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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: Hidalgo County Drainage District No. 1 General Revenue Grant – Delta Region Water Management Project – Project No. 21896

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute an agreement with the Hidalgo County Drainage District No. 1 for a \$15,000,000 grant pursuant to Senate Bill No. 1, 89th Legislative Regular Session, Article IX, Section 17.18 (5).

BACKGROUND

Hidalgo and Willacy counties discharge large volumes of stormwater through a regional drainage outfall system without capturing or reusing this resource. This loss occurs even during periods of water scarcity, while the region faces recurring drought conditions and growing municipal demand. Current infrastructure does not allow for storage or treatment of these flows for beneficial use, leaving the area dependent on limited surface water supplies that are vulnerable to curtailments. Developing facilities to reclaim and store water from the outfall system is critical to improve water supply reliability and ensure long-term resilience for a population exceeding 210,000 residents.

Hidalgo County Drainage District No. 1 (District) proposes the Delta Region Water Management Project to develop infrastructure for reclaiming water from the regional drainage outfall system for beneficial reuse, primarily for municipal drinking water. The project spans Hidalgo and Willacy counties within the Nueces-Rio Grande watershed and includes the construction of reservoirs and reclamation facilities at four identified sites: Delta West near Edinburg, Delta on Uncle Peter’s Road, Willacy County Delta along the Main Floodwater Channel, and Engelman along Engelman Road. These facilities will include storage reservoirs, pumping and treatment systems, and transmission lines to deliver reclaimed water.

[Our Mission](#) : [Board Members](#)

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

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 District for a \$15,000,000 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 HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
FROM THE GENERAL REVENUE FUND
THROUGH A GRANT IN THE AMOUNT OF \$15,000,000

(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 \$15,000,000 out of the General Revenue Fund for the purpose of constructing a water supply project for Hidalgo County Drainage District No. 1 (District).

The District seeks financial assistance in the amount of \$15,000,000 in grant funds to finance water supply improvements identified as Project No. 21896.

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 Hidalgo County Drainage District No. 1 for a grant in the amount of \$15,000,000 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 District executing a Grant Agreement in a form and substance acceptable to the Executive Administrator.
2. The Grant Agreement must contain a provision that the District 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 District 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 District 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 District, 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 District 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 District shall submit to the escrow agent a closing memo signed by the Executive Administrator.
8. The District 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 District 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