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AGENDA ITEM MEMO

BOARD MEETING DATE: December 16, 2025

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Walter Dean, Assistant General Counsel
Jessica Peña, Deputy Executive Administrator, Water Supply & Infrastructure

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

SUBJECT: Coastal Water Authority General Revenue Grant – Lynchburg Pump Station Project – Project No. 21892

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute an agreement with Coastal Water Authority for a \$100,000,000 grant pursuant to Senate Bill No. 1, 89th Legislative Regular Session, Article IX, Section 17.18 (2).

BACKGROUND

The Coastal Water Authority’s (Authority) Lynchburg Pump Station was originally constructed in 1969 and has been in continuous operation for 55 years pumping raw surface water from the Trinity River to the City of Houston’s East Water Purification Plant and the Southeast Water Purification Plant, as well as 60 industrial facilities (refineries, chemical plants, and manufacturing facilities) located along the Houston Ship Channel in Deer Park, Pasadena, La Porte, and Bayport. Lynchburg provides over 600 million gallons per day (MGD) to these facilities.

The pumps, motors, and support equipment at Lynchburg have been maintained at a high level of operation by the Authority since its original construction, but a significant amount of this equipment will be nearing the end of its service life in the next 5-10 years. To ensure the continued uninterrupted supply of raw water to the region for the next 75 years, the Authority is implementing a comprehensive modernization program which includes replacement of all pumps, motors variable frequency drives, and associated electrical equipment, replacement of the Supervisory Control and Data Acquisition (SCADA) systems, and upgrade/replacement of the Control Building. The modernization program will be phased over a 6 to 8-year period and will cost approximately \$200 million.

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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

KEY ISSUES

The Legislature specifically directed the Texas Water Development Board (TWDB) to provide funds for the above stated purpose. Consequently, the TWDB may provide the funds from the general revenue account without reference to the requirements of other TWDB programs. The conditions necessary to affect the financing are only those necessary to protect the interests of the TWDB and document the transaction to the satisfaction of the Executive Administrator.

RECOMMENDATION

The Executive Administrator recommends authorizing the execution of an agreement with the Authority for a \$100,000,000 grant pursuant to Senate Bill No. 1, 89th Legislative Regular Session, Article IX, Section 17.18.

Attachment:

1. Proposed Resolution (25-)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO THE COASTAL WATER AUTHORITY
FROM THE GENERAL REVENUE FUND
THROUGH A GRANT IN THE AMOUNT OF \$100,000,000

(25-)

Recitals:

The 89th Texas Legislature, through House Bill 500, 89th Leg. R.S., Article 6, Section 6.02 and Senate Bill 1, 89th Leg. R.S., Article IX, Section 17.18 appropriated to the Texas Water Development Board (TWDB) an amount not to exceed \$100,000,000 out of the General Revenue Fund for the purpose of constructing a water supply project for the Coastal Water Authority.

The Coastal Water Authority (Authority) seeks financial assistance in the amount of \$100,000,000 in grant funds to finance certain water system improvements identified as Project No. 21892.

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.

The TWDB hereby finds that the project is eligible to receive funds in accordance with House Bill 500 and Senate Bill 1.

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

A commitment is made by the TWDB to Coastal Water Authority for a grant in the amount of \$100,000,000 from the General Revenue Fund. This commitment will expire on August 31, 2027.

Such commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on the Authority executing a Grant Agreement in a form and substance acceptable to the Executive Administrator.
2. The Grant Agreement must contain a provision that the Authority agrees to comply with all of the conditions set forth in the TWDB Resolution.
3. 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.

4. 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.
5. 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.
6. Prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow or trust 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 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).
9. The Authority shall submit progress reports with sufficient documentation on costs on a quarterly or monthly basis to allow for the timely distribution of the grant funds.

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