APPROVED and ordered of record this 16th day of December 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 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**

**(25-134)**

**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 18th day of September 2025.



TEXAS WATER DEVELOPMENT BOARD

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

DATE SIGNED: 10/2/25

ATTEST:

Bryan McMath  
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  
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  
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.

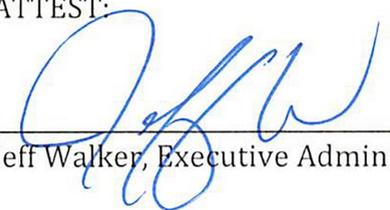
APPROVED and ordered of record this 7th day of December 2023.

TEXAS WATER DEVELOPMENT BOARD

  
Brooke T. Paup  
Brooke T. Paup, Chairwoman

DATE SIGNED: Dec 7, 2023

ATTEST:

  
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Jeff Walker, Executive Administrator