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Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

AGENDA ITEM MEMO

BOARD MEETING DATE: June 25, 2026

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
Joe Koen, P.E, Manager, Regional Water Project Development

SUBJECT: Amendment to the City of Bonham Commitment Expiration Date

ACTION REQUESTED

Consider amending by resolution the previously adopted Texas Water Development Board Resolution No. 26-024 to extend the City of Bonham Water Loan Assistance Fund commitment to February 28, 2027.

BACKGROUND

On February 19, 2026, the Texas Water Development Board (TWDB) approved a commitment for $4,335,000 in financing and $10,109,100 in grant funding from the Water Loan Assistance Fund (WLAF) to the City of Bonham (City) for design and construction of the replacement of approximately 26,500 linear feet of waterline and installation of approximately 7,000 linear feet of new waterline (Project No.62809). The commitment is currently set to expire on August 31, 2026.

KEY ISSUES

The project has been identified as eligible for principal forgiveness through the Drinking Water State Revolving Fund (DWSRF) State Fiscal Year 2024 Intended Use Plan, and the City has been invited to apply for funding of the $4,335,000 financing portion of the WLAF commitment. Applications for the DWSRF program are due June 5, 2026.

RECOMMENDATION

To allow sufficient time to complete review and possible commitment of the DWSRF funding, the Executive Administrator recommends that the TWDB Resolution No. 26-024 be amended to extend the commitment expiration to February 28, 2027.

Attachments:

1. Proposed Resolution (26-)
2. Resolution (26-024)
3. Commitment Extension Request

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 26-024
TO EXTEND THE FINANCIAL ASSISTANCE COMMITMENT PERIOD TO
CITY OF BONHAM

(26-)

Recitals:

At its February 19, 2026 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 26-024, made a commitment to provide financial assistance in the amount of $14,444,100 to the City of Bonham (City) from the Water Loan Assistance Fund (WLAF) to finance a water system improvement project, through the TWDB's purchase of a $4,335,000 City of Bonham, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2026 and the execution of a Grant Agreement in the amount of $10,109,100 for Project No. 62809.

Pursuant to TWDB Resolution No. 26-024, the commitment period will expire August 31, 2026.

The City has submitted a request to extend TWDB's commitment for an additional six (6) months as the City is seeking alternative funding under the Drinking Water State Revolving Fund for the portion of the WLAF commitment 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 six (6) months is 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:

1. the commitment made through TWDB Resolution No. 26-024, is amended to extend the commitment to February 28, 2027; and

2. all other terms and conditions of TWDB Resolution No. 26-024 shall remain in full force and effect.

APPROVED and ordered of record this the 25th day of June, 2026.

TEXAS WATER DEVELOPMENT BOARD

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L’Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _________________________

ATTEST:

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Bryan McMath, Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$14,444,100 TO CITY OF BONHAM FROM THE WATER LOAN ASSISTANCE FUND THROUGH THE PROPOSED PURCHASE OF \$4,335,000 CITY OF BONHAM, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION PROPOSED SERIES 2026 AND EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$10,109,100

(26-024)

Recitals:

The City of Bonham (City), located in Fannin County, Texas, has filed an application for financial assistance in the amount of \$14,444,100, to finance certain water system improvements, identified as Project No. 62809.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$14,444,100 through the TWDB's purchase of \$4,335,000 City of Bonham, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2026 (Obligations), together with all authorizing documents, and execution of a Grant Agreement in the amount \$10,109,100, 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 ad valorem taxes and the surplus revenues of the City's waterworks 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 § 363.16.

The Board hereby authorizes the transfer of \$14,444,100 from the Texas Water Fund to the Water Assistance Fund, as authorized by Texas Water Code § 15.504(a).

The Board hereby authorizes the transfer of \$14,444,100 from the Water Assistance Fund to the Water Loan Assistance fund, as authorized by Texas Water Code § 15.011(b).

In accordance with Texas Water Code § 15.105, the TWDB has considered all matters required by law and in particular the following:

1. The needs of the area to be served by the project and the benefit of the project to the area in relation to the needs of other areas requiring state assistance in any manner and the benefits of those projects to the other areas.

2. The availability of revenue to the City, from all sources, for the ultimate repayment of the cost of the project, including interest.

3. The relationship of the project to overall statewide needs.

4. The ability of the City to finance the project without state assistance.

5. The ability of the applicant to construct the project without the grant and benefits of the project to water and wastewater needs of the state.

Findings:

1. The public interest requires state assistance in the financing of this project, in accordance with Texas Water Code § 15.106(a)(1).

2. In its opinion the tax or revenue pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.106(a)(2).

3. 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.

4. 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).

5. The City has completed its current water audit required by Texas Water Code § 16.0121 and has filed it with the TWDB, in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the City of Bonham for financial assistance in the amount of $14,444,100 from the Water Loan Assistance Fund through a transfer from the Texas Water Fund to the Water Loan Assistance Fund through the Water Assistance Fund, to be evidenced by the TWDB's proposed purchase of $4,335,000 City of Bonham City of Bonham, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2026 and the execution of a Grant Agreement in the amount of $10,109,100.This commitment will expire on August 31, 2026.

This 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.

2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City has complied with all of the requirements of the laws under which the Obligations were issued; that the Obligations were issued in conformance with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.

3. This commitment is contingent upon the City'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.

4. The Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date that 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.

5. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

6. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

7. The Obligations must provide that 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 the 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 SEC rule 15c2-12, the 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 the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to the bonds under SEC Rule 15c2-12.

8. The Obligations must require the City to use any surplus financial assistance proceeds from the Obligations remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.

9. The Obligations and Grant Agreement must provide 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 shall be of no force and effect.

10. Financial assistance proceeds are public funds. Therefore, the Grant Agreement and Obligations must require that these proceeds 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.

11. Financial assistance proceeds shall not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations and Grant Agreement must provide that 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.

12. Before closing, the City must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.

13. Before closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the City must submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, 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.

14. Before closing, when any portion of financial assistance proceeds are to be held in escrow or in trust, the City must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.

15. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

16. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

17. The City 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 and Texas Water Code § 17.183.

18. 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).

19. 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:

20. Before closing, the City's bond counsel must prepare a written opinion that states 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.

21. Before closing, the City's bond counsel must prepare a written opinion that states the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.

22. 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 § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations).

23. 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 § 148(a) of the Code and Regulations, including to acquire or to replace funds used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds issued to provide 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 § 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.

24. The Obligations must require the City to 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 in order to satisfy the requirements of § 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 on its books of account) separately and apart from all other funds (and receipts, expenditures, and investments) 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 with those proceeds;

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 § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings under the Code. 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 in order 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 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 an error is made, to discover and promptly correct the error within a reasonable amount of time after discovery, including payment to the United States of any interest and any penalty required by the Regulations.

25. 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.

26. 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 § 149(b) of the Code.

27. The Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to "advance refundings").

28. 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.

29. The transcript must include evidence that the information reporting requirements of § 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 completed IRS Form 8038, or other evidence that the information reporting requirements of § 149(e) have been satisfied, must be provided to the Executive Administrator within 14 days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

30. The Obligations must provide that neither the City nor a related party 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.

31. Before closing, the City must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120 percent of the average reasonably expected economic life of the Project.

The Following Conditions Must Be Included in the Grant Agreement:

33. The Grant Agreement 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.

34. The Grant Agreement must provide that the City will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project.

35. The Grant Agreement must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

36. The Grant Agreement must a 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.

37. The Grant Agreement must include a provision stating that the City shall return any grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the grant funds in a manner approved by the executive administrator.

38. The Grant Agreement must contain a provision stating that the City shall 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 G.

39. Before release of funds for the relevant services, and if required under the TWDB's financial assistance program and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and legal services, 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.

40. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.

41. Before release of funds for construction, the City 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.

Pledge Conditions:

42. The Obligations must provide 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 require 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 will not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as 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 require that for each year the Obligations are outstanding, and before the time taxes are to be levied for that year, the City must adopt and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues, 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 the two, into the Interest and Sinking Fund for the repayment of the Obligations.

iii. The Obligations must include a requirement that the City will 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 must provide documentation which evidences the 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.

Special Conditions:

43. Before closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator.

APPROVED and ordered of record this the 19th day of February 2026.

TEXAS WATER DEVELOPMENT BOARD

Ashley Morgan, Board Member

DATE SIGNED: 2/19/26

ATTEST:

Bryan McMath, Executive Administrator

Attachment 3

BONHAM
TEXAS

May 15, 2026

City of Bonham, Texas
514 Chestnut Street
Bonham, Texas 75418

Texas Water Development Board
1700 N. Congress Avenue
Austin, Texas 78701

Re: Request for Six-Month Extension to WLAF Commitment Nos. L1002178 and G1002177, Project No. 62809, TWDB Resolution No. 26-024

Dear Joe Koen,

Per the recommendation of Texas Water Development Board staff, the City of Bonham respectfully requests a six-month extension to commitment numbers L1002178 and G1002177, in order to give Texas Water Development Board staff time to explore the possibility of funding the portion of the project represented by commitment number L1002178 with a sperate funding commitment from the Drinking Water State Revolving Fund.

We greatly appreciate your consideration of our request, and we look forward to working with you and your staff on our upcoming projects. If you should have any questions regarding this request, please call me at (903) 583-7555 ext. 116. You may also reach me by email at sosburn@cityofbonham.org.

Respectfully submitted,

Sarah Osburn, Director of Administrative Services
City of Bonham, Texas

Cc: Rodolfo Segura, McCall, Parkhurst & Horton L.L.P.
Bailey Liendo, McCall, Parkhurst & Horton L.L.P.
Andre Ayala, Hilltop Securities Inc.
Ted Schneider, KSA Engineers Inc.