



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

AGENDA ITEM MEMO

BOARD MEETING DATE: January 22, 2026

TO: Board Members

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

FROM: T. Clay Schultz, PhD, Director, Regional Water Project Development
William Alfaro, Manager, Regional Water Project Development

SUBJECT: Brownsville Public Utilities Board General Revenue Grant – Banco Morales Reservoir Surplus Water Impound Project– Project No. 21909

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute an agreement with the Brownsville Public Utilities Board for a \$34,558,000 grant pursuant to Senate Bill No. 1, 89th Legislative Regular Session, Article IX, Section 17.18 (7).

BACKGROUND

The Brownsville Public Utilities Board (Utilities Board) and surrounding communities face increasing water supply challenges due to population growth, limited raw water availability, and recurring drought conditions. The region relies heavily on surface water from the Rio Grande, which is subject to curtailments during periods of low reservoir levels at Falcon and Amistad. A more reliable and resilient water supply strategy is needed to ensure long-term sustainability.

The Utilities Board proposes the Banco Morales Reservoir Surplus Water Impound Project. The project includes the design and construction of an off-channel raw water reservoir to capture surplus flows from the lower Rio Grande that would otherwise discharge into the Gulf of Mexico. The reservoir site will be located between the International Boundary and Water Commission (IBWC) levee system and the City of Brownsville’s levee along the Rio Grande, adjacent to BPUB’s Water Treatment Plant No. 1.

The reservoir will provide approximately 400 million gallons of additional storage capacity, increasing total available capacity to 616 million gallons. BPUB holds authorization under Texas Commission on Environmental Quality Permit No. 1838 to divert up to 40,000 acre-feet per year of excess flows from the Rio Grande. The project will utilize existing piping

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

systems for filling and will require new pumping facilities and a transmission line to convey water to Water Treatment Plant No. 1. The estimated footprint for the reservoir is 60 acres, including the conservation pool, pump station, and transmission line.

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 Brownsville Public Utilities Board for a \$34,558,000 grant pursuant to Senate Bill No. 1, 89th Legislative Regular Session, Article IX, Section 17.18.

Attachment:

1. Proposed Resolution (26-)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO BROWNSVILLE PUBLIC UTILITIES BOARD
FROM THE GENERAL REVENUE FUND
THROUGH A GRANT IN THE AMOUNT OF \$34,558,000

(26-)

Recitals:

The 89th Texas Legislature, through House Bill 500, 89th Leg. R.S., Article VI and Senate Bill 1, 89th Leg. R.S., Article IX, appropriated to the Texas Water Development Board (TWDB) an amount not to exceed \$34,558,000 out of the General Revenue Fund for the purpose of constructing a water supply project for Brownsville Public Utilities Board (Utilities Board).

The Utilities Board seeks financial assistance in the amount of \$34,558,000 in grant funds to finance water supply improvements identified as Project No. 21909.

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 Brownsville Public Utilities Board for a grant in the amount of \$34,558,000 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 Utilities Board executing a Grant Agreement in a form and substance acceptable to the Executive Administrator.
2. The Grant Agreement must contain a provision that the Utilities Board 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 Utilities Board 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 Utilities Board 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 Utilities Board, 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 Utilities Board 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 Utilities Board shall submit to the escrow agent a closing memo signed by the Executive Administrator.
8. The Utilities Board 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 Utilities Board 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 22nd day of January 2026.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator