Mayor Oscar D. Montoya
Commissioner Joe Martinez
Commissioner Armando Garcia

Commissioner Dr. Jacob Howell
Mayor Pro-Tem Dr. Ruben Saldana
City Manager Alberto Perez

MERCEDES CITY COMMISSION
REGULAR MEETING
FEBRUARY 17, 2026 – 6:30 PM
MERCEDES CITY HALL – COMMISSION CHAMBERS
400 S. OHIO AVE., MERCEDES, TX 78570

"At any time during the course of this meeting, the City Commission may retire to Executive Session under Texas Government Code 551.071(2) to confer with its legal counsel on any subject matter on this agenda in which the duty of the attorney to the City Commission under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code. Further, at any time during the course of this meeting, the City Commission may retire to Executive Session to deliberate on any subject slated for discussion at this meeting, as may be permitted under one or more of the exceptions to the Open Meetings Act set forth in Title 5, Subtitle A, Chapter 551, Subchapter D of the Texas Government Code."

1. **Call Meeting to Order**
2. **Establish Quorum**
3. **Invocation**
4. **Pledge of Allegiance**
5. **Open Forum**
6. **Presentation**
   a. Proclamation for Junior Catholic Daughters of the Americas
   b. Presentation by PD and Fire regarding RGVLS Operations
7. **Consent Agenda**
   a. Approval of Minutes for Meeting(s) held February 3, 2026
   b. Second and Final Reading of Ordinance 2026-03 to terminate TIRZ No. 1
   c. Second and Final Reading of Ordinance 2026-04 amending Chapter 3, Article 3.02 "Construction Codes and Standards"
   d. Second and Final Reading to adopt Ordinance 2026-05 of the City of Mercedes, Texas, Creating the Rio Grande Valley Public Utility Agency (PUA); Making Findings a Fact; Approving Bylaws of the Agency; Providing for the Purposes, Powers, and Governance of the Agency; Approving initial Directors of the Agency; Establishing an Effective Date; Addressing Proper Notice and Meeting; and Setting Forth Other Matters Related Thereto
8. **Management Items**: Present, discuss, consider and possibly take action regarding:
   a. Consideration and possible action to select a Financial Advisor for the Request for Qualifications for Financial Advisor services for the Texas Water Development Board financial assistance programs
   b. Consideration and possible action to select an engineering firm for the Request for Qualifications for engineering services for the Texas Water Development Board financial assistance programs
   c. Consideration and possible action to select a Bond Counsel firm for Bond Counsel services for the Texas Water Development Board financial assistance programs
9. **Ordinances/Resolutions**
   a. Consideration and Approval of an Ordinance Authorizing the Issuance of "City of Mercedes, Texas

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2026A (Clean Water State Revolving Fund)"; Providing for the Payment of said Certificates by the Levy of an Ad Valorem Tax Upon all Taxable Property within the City and Further Securing said Certificates by a Subordinate and Inferior Lien on and Pledge of the Net Revenues of the System; and Other Matters Incident and related thereto (Ordinance 2026-06)

b. Consideration and Approval of an Ordinance Authorizing the Issuance of "City of Mercedes, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2026B (Clean Water State Revolving Fund)"; Providing for the Payment of Said Certificates by the Levy of an Ad Valorem Tax Upon all Taxable Property within the City and Further Securing said Certificates by a Subordinate and Inferior Lien on and Pledge of the Net Revenues of the System; and Other Matters Incident and related thereto (Ordinance 2026-07)

c. Consideration and Approval of a Resolution Approving the Principal Forgiveness Agreement Clean Water State Revolving Fund in the Amount of $10,000,000 and An Escrow Agreement relating thereto; and Other Matters in Connection therewith (Resolution 2026-15)

d. Consideration and action regarding Resolution 2026-16 to nominate candidates to the Hidalgo County Appraisal District Board of Directors

10. Bids/Contracts

a. Consideration and action to renew the Interlocal Agreement with Hidalgo County through the Hidalgo County Office of Emergency Management

11. Monthly Departmental Reports

a. IT, City Sec/HR, Library, Planning, Police Dept., Rec Center, Fire Dept.

12. Executive Session: Chapter 551, Texas Government Code, Section 551.071 (Consultation with Attorney), Section 551.072 (Deliberation regarding Real Property), Section 551.074 (Personnel Matters) and Section 551.087 (Economic Development)

a. Discussion with City Manager regarding personnel matters - Section 551.074

b. Consultation with Attorney regarding update on litigation - Section 551.071

c. Consultation with Attorney regarding Project Updates - Section 551.087

13. Open Session

a. Possible Action pertaining to executive session item A

b. Possible Action pertaining to executive session item B

c. Possible Action pertaining to executive session item C

14. Adjournment

Notice is hereby given that the City Commissioners of the City of Mercedes, Texas will meet in a Regular Meeting on Tuesday, February 17, 2026 at 6:30 PM. Said meeting will be conducted in the Commission Chambers of the City Hall located at 400 S. Ohio, Mercedes, Texas for the purpose of considering and taking formal action regarding the items listed above. This notice is given in accordance with Vernon's Texas Codes Annotated, Texas Government Code, Section 551.001 et. Seq.

WITNESS MY HAND AND SEAL OF THE CITY THIS 10TH DAY OF FEBRUARY, 2026.

ATTEST:

____

Joselynn Castillo, City Secretary

Time of Posting: 5:10 P.M.

ACCESSIBILITY STATEMENT

The City of Mercedes recognizes its obligations under the Americans with Disabilities Act of 1990 to provide equal access to individuals with disabilities. Please contact the City Manager's Office at (956) 565-3114 at least 48 hours in advance of the meeting with requests for reasonable accommodations, including requests for a sign language interpreter.

Office of the MAYOR
CITY OF MERCEDES

Proclamation

JUNIOR CATHOLIC DAUGHTERS OF THE AMERICAS

WHEREAS, on February 22, 1926, the Junior Catholic Daughters of the Americas (JCDA) was established as a religious, faith-based organization dedicated to guiding young Catholic girls in the practice of their faith while encouraging a life of service, leadership, and charitable works; and

WHEREAS, the Junior Catholic Daughters of the Americas is composed of Catholic girls ages six through eighteen who are committed to making a positive difference in their communities through acts of kindness, compassion, and volunteerism; and

WHEREAS, the motto of the Junior Catholic Daughters of the Americas, *"Be Useful,"* and its guiding standard, *"Love God, Serve Others, and Live Nobly,"* inspire its members to pursue meaningful deeds and foster strong moral character; and

WHEREAS, participation in the Junior Catholic Daughters provides valuable opportunities for personal growth, leadership development, and spiritual enrichment, preparing young women for a lifelong journey of service to others; and

WHEREAS, the year 2026 marks the One Hundredth Anniversary of the National Junior Catholic Daughters of the Americas, recognizing a century of empowering young women to lead with faith, integrity, and generosity; and

WHEREAS, the City of Mercedes proudly recognizes the positive impact the Junior Catholic Daughters of the Americas has made in nurturing future leaders and strengthening the fabric of our community;

NOW, THEREFORE, I, Oscar D. Montoya Sr., Mayor of the City of Mercedes, Texas by virtue of the authority vested in me and on behalf of the City Commissioners Dr. Ruben J. Saldana, Dr. Jacob C. Howell, Joe Martinez and Armando Garcia do hereby proclaim Tuesday, February 17, 2026 as

"JUNIOR CATHOLIC DAUGHTERS OF THE AMERICAS DAY"

In the City of Mercedes, and encourage all residents to join in recognizing and celebrating the organization's legacy of faith, service, and leadership.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Mercedes to be affixed this 16th day of December, 2025.

CITY OF MERCEDES

OSCAR D. MONTOYA SR.,
MAYOR

ATTEST:

JOSELYNN CASTILLO,
CITY SECRETARY

MERCEDES CITY COMMISSION
REGULAR MEETING
FEBRUARY 3, 2026 – 6:30 PM
MERCEDES CITY HALL – COMMISSION CHAMBERS
400 S. OHIO AVE., MERCEDES, TX 78570

MEMBERS PRESENT: Mayor Oscar Montoya
Commissioner Joe Martinez
Commissioner Jacob Howell
Commissioner Armando Garcia
Mayor Pro-Tem Ruben Saldana

MEMBERS ABSENT:

STAFF PRESENT: Alberto Perez, City Manager
Joselynn Castillo, City Secretary
Martie Garcia Vela, City Attorney
Meredith Hernandez, Finance Director
Francisco Sanchez, Police Chief
Juan Vasquez, I.T Specialist
Tom Villagomez, Public Works Director
Marisol Vidales, Library Director

OTHERS PRESENT:

1. **Call Meeting to Order**
   Mayor Montoya welcomed everyone and called the meeting to order at 6:34 p.m.

2. **Establish Quorum**
   All members of the Commission were present, which constitutes a full quorum.

3. **Invocation**
   Commissioner Saldana said the invocation.

4. **Pledge of Allegiance**
   Commissioner Martinez led in the pledge of allegiance.

5. **Open Forum**
   Commissioner Howell, representing Mercedes ISD and the Mercedes Academic Academy, addressed the Commission regarding the Academy's annual fundraiser. He explained that the event features a specialty barbecued Angus cheeseburger, widely regarded as one of the best in the Rio Grande Valley. The purpose of the fundraiser is to support the students and graduating seniors of the Mercedes Academic Academy. Commissioner Howell requested in-kind donations, including buns, Angus beef, tomatoes, lettuce, chips, soda, or any other items that could contribute to the burger preparation. All proceeds from the fundraiser will directly benefit the students and seniors of the Academy, including their annual banquet.

Commissioner Howell encouraged members of the public to support the event by purchasing tickets, which are $10 each. The fundraiser is scheduled for February 28, and attendees are invited to enjoy what is described as one of the best burgers in South Texas.

6. Presentation

a. Presentation by Finance regarding Budgeting Software

Finance Director Meredith Hernandez informed the Commission that the City will be moving forward with the acquisition of new budgeting software. This software is intended to transition the City from a manual, spreadsheet-based budgeting process to a fully integrated, digital system. The goal is to minimize errors, increase efficiency, and streamline the budgeting workflow. The software's cost exceeds $50,000 and is being procured through BuyBoard, in compliance with procurement regulations. The Library, with the assistance of Marisol and her staff, contributed a $25,000 donation toward the purchase, helping offset the expense. Currently, the City uses Incode 9 for financial management. However, the previous process required manual data extraction from Incode, cleanup, and reentry into the old budgeting software, which was cumbersome and time-consuming. The new software integrates directly with Incode, allowing for real-time data updates and improved accuracy in budget reporting. Ray Kirkpatrick, Regional Executive with OpenGov, presented an overview of the software, highlighting its capabilities, which include: Budget forecasting and analysis based on historical trends, Improved financial reporting, including budget-to-actual comparisons, cloud-based security and data protection, with established backup and recovery protocols, Potential for future integration with other municipal functions, such as permitting, payroll, procurement, and asset management. Mr. Kirkpatrick emphasized OpenGov's consultative approach, working closely with municipalities of all sizes across Texas to ensure smooth implementation. He noted that the software is competitive in pricing and scalable for future expansion. Commissioners inquired about security measures, cloud storage, and contingency plans in the event of system downtime or cyber threats. Mr. Kirkpatrick confirmed that the software adheres to government security standards, allows for secure cloud storage, and includes recovery protocols to protect and maintain access to city data. The discussion also addressed the potential for future integration with the City's utility management system to enhance the public-facing online experience, including real-time usage tracking and automated notifications to residents. The Commission expressed support for the purchase, noting the benefits of efficiency, accuracy, and improved public service that the software would provide.

7. Consent Agenda

a. Approval of Minutes for Meeting(s) held January 20, 2026

b. Second and Final Reading of Ordinance 2026-01 Ordering an Election for May 2, 2026

c. Second and Final Reading of Ordinance 2026-02 amending the Ordinance 2025-33 regarding Water Wells

Commissioner Martinez made a motion to approve all items under the Consent Agenda and to forego the second reading of the ordinances. Commissioner Howell seconded the motion; however, Commissioner Howell later withdrew his second. Commissioner

Martinez then amended his motion to approve Items A and B and to discuss Item C separately. Mayor Pro-Tem Saldana seconded the amended motion. During discussion, Commissioner Martinez clarified that the ordinance does not impose a registration fee on existing water wells and applies only to new water wells, while still encouraging all water well owners to register. Mayor Pro-Tem Saldana stated that maintaining a registry of water wells is beneficial and noted that property owners are responsible for the maintenance of their water wells. Commissioner Howell stated he opposed charging residents in relation to water well rights. Following a roll call vote, the motion passed, with Commissioner Howell voting against.

8. Ordinances/Resolutions

a. Consideration and Action on First Reading of Ordinance 2026-03 to terminate TIRZ No. 1

Mr. Perez informed the Commission that formal termination of TIRZ No. 1 requires approval of an ordinance, as the TIRZ was originally established by ordinance. Mayor Pro-Tem Saldana made a motion to approve the ordinance. Commissioner Howell seconded the motion. Upon a roll call vote, the motion passed unanimously. Mayor Pro-Tem Saldana stated that it was administratively and fiscally appropriate to proceed with the termination.

Mayor Pro-Tem Saldana addressed inquiries from the public and media regarding the termination of the current Tax Increment Reinvestment district. It was clarified that the decision to dissolve the existing TIRZ is not due to a lack of economic activity or insufficient economic development. Instead, the termination is being undertaken for administrative purposes and as a necessary condition for establishing a new TIRZ. Commissioner Howell emphasized that the City continues to experience significant growth. Mercedes is currently undergoing the largest economic impact it has seen in many years, and continued economic expansion over the next five to ten years. Commissioner Howell reaffirmed the City's commitment to welcoming new businesses and fostering economic development in the community.

b. Consideration and Action on First Reading of Ordinance 2026-04 amending Chapter 3, Article 3.02 "Construction Codes and Standards"

Planning Director Ms. Denisse Hernandez addressed the Commission regarding the adoption of the most current industry construction standards. She explained that adopting the updated code will help maintain or improve the City's ISO rating, which may result in lower insurance premiums for residents. Ms. Hernandez noted that several appendices would also be adopted, including Appendices G, Q, and E. She further stated that state law prohibits municipalities from requiring fire sprinkler systems in certain residential structures. Mayor Pro-Tem Saldana made a motion to approve. Commissioner Garcia seconded the motion. Upon a roll call vote, the motion passed unanimously.

c. Consideration and Action on the First Reading to adopt Ordinance 2026-05 of the City of Mercedes, Texas, Creating the Rio Grande Valley Public Utility Agency (PUA); Making Findings a Fact; Approving Bylaws of the Agency; Providing for the Purposes, Powers, and Governance of the Agency; Approving initial Directors of the Agency; Establishing an Effective Date; Addressing Proper Notice and Meeting; and

Setting Forth Other Matters Related Thereto

Commissioner Howell made a motion to approve the item. Mayor Pro-Tem Saldana seconded the motion. During the discussion, Commissioner Martinez stated that the Texas Water Development Board has received requests totaling more than $30 billion in grant funding and noted that participation in a Public Utility Agency (PUA) would benefit the City in pursuing available funding opportunities. He added that the Mayor will serve as the City's representative on the board and advocate for the City's needs through the Public Utility Agency. Commissioner Howell inquired whether the City would be protected in the future under the agreement. Upon a roll call vote, the motion carried unanimously.

d. Consideration and Action on Resolution 2026-05 amending Resolution 2025-10 to Accept BD - Operation Lone Star Grant #5067102 Program FY2026

Lieutenant Cuba presented an amendment to the previously approved Operation Loan Star resolution. He explained that the grant funding associated with the resolution is currently on hold due to the inclusion of three unnecessary words in the original fourth paragraph of the resolution. The amendment removes these three words to bring the resolution into full compliance with the grantor's requirements. Lieutenant Cuba emphasized that this amendment is strictly administrative and does not alter the scope of the program, the funding amount, or the intended use of funds. Once amended, the grant funding can be released, allowing the department to continue overtime operations in support of border protection. Commissioner Garcia made a motion to approve the amendment. Mayor Saldana seconded the motion. Upon a roll call vote, the motion passed unanimously.

e. Consideration and Action on Resolution 2026-06 approving the City of Mercedes Crisis Response Equipment Grant Program #5777001

Commissioner Martinez made a motion to approve the item. The motion was seconded by Commissioner Garcia. Upon a called vote, the motion carried unanimously.

f. Consideration and Action on Resolution 2026-07 to accept the Peace Officer Mental Health Grant Program #5777201

Lieutenant Cuba provided an update on a grant designed to support the mental health and emotional well-being of current peace officers. He explained that the program assists officers who may be experiencing stress, trauma, or personal challenges resulting from the demands of law enforcement. The grant funds may be used for a variety of initiatives, including counseling services, wellness programs, and peer support initiatives. Other mental health resources aimed at promoting resilience, reducing burnout, and ensuring officers remain healthy and effective in their duties. Lieutenant Cuba noted that the department is currently evaluating potential service providers, including the nonprofit organization Nueva Luz, and is in the process of selecting a vendor to administer the program. The Mayor expressed concern regarding the mental health and well-being of police officers. Commissioner Howell made a motion to approve the item. The motion was seconded by Commissioner Martinez. Upon a called vote, the motion carried unanimously.

g. Consideration and Action on Resolution 2026-08 regarding SLCGP Mitigation Project Grant #5777301

h. Consideration and Action on Resolution 2026-09 regarding Operation Lone Star

FY2027 Grant #5067103

i. Consideration and Action on Resolution 2026-10 regarding City of Mercedes — Victim Liaison Program Grant #5777501

Commissioner Martinez made a motion to approve agenda items G, H, and I. Mayor Pro-Tem Saldana seconded the motion. The motion carried unanimously.

j. Consideration and Action on Resolution 2026-11 regarding City of Mercedes - Border Zone Fire Departments FY 2027 Grant #5188303

Commissioner Howell made a motion to approve the item. Mayor Pro-Tem Saldana seconded the motion. Upon a called vote, the motion carried unanimously.

k. Consideration and Action on Resolution 2026-12 to recognize February 17 as Arbor Day

Mr. Villela amended the proposed date in connection with the tree grant project valued at approximately $1.2 million for 600 trees, suggesting February 24 or March 3, 2026, in order to allow for a larger community event. Commissioner Howell stated for the record that there is a long-term plan for the future fields and emphasized the importance of ensuring the tree placement does not interfere with the master park plan. Mayor Pro-Tem Saldana inquired about the types of trees to be planted. Mr. Villela explained that the grant requires the trees to be native species, including certain oak varieties native to the Valley. He also noted that water from fire hydrant use would be recycled for irrigation of parks and trees. Discussion followed regarding capturing and reusing water for the irrigation of fields, trees, and other plants. Mayor Pro-Tem Saldana made a motion to approve the resolution with the amended date of February 24, 2026. The motion was seconded by Commissioner Martinez. Upon a called vote, the motion carried unanimously.

l. Approval of Resolution 2026-13 accepting the Annual Investment Policy Update

Finance Director Meredith Hernandez stated that the City's finance policy is required to be updated annually to ensure compliance with standard financial practices. She noted that no substantive changes are being made to the policy. Commissioner Howell made a motion to approve the annual finance policy update, which was seconded by Commissioner Martinez. Upon a called vote, the motion carried unanimously.

m. Consideration and Action on Resolution 2026-14 regarding LRGVDC Solid Waste Grant

The City Manager stated that the grant funds will be used to purchase cameras equipped with license plate readers. Commissioner Martinez made a motion to approve the item. The motion was seconded by Mayor Pro-Tem Saldana. Upon a called vote, the motion carried unanimously.

9. Executive Session: Chapter 551, Texas Government Code, Section 551.071 (Consultation with Attorney), Section 551.072 (Deliberation regarding Real Property), Section 551.074 (Personnel Matters) and Section 551.087 (Economic Development)

Commissioner Martinez made a motion to go into executive session. The motion was seconded by Commissioner Garcia. Upon a called vote, the motion carried unanimously.

The meeting entered executive session at 7:38 P.M.

a. Discussion with City Manager regarding personnel matters - Section 551.074

b. Consultation with Attorney regarding update on litigation - Section 551.071

c. Consultation with Attorney regarding Project - Section 551.087

10. Open Session

Mayor Montoya reconvened the meeting at 8:30 P.M.

a. Possible Action pertaining to executive session item A

No action was taken on Item A during executive session.

b. Possible Action pertaining to executive session item B

No action was taken on Item B during executive session.

c. Possible Action pertaining to executive session item C

No action was taken on Item C during executive session.

11. Adjournment

Commissioner Howell made a motion to adjourn. The motion was seconded by Commissioner Martinez. Upon a called vote, the motion carried unanimously. The meeting adjourned at 8:31 P.M.

[MIN_SIGNATURES]

ORDINANCE NO. 2026-03

AN ORDINANCE OF THE CITY OF MERCEDES, TEXAS, TERMINATING TAX INCREMENT REINVESTMENT ZONE NUMBER ONE, CITY OF MERCEDES; FINDING THAT THE PURPOSES OF THE ZONE HAVE BEEN SUBSTANTIALLY ACCOMPLISHED OR ARE NO LONGER FEASIBLE; PROVIDING FOR THE DISSOLUTION OF THE REINVESTMENT ZONE AND ITS BOARD OF DIRECTORS; PROVIDING FOR THE DISPOSITION OF FUNDS AND PROPERTY; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Commission of the City of Mercedes, Texas (the "City"), previously created **Tax Increment Reinvestment Zone Number One, City of Mercedes, (**the "Zone") pursuant to **Chapter 311, Texas Tax Code**, by adoption of Ordinance No. 2008-33, adopted on December 30, 2008; and,

WHEREAS, Section 311.017 of the Texas Tax Code authorizes a municipality to terminate a reinvestment zone by ordinance upon finding that the purposes of the zone have been substantially completed or that the continued existence of the zone is no longer feasible or necessary; and,

WHEREAS, the City Commission has determined that the public purposes for which the Zone was created have been accomplished, or that continuation of the Zone is no longer feasible or in the best interest of the City; and,

WHEREAS, the City Commission desires to terminate the Zone and dissolve its Board of Directors in accordance with state law;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MERCEDES, TEXAS:

SECTION 1. TERMINATION OF TAX INCREMENT REINVESTMENT ZONE.

Pursuant to Section 311.017 of the Texas Tax Code, **Tax Increment Reinvestment Zone Number One, City of Mercedes,** is hereby **terminated and abolished**, effective as provided in Section 6 of this Ordinance.

SECTION 2. FINDINGS.

The City Commission finds and determines that the continued existence of the Zone is no longer feasible, necessary, or in the best interest of the City.

SECTION 3. DISSOLUTION OF BOARD OF DIRECTORS.

Upon the effective date of this Ordinance, the **Board of Directors of the Tax Increment Reinvestment Zone** is hereby **dissolved**, and all authority, duties, and responsibilities of the Board shall cease.

SECTION 4. DISPOSITION OF FUNDS AND PROPERTY.

(a) Any funds remaining in the Tax Increment Fund after payment of all lawful obligations of the Zone shall be returned to the participating taxing units in proportion to their contributions, unless otherwise required by law.
(b) Any property, records, or assets of the Zone shall be transferred to the City or disposed of in accordance with applicable law.

SECTION 5. SEVERABILITY.

If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional, such invalidity shall not affect the remaining portions of this Ordinance.

SECTION 6. EFFECTIVE DATE.

This Ordinance shall take effect immediately upon its adoption, as permitted by law.

PASSED AND APPROVED ON FIRST READING, THIS THE 3RD DAY OF FEBRUARY, 2026.

PASSED, APPROVED AND ADOPTED ON SECOND READING, THIS THE 17TH DAY OF FEBRUARY, 2026.

CITY OF MERCEDES

____
Oscar D. Montoya Sr., Mayor

ATTEST:

____
Joselynn Castillo, City Secretary

APPROVED AS TO FORM:

____
Martie Garica-Vela, City Attorney

AGENDA ITEM NO. 7.C.

Consent Agenda

DATE: February 17, 2026
FROM: Denisse Hernandez, Interim Planning Director
ITEM: **Discussion and possible action to Second and Final Reading of Ordinance 2026-04 amending Chapter 3, Article 3.02 "Construction Codes and Standards"**

BACKGROUND INFORMATION: The City is adopting the most current industry standards. This ensures that architects, engineers, and contractors are working with the latest technology and materials. It also helps maintain or improve the City's ISO (Insurance Services Office) rating, which can lead to lower insurance premiums for residents.

We are not just adopting the "base" codes, but specifically including appendices that address Mercedes' unique needs:

- Flood-Resistant Construction (Appendix G): Critical for our region's drainage and storm management.
- Tiny Houses (Appendix Q): Provides clear safety regulations for the growing trend of smaller, affordable housing units.
- Manufactured Housing (Appendix E): Updates the standards for how manufactured homes are used as permanent dwellings.
- Sleeping Lofts: New safety standards for lofts in residential units.
- Adult Changing Stations: While some 2024 codes suggest these, the City has opted to exclude specific mechanical requirements (Section 1110.4) to maintain flexibility for local business owners unless otherwise required by the ADA.
- Electrical Updates: Moving to the 2023 NEC ensures the latest safety requirements for solar panels, EV charging stations, and surge protection.

The proposed ordinance specifically excludes certain sections regarding mandatory residential fire sprinklers. Texas State Law (HB 738) prohibits municipalities from mandating fire sprinklers in certain residential structures. By explicitly excluding these sections (Section 313 and P2904), the City ensures our local code remains in full compliance with state law.

BOARD REVIEW/CITIZEN FEEDBACK:

ALTERNATIVES/OPTIONS:

FISCAL IMPACT: (Total Costs)
Proposed Expenditure/(Revenue): **Account Number(s):**

$

Finance Review by: (Has finance reviewed it to make sure we have the funds Yes/No/Not Applicable)

LEGAL REVIEW: Not Applicable

ATTACHMENTS:
1. ORDINANCE NO-INTERNATIONAL CODE 2024

STAFF RECOMMENDATION: Staff recommends approval. Adopting these codes provides a "level playing field" for developers, ensures the safety of our citizens, and aligns the City of Mercedes with modern construction practices used across the State of Texas.

ORDINANCE NO.: 2026-04

AN ORDINANCE OF THE CITY OF MERCEDES, TEXAS, AMENDING THE CODE OF ORDINANCES, CHAPTER 3 "BUILDINGS AND BUILDING REGULATIONS," ARTICLE 3.02 "CONSTRUCTION CODES AND STANDARDS"; PROVIDING FOR THE ADOPTION OF THE 2024 EDITIONS OF THE INTERNATIONAL BUILDING, RESIDENTIAL, PLUMBING, FUEL GAS, FIRE, ENERGY CONSERVATION, MECHANICAL, PROPERTY MAINTENANCE, AND EXISTING BUILDING CODES, AND THE 2023 EDITION OF THE NATIONAL ELECTRICAL CODE; ADOPTING LOCAL AMENDMENTS AND SPECIFIC APPENDICES THERETO; PROVIDING FOR EXCLUSIONS PURSUANT TO STATE LAW; PROVIDING FOR A REPEALER CLAUSE; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Commission of the City of Mercedes, Texas, is authorized by the Texas Local Government Code to adopt and enforce building and construction codes to ensure the structural integrity of buildings and the safety of its inhabitants; and

WHEREAS, the City Commission finds that updating the City's Construction Codes and Standards to the 2024 International Codes and the 2023 National Electrical Code is essential to provide the highest level of protection for life and property; and

WHEREAS, the City Commission has determined that the adoption of these updated codes is in the best interest of the public health, safety, and general welfare of the residents of the City of Mercedes.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MERCEDES, COUNTY OF HIDALGO, STATE OF TEXAS:

SECTION I. CODES ADOPTED.

A. **Updates adopted. The following code updates shall be considered hereafter as adopted:**
    1. 2024 International Building Code.
    2. 2024 International Residential Code.
    3. 2024 International Plumbing Code.
    4. 2024 International Fuel Gas Code.
    5. 2024 International Fire Code.
    6. 2024 International Energy Conservation Code.
    7. 2024 International Mechanical Code.
    8. 2024 International Property Maintenance Code.
    9. 2024 International Existing Building Code.
    10. 2023 National Electrical Code.

B. Appendices to International Residential Code. In regard to the International Residential
   1. Code (IRC), the following appendices shall be approved:
      a. Appendix E – Manufactured Housing Used as Dwelling (reorganized)
      b. Appendix H – Patio Covers (reorganized)
      c. Appendix J – Existing Buildings and Structures (reorganized)
      d. Appendix K – Sound Transmission (reorganized)
      e. Appendix M – Home Day Care Occupancy (reorganized)
      f. Appendix O – Automatic Vehicular Gates (reorganized)
      g. Appendix P - Sizing of Water Piping Systems (reorganized)
      h. Appendix Q – Tiny Houses (new/reorganized)
   2. Sections to be excluded because the Texas Legislature excluded them by statue (HB 738):
      a. Section 313 Automatic Fire Sprinkler System
      b. Section P2904 Dwelling Unit Fire Sprinkler System

C. Appendices to International Building Code. In regard to the International Building Code (IBC), the following appendices shall be approved:
   1. Code (IBC), the following appendices shall be approved:
      a. Appendix B – Board of Appeals
      b. Appendix C – Group U-Agricultural Buildings
      c. Appendix D – Fire District
      d. Appendix F – Rodent proofing
      e. Appendix G – Flood-Resistant Construction
      f. Appendix H – Signs
      g. Appendix I – Patio Covers
      h. Appendix J – Grading
      i. Appendix K – Administration Provision
      j. Appendix P – Sleeping Lofts (new)

D. Appendices to International Mechanical Code. In regard to the International Mechanical Code (IMC), the following appendices shall be approved:
   1. Code (IMC), the following appendices shall be approved:
      a. Appendix A – Chimney Connector Pass-Throughs
      b. Appendix C – Board of Appeals (new)
   2. Sections to be excluded:
      a. Section 1110.4 Adult Changing Stations

E. Appendices to International Energy Conservation Code. In regard to the International Energy Conservation Code (IECC), the following appendices shall be approved:
   1. Code (IECC), the following appendices shall be approved:
      a. Appendix RV – Alternative Building Thermal Envelope Insulation R-Value Options (new)
   2. Sections to be excluded:

a. Section 404.2 Interior Lighting Controls

F. Appendices to International Fuel Gas Code. In regard to the International Fuel Gas Code (IFGC), the following appendices shall be approved:
   1. Code (IFGC), the following appendices shall be approved:
      a. Appendix A – Sizing and Capacities of Gas Piping
      b. Appendix B – Sizing of Venting System Serving Appliances Equipment with Draft Hood, Category I Appliances and Appliances listed for Use with Type B Vents
      c. Appendix C – Exit Terminals of mechanical Draft and Direct-Vent Venting Systems (removed)
      d. Appendix D – Recommended procedure for Safety Inspection of Existing Appliances Installation

G. Future updates. Whenever new updates to any of the above codes and appendices shall become available and fully assessed by the city, they shall then be deemed as "adopted" and enforceable. However, should there be a specific restriction on any of the updates that is incidentally discovered that may not be in the city's best interests to enforce, the planning director and/or the city manager's office shall assess and bring forth that restriction to the city commission for final disposition on whether to suspend that provision from enforcement.

SECTION II. REFERENCES TO DUTIES OF OFFICIALS.

Within said codes, when reference is made to the duties of a certain official named therein, that designated official of the city who has duties corresponding to those of the named official in said code shall be deemed to be the responsible official insofar as enforcing the provisions of said code is concerned.

SECTION III. FEES.

Permit and inspection fees are as set forth in the fee schedule in appendix A of this code.

SECTION IV. PENALTY; COMMENCING WORK WITHOUT PERMIT.

Anyone who begins work without a permit shall be subject to doubling of the appropriate fee. Anyone who violates this article shall upon conviction thereof be fined in an amount in accordance with the general penalty provided in section 1.01.009 of this code. Each day the violation continues to exist shall constitute a separate offense.

SECTION V. EXEMPTIONS FROM WINDSTORM REQUIREMENTS.

The windstorm design and engineered design requirements typically regarded [required] by chapter 3 of the 2012 International Building Code, and subsequent versions of said code, if and when approved by the city, shall not be imposed to structural additions of 500 feet or less nor on non-living auxiliary buildings such as storage buildings, carports, or other similar structures.

SECTION VI. REMODELING WORK ON SINGLE-FAMILY RESIDENTIAL STRUCTURES.

A. No building permit(s) shall be required by the city of any owner, agent, contractor, or other assigned representative when non-loadbearing walls within a single-family residential structure will be adjusted, lowered, relocated, and/or removed, either partially or entirely; if such remodeling involves the need for electrical, mechanical, and/or plumbing fixtures, such permits shall still be required via typical policy but only to the extent of the utility work being required in conjunction of such remodeling work. It is further declared that, for optimum safety, building permits shall always be required when life safety issues are clearly evident.

B. The provisions ordained herein shall be cumulative to any prevailing section, provision, regulation, and/or requirement that governs the remodeling of non-loadbearing walls in single-family residential structures, and shall similarly be cumulative to any subsequent editions of the International Building Code, International Existing Building Code, and other similar codes that may govern the intent of this section.

2. SEVERABILITY PROVISION

By the adoption of this ordinance, should there be any word, sentence, phrase, and/or expression that may be deemed by a court of competent jurisdiction to be invalid, or legally deleted from the content of his ordinance, it is declared that the remaining portion or portions of this ordinance shall remain fully enabled, active and in full force.

3. CUMULATIVE PROVISION

Should there be any existing ordinance, regulation, policy, and/or guideline that may be in conflict with the established regulations of this zoning ordinance, whether in whole or in part, the terms of this ordinance shall be controlling and override any such existing conflict.

4. PUBLICATION DATE

Once adopted, the City secretary shall as soon as practicable, forward the caption of this coning ordinance to be published in a newspaper of local circulation.

READ, DISCUSSED, AND APPROVED ON THIS THE _3_ DAY OF _FEBRUARY_, IN THE YEAR OF OUR LORD, _2026.

1st Reading: _February 3, 2026____

2nd Reading: _February 17, 2026___

CITY OF MERCEDES:

Oscar D. Montoya, Mayor

ATTEST:

Joselynn Castillo
City Secretary

APPROVED AS TO FORM:

Martie Garcia Vela
City Attorney

ORDINANCE NO. 2026-05

AN ORDINANCE OF THE CITY OF MERCEDES, TEXAS CREATING THE RIO GRANDE VALLEY PUBLIC UTILITY AGENCY, INCLUDING MAKING FINDINGS OF FACT; APPROVING BYLAWS OF THE AGENCY; PROVIDING FOR THE PURPOSES, POWERS, AND GOVERNANCE OF THE AGENCY; APPROVING INITIAL DIRECTORS OF THE AGENCY; ESTABLISHING AN EFFECTIVE DATE; ADDRESSING PROPER NOTICE AND MEETING; AND SETTING FORTH OTHER MATTERS RELATED THERETO.

WHEREAS, Chapter 572 of the Texas Local Government Code (the "***Act***") authorizes two or more public entities to create a public utility agency by concurrent ordinance to acquire, plan, finance, construct, own, operate, or maintain water and wastewater facilities and to engage in the conservation, storage, transportation, treatment, or distribution of water and the collection, transportation, treatment, or disposal of sewage;

WHEREAS, the Cities of Raymondville, San Benito, Mercedes, and Weslaco, Texas, (each a "***Participant***" and collectively, the "***Participants***") own and/or operate local water and wastewater systems and desire to create the Rio Grande Valley Public Utility Agency to plan, engineer, permit, acquire, construct, operate, maintain, and/or repair regional water and wastewater facilities to serve their combined service areas in an effective and economic manner;

WHEREAS, the Rio Grande Valley Public Utility Agency will be governed by a Board of Directors appointed by the sponsoring Participants;

WHEREAS, each Participant finds that creation of the Rio Grande Valley Public Utility Agency will promote the public health, safety, and welfare and serve a valid public purpose;

WHEREAS, each Participant believes that the Rio Grande Valley Public Utility Agency will serve the best interests of their residents and customers, and that the Rio Grande Valley Public Utility Agency will provide regional coordination for the development of water and wastewater facilities and services, including but not limited to, drinking water supplies, the water treatment, transportation, and storage infrastructure, wastewater transportation and treatment infrastructure, and the repair and replacement of existing water and wastewater facilities and in support of economic development of the Service Area;

WHEREAS, each Participant has published notice of its intent to create the Rio Grande Valley Public Utility Agency in accordance with the Act, and the Participants now desire to create the Rio Grande Valley Public Utility Agency by identical concurrent ordinances; and

WHEREAS, the Rio Grande Valley Public Utility Agency will not have the authority to create any debt or financial obligation for or on behalf of any of the Participants until such time that the Participants enter into a separate agreement or approval for such purpose.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF MERCEDES THAT:

Section 1. Finding of Facts. The above and foregoing recitals are incorporated herein as findings of fact.

Section 2. Creation of the Rio Grande Valley Public Utility Agency. Pursuant to and in accordance with the Act, the Rio Grande Valley Public Utility Agency ("***PUA***") is hereby created as a public utility agency, political subdivision of the State of Texas, political entity and corporate body, and a retail public utility for purposes of Chapter 13, Texas Water Code; having all rights, powers, privileges, and authority set forth in the Act and this Ordinance.

Section 3. Participants. The initial Participants in the PUA are the Cities of Raymondville, San Benito, Mercedes, and Weslaco, Texas. Each Participant is a "public entity" as such term is defined in the Act. The public entities participating in the PUA may be modified by concurrent ordinance of all Participants, as provided in § 572.053 of the Texas Local Government Code. The defined term "Participants" used herein shall mean and include the four above-named Participants and each additional public entity that becomes a member of the PUA.

Section 4. Purpose and Powers of the PUA. The PUA is formed pursuant to the provisions of the Act to assist and act on behalf of the Participants and to engage in activities in the furtherance of the purposes of its creation. It shall have and may exercise all of the rights, powers, privileges, authority, and functions given to public utility agencies under the Act, together with all of the other power, privileges, authority, and functions granted to the PUA by state law. The PUA shall perform any act necessary to the full exercise of the PUA's powers, including those acts necessary to acquire, finance, own, operate, or manage a facility of the PUA. The PUA may enter into a contract, lease, or agreement, including, but not limited to, an interlocal contract as authorized by Chapter 791, Texas Government Code, with or accept a grant or loan from a department or agency of the United States; a department, agency, or municipality or other political subdivision of this state; or a public or private corporation or person for the management and operation of a PUA facility or the acquisition, construction, financing, maintenance, operation, provision, or receipt of a facility, service, or product. The PUA may sell, lease, convey, or otherwise dispose of all or a portion of any right, interest, or property the PUA considers to be unnecessary for the efficient operation or maintenance of its facilities. The PUA may issue revenue bonds.

Section 5. Service Area. The PUA's service area shall consist of the following:

(a) The corporate limits and extra-territorial jurisdiction of the City of Raymondville, as such boundaries exist on the date of this Concurrent Ordinance;

(b) The corporate limits and extra-territorial jurisdiction of the City of San Benito, as such boundaries exist on the date of this Concurrent Ordinance;

(c) The corporate limits and extra-territorial jurisdiction of the City of Mercedes, as such boundaries exist on the date of this Concurrent Ordinance; and

(d) The corporate limits and extra-territorial jurisdiction of the City of Weslaco, as such boundaries exist on the date of this Concurrent Ordinance.

Section 6. Number of Directors and Qualifications. All powers of the PUA shall be vested in the Board of Directors ("***Board***"). The PUA shall be governed by the Board, initially consisting of four (4) places. The Board shall consist of one (1) representative for each Participant (each, a "***Director***"). The following Directors are hereby named and appointed as the initial Directors of the Board of the PUA:

Place 1 Gilbert Gonzales, Mayor, representing the City of Raymondville, Texas;
Place 2 Ricardo Guerra, Mayor, representing the City of San Benito, Texas;
Place 3 Oscar D. Montoya, Sr., Mayor, representing the City of Mercedes, Texas; and
Place 4 Adrian Gonzalez, Mayor, representing the City of Weslaco, Texas.

Each Director shall have one vote in all matters presented to or considered by the Board. A Director may only be the Mayor or Mayor Pro Tem/Tempore of any Participant that has the authority to appoint a member of the Board. No Director of the PUA may have a personal interest in a contract executed by the PUA other than as an employee, officer, or member of the governing body of the Participant. The Board shall elect from its members a President, Vice President, Secretary/Treasurer, and Assistant Secretary, and the Board shall adopt bylaws consistent with this Ordinance and the Act. The Directors of the PUA serve without compensation.

Section 7. Term of Directors. The terms of Places 1 and 2 of the initial Directors shall last until the end of the fiscal year ending September 30, 2026. The terms of Places 3 and 4 of the initial Directors shall last until the end of the fiscal year ending September 30, 2028. After the completion of each initial term, the term of office of each Director shall be four (4) years, from the date when the prior term ended; and the term for each Director position shall begin on the date a Director is appointed to the Place by the appointing Participant and confirmed by the other Participants. Any Director may be removed from office at any time, with or without cause, by the Participant that appointed such Director. Any Director may be reappointed. The appointment of any Director to the Board, save and except for the initial Directors of the Board, is accomplished by the Participant for a certain Place appointing a qualified individual to that Place, and then such individual is confirmed by all other Participants. The confirming Participants shall confirm the appointment of such individual to the Board no later than thirty (30) days after the appointing Participant's action to appoint that individual to the Board; otherwise, the Participant shall be deemed to have confirmed the appointment of such individual to the Board.

Section 8. PUA Rules. The Board shall adopt rules to govern the operation of the PUA and its employees, facilities, and service, including, but not limited to Bylaws. The Board shall hold regular or special meetings at times and on days or dates as specified in those rules. A majority of the Directors constitute a quorum for the transaction of PUA business, and approval of at least a majority of the Directors on the Board is necessary for approval of any matter coming before the Board. However, any proposed change or amendment regarding the appointment method, number, or term of Directors requires an amendment to this Ordinance, as described in Section 11 below.

Section 9. Additional Powers and Authority. The PUA shall have all other powers of a like or different nature not prohibited by law that are available to governmental entities in Texas and which are necessary or useful to enable the PUA to perform the purposes for which it is created, including the power to issue bonds, notes, or other obligations, and otherwise exercise its borrowing power to accomplish the purposes set forth above; provided the PUA shall not issue bonds, notes, or any debt obligation, or by contract undertake a financial obligation, that will not be funded by funds available, or revenues of the water and wastewater utilities, systems, and facilities constructed or purchased, or by binding contractual commitments made by the Participants and future public entity participants to purchase increments or portions of the water and wastewater utilities, systems, and facilities that are constructed or purchased. The PUA may acquire, by purchasing, any land, easements, rights-of-way, or other property or improvements inside or outside the PUA's service area that are needed or are appropriate to carry out the powers and functions of the PUA.

Section 10. Governmental Body. The PUA is created as a governmental unit within the meaning of Subdivision (3), Section 101.001, Texas Civil Practice & Remedies Code. The operations of the PUA are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Chapter 101, Texas Civil Practice & Remedies Code.

Section 11. Amendment. Amendment to any provision within this Ordinance requires each Participant to adopt a concurrent ordinance that includes the amendment.

Section 12. Fiscal Year. The fiscal year of the PUA shall begin October 1st of each year and end September 30th of the following year; provided, however, the first fiscal year shall begin upon the effective date of creation of the PUA and shall end September 30, 2026.

Section 13. Effective Date. This Ordinance shall take effect immediately upon adoption. The effective date for creation of the PUA shall be the date that the last Participant adopts and approves an identical concurrent ordinance to this Ordinance.

Section 14. Open Meetings Act. It is hereby officially found and determined that the meeting at which this Ordinance is adopted was open to the public and that public notice of the time, place, and purpose of said meeting was provided in accordance with the Texas Open Meetings Act, Chapter 551, Texas Government Code.

Section 15. Severability. If any section or provision of this Ordinance is held invalid, such invalidity shall not affect other provisions that can be given effect without the invalid portion.

PASSED, APPROVED, AND ADOPTED by the City of Mercedes, Texas, on the ___ day of _____________, _____.

CITY OF MERCEDES, TEXAS

By: _________________________________

Oscar D. Montoya Sr., Mayor_______

ATTEST:

By: _________________________________

_Joselynn Castillo, City Secretary__

APPROVED AS TO FORM:

By: __________________________________

_Martie Garcia-Vela, City Attorney___

AGENDA ITEM NO. 8.A.

Management Items

DATE: February 17, 2026
FROM: Alberto Perez, City Manager
ITEM: **Discussion and possible action to Consideration and possible action to select a Financial Advisor for the Request for Qualifications for Financial Advisor services for the Texas Water Development Board financial assistance programs**

BACKGROUND INFORMATION: The City of Mercedes solicited for qualifications for Financial Advisor Services for the Texas Water Development Board Project. The City received two interested bidders:
Urban Infrastructure Group, Inc. (UIG)
Estrada Hinojosa

BOARD REVIEW/CITIZEN FEEDBACK:

ALTERNATIVES/OPTIONS:

FISCAL IMPACT: (Total Costs)

Proposed Expenditure/(Revenue):	**Account Number(s):**
$	

Finance Review by: Not Applicable

LEGAL REVIEW:

ATTACHMENTS:
None

STAFF RECOMMENDATION: City Commission to select a Financial Advisor

AGENDA ITEM NO. 8.B.

Management Items

DATE: February 17, 2026
FROM: Alberto Perez, City Manager
ITEM: **Discussion and possible action to Consideration and possible action to select an engineering firm for the Request for Qualifications for engineering services for the Texas Water Development Board financial assistance programs**

BACKGROUND INFORMATION: The City of Mercedes solicited for qualifications for Engineering Services for the Texas Water Development Board Project. The City received three interested bidders:
Urban Infrastructure Group, Inc. (UIG)
Freese and Nichols
JNB Engineering, PLLC

BOARD REVIEW/CITIZEN FEEDBACK:

ALTERNATIVES/OPTIONS:

FISCAL IMPACT: (Total Costs)

Proposed Expenditure/(Revenue):	**Account Number(s):**
$	

Finance Review by: Not Applicable

LEGAL REVIEW:

ATTACHMENTS:
None

STAFF RECOMMENDATION: City Commission to select an engineering firm

AGENDA ITEM NO. 8.C.

Management Items

DATE: February 17, 2026
FROM: Alberto Perez, City Manager
ITEM: **Discussion and possible action to Consideration and possible action to select a Bond Counsel firm for Bond Counsel services for the Texas Water Development Board financial assistance programs**

BACKGROUND INFORMATION: The City of Mercedes solicited for qualifications for Financial Advisor Services for the Texas Water Development Board Project. The City received three interested bidders:
Urban Infrastructure Group, Inc. (UIG)
Winstead PC
Norton Rose Fulbright US, LLP

BOARD REVIEW/CITIZEN FEEDBACK:

ALTERNATIVES/OPTIONS:

FISCAL IMPACT: (Total Costs)

Proposed Expenditure/(Revenue):	**Account Number(s):**
$	

Finance Review by:

LEGAL REVIEW:

ATTACHMENTS:
None

STAFF RECOMMENDATION: Commission to select a Bond Counsel Firm for Bond Counsel Services

ORDINANCE NO. 2026-06

AN ORDINANCE AUTHORIZING THE ISSUANCE OF "CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION SERIES 2026A (CLEAN WATER STATE REVOLVING FUND)"; PROVIDING FOR THE PAYMENT OF SAID CERTIFICATES, BY THE LEVY OF AN AD VALOREM TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY AND FURTHER SECURING SAID CERTIFICATES BY A SUBORDINATE AND INFERIOR LIEN ON AND PLEDGE OF THE NET REVENUES OF THE SYSTEM ON A PARITY WITH CERTAIN CURRENTLY OUTSTANDING SUBORDINATE LIEN OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SAID CERTIFICATES AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SAID CERTIFICATES, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE CERTIFICATES; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AND AN ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS WITH THE DEPOSITORY TRUST COMPANY; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Commission of the City of Mercedes, Texas (the *City*) has caused notice to be given of its intention to issue certificates of obligation in the maximum principal amount of $15,000,000 as provided pursuant to the provisions of the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.064, for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, planning, building, improving, extending, enlarging, repairing, and equipping the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects; and

WHEREAS, notice has been duly posted on the City's website, if available, and published in a newspaper hereby found and determined to be of general circulation in the City, once a week for two (2) consecutive weeks, the date of the first (1st) publication of such notice being not less than forty-six (46) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of such certificates of obligation; and

WHEREAS, in accordance with the provisions of Section 271.049, as amended, Texas Local Government Code, the City confirms that notice of the City's intention to issue certificates of obligation was approved by resolution at a public meeting and stated (1) the then current principal of all outstanding debt of the City; (2) the then current combined principal and interest required to pay all outstanding debt obligations of the City on time and in full, based on the City's expectations relative to the interest due on any variable rate debt obligations, as applicable; (3) the maximum principal amount of the certificates of obligation to be authorized; (4) the estimated combined principal and interest required to pay the certificates of obligation in full; (5) the estimated interest rate for the certificates of obligation or that the maximum interest rate for the certificates of obligation may not exceed the maximum legal interest rate; and (6) the maximum maturity date of the certificates of obligation; and

WHEREAS, no petition protesting the issuance of the certificates of obligation described in this notice, signed by at least 5% of the qualified electors of the City, has been presented to or filed with the City Secretary prior to the date tentatively set in such notice for the passage of this ordinance; and

WHEREAS, the City Commission hereby finds and determines that the issuance of the certificates of obligation, under the terms herein specified, is in the best interests of the City and its residents; and

WHEREAS, the City Commission hereby finds and determines that certificates of obligation in the principal amount of $13,755,000 described in such notice should be issued and sold at this time; now, therefore,

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MERCEDES, TEXAS THAT:

SECTION 1. Authorization - Designation - Principal Amount - Purpose. The certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of THIRTEEN MILLION SEVEN HUNDRED FIFTY FIVE THOUSAND AND NO/100 DOLLARS ($13,755,000), to be designated and bear the title of "CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A (CLEAN WATER STATE REVOLVING FUND)" (the *Certificates*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, planning, building, improving, extending, enlarging, repairing, and equipping the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects, pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and the City's Home Rule Charter.

SECTION 2. Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates – Certificate Date. The Certificates are issuable in fully registered form only; shall be dated February 1, 2026 (the *Certificate Date*) and shall be issued in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and shall be lettered "R" and numbered consecutively from One (1) upward. The Certificates shall become due and payable on February 15 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts as provided in Section 3, to the earlier of redemption or Stated Maturity, while Outstanding, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

Years of Stated Maturity	Principal Amounts ($)	Interest Rates (%)

The Certificates shall bear interest on the unpaid principal amounts from the Closing Date (anticipated to occur on March 18, 2026), or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the rates per annum shown in the above schedule (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Certificates shall be payable on February 15 and August 15 in each year (each, an *Interest Payment Date*), commencing August 15, 2026 while the Certificates are Outstanding.

SECTION 3. Payment of Certificates - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity, mandatory redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of, premium if any, and interest on the Certificates shall be without exchange or collection charges to the Holder (hereinafter defined) of the Certificates. Interest, if any, on each Certificate issued and delivered to a Holder shall accrue from the latest Interest Payment Date that interest on such Certificate (or its Predecessor Certificate) has been paid that precedes the registration date appearing on such Certificate in the "Registration Certificate of Paying Agent/Registrar" (Section 8D hereof), unless the registration date appearing thereon is an Interest Payment Date for which interest is being paid, in which case interest on such Certificate shall accrue from the registration date appearing thereon and provided further that with respect to the initial payment of interest on a Certificate, such interest shall accrue from the date of initial delivery of the Certificates (or its Predecessor Certificate) to the Purchasers (hereinafter defined).

The selection and appointment of U.S. Bank Trust Company, National Association, Houston, Texas (the *Paying Agent/Registrar*), to serve as the initial Paying Agent/Registrar, for the Certificates is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment and transfer of the Certificates, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Certificates are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying

Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Certificates by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest, if any, on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable only to the registered owner of the Certificates (the *Holder* or *Holders*) appearing in the Security Register maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided: (i) on the Record Date (hereinafter defined) for purposes of paying interest, if any, thereon; (ii) on the date of surrender of the Certificates for purposes of receiving payment of principal thereof upon redemption of the Certificates or at the Certificates' Stated Maturity; and (iii) on any other date for any other purpose. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Certificate for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the Certificates shall be payable only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its corporate trust office. Interest, if any, on the Certificates shall be paid to the Holder whose name appears in the Security Register at the close of business on the last business day of the month next preceding an Interest Payment Date for the Certificates (the *Record Date*) and shall be paid: (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register; or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense. While the Certificates are held by the Purchasers (as defined in Section 26 hereof), payment of principal of, premium, if any, and interest, if any, on the Certificates shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

If the date for the payment of the principal of, premium, if any, or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Certificates was due.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder of a Certificate appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4. Redemption.

A. Mandatory Redemption of Term Certificates. The Certificates stated to mature on February 15, 20__ are referred to herein as the "Term Certificates". The Term Certificates are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Certificate Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

Term Certificate
Stated to Mature
on February 15, 20__

Year	Principal Amount ($)

*Payable at Stated Maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Certificate Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

B. Optional Redemption. The Certificates having Stated Maturities on and after February 15, 2037, shall be subject to redemption prior to Stated Maturity, at the option of the City, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), on February

15, 2036, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

C. Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of the Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem the Certificates, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise the right to redeem the Certificates shall be entered in the minutes of the governing body of the City.

D. Selection of Certificates for Redemption. If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Certificates as representing the number of Certificates outstanding which is obtained by dividing the principal amount of such Certificates by $5,000 and shall select the Certificates, or principal amount thereof, to be redeemed within such Stated Maturity by lot.

E. Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first-class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Certificate to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*).

All notices of redemption shall: (i) specify the date of redemption for the Certificates; (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed; (iii) state the redemption price; (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest, if any, thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date; and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder.

If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Certificates (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on the Certificates (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Certificates shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance.

F. Transfer/Exchange of Certificates. Neither the City nor the Paying Agent/Registrar shall be required to: (i) transfer or exchange any Certificate during a period beginning forty-five (45) days prior to the date fixed for redemption of the Certificates; or (ii) transfer or exchange any Certificate selected for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate which is subject to redemption in part.

SECTION 5. Execution - Registration. The Certificates shall be executed on behalf of the City by its Mayor or Mayor Pro Tem under its seal reproduced or impressed thereon and attested by its City Secretary. The signature of either of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of individuals who were, at the time of the Certificate Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Certificates to the Purchasers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 8C herein, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D herein, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified or registered and delivered

SECTION 6. Registration - Transfer - Exchange of Certificates - Predecessor Certificates. The Security Register relating to the registration, payment, transfer, or exchange of the Certificates shall at all times be kept and maintained by the City at the corporate trust office of the Paying Agent/Registrar, and the Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Certificates or, if appropriate, the nominee thereof. Any Certificate may, in accordance with its terms and the terms hereof, be transferred or exchanged for Certificates of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Certificate at the corporate trust office of the Paying Agent/Registrar, the City shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates executed on behalf of, and furnished by, the City of authorized denominations and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange upon surrender of the Certificates to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Certificates are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Certificates executed on behalf of, and furnished by, the City to the Holder requesting the exchange.

All Certificates issued upon any transfer or exchange of Certificates shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by United States registered mail to the Holder at his request, risk, and expense and, upon the delivery thereof, the same shall be the valid and binding obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered upon such transfer or exchange.

All transfers or exchanges of Certificates pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Certificates canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Certificates", evidencing all or a portion, as the case may be, of the same debt evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Certificates shall include any Certificate registered and delivered pursuant to Section 25 in lieu of a mutilated, lost, destroyed, or stolen Certificate which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Certificate.

SECTION 7. Initial Certificate. The Certificates herein authorized shall be issued initially either (i) as a single fully registered Certificate in the total principal amount of $ 13,755,000 with principal installments to become due and payable as provided in Section 2 and numbered T-1; or (ii) as one (1) fully registered Certificate for each year of Stated Maturity in the applicable principal amount, interest rate, and denomination and to be numbered consecutively from T-1 and upward (the *Initial Certificate*) and, in either case, the Initial Certificate shall be registered in the name of the Purchasers or the designee thereof. The Initial Certificate shall be the Certificates submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas, and delivered to the Purchasers. Any time after the delivery of the Initial Certificate to the Purchasers, the Paying Agent/Registrar, upon written instructions from the Purchasers, or the designee thereof, shall cancel the Initial Certificate delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates, and shall be lettered "R" and numbered consecutively from One (1) upward, for transfer and delivery to the Holders named and at the addresses identified therefor, all pursuant to and in accordance with and pursuant to such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8. Forms.

A. Forms Generally. The Certificates, the Registration Certificate of Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Certificates shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends and any reproduction of an opinion of Bond Counsel (hereinafter referenced)) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Certificates as evidenced by their execution thereof. Any portion of the text of any Certificate may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Certificate.

The definitive Certificates shall be typewritten, printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Certificates as evidenced by their execution thereof, but the Initial Certificate submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

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B. Form of Definitive Certificate.

REGISTERED NO. _________	REGISTERED PRINCIPAL AMOUNT $_____________

United States of America
State of Texas
County of Hidalgo
CITY OF MERCEDES, TEXAS
COMBINATION TAX AND SUBORDINATE LIEN REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026A
(CLEAN WATER STATE REVOLVING FUND)

Certificate Date:	Interest Rate:	Stated Maturity:	CUSIP No.
February 1, 2026			

REGISTERED OWNER: ____

PRINCIPAL AMOUNT: ____

The City of Mercedes, Texas (the *City*), a body corporate and municipal corporation in the County of Hidalgo, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Closing Date (anticipated to occur on March 18, 2026), or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until such Principal Amount has become due and payment thereof has been made or duly provided for, while Outstanding, to the earlier of redemption or Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year (each, an *Interest Payment Date*) commencing August 15, 2026.

Principal and premium, if any, of this Certificate shall be payable, at its Stated Maturity or prior redemption, to the Holder hereof upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or a successor thereof. Interest, if any, shall be payable to the Holder of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears in the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last business day of the month next preceding each Interest Payment Date. All payments of principal of, premium, if any, and interest, if any, on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest, if any, shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof. While the Certificates are held by the Purchasers, payment of principal of, premium, if any, and interest, if any, on the Certificates shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of $13,755,000 (the *Certificates*) pursuant to an Ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, planning, building, improving, extending, enlarging, repairing, and equipping the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects, under and in strict conformity with the laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.064, and the City's Home Rule Charter.

The Certificates stated to mature on February 15, 20__ are referred to herein as the "Term Certificates". The Term Certificates are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Certificate Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

Term Certificate
Stated to Mature
on February 15, 20__

Year	Principal Amount ($)

*Payable at Stated Maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Certificate Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

The Certificates stated to mature on and after February 15, 2037 may be redeemed prior to their Stated Maturity, at the option of the City, on February 15, 2036, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par plus accrued interest, if any, to the date of redemption; provided, however, that at least thirty (30) days' prior written notice shall be sent to the registered owners of the Certificates to be redeemed by United States mail, first-class postage prepaid, and subject to the terms and provisions relating thereto contained in the Ordinance. If this Certificate (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Certificate (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed (if any) to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

If this Certificate (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption has been duly given, then upon such redemption date this Certificate (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if the money for the payment of the redemption price and the interest (if any) accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Certificate is called for redemption, in whole or in part, the City or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Certificate within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Net Revenues (identified and defined in the Ordinance), derived from the operation of the City's combined utility system (the *System*), such lien on and pledge of the Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Prior Lien Obligations, and any Additional Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Reference is hereby made to the Ordinance, a copy of which is on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions under which the City may issue Additional Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holder; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Certificate may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a Special Record Date) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by the laws of the State of Texas and the Ordinance, and that issuance of the Certificates does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of, premium if any, and interest on the Certificates by the levy of a tax and collection of Net Revenues as aforestated. In case any provision in this Certificate or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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IN WITNESS WHEREOF, the City has caused this Certificate to be duly executed under its official seal.

CITY OF MERCEDES, TEXAS

By ___________________________________
Mayor

ATTEST:

____
City Secretary

(CITY SEAL)

C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Certificate Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF	§	
PUBLIC ACCOUNTS	§	
	§	REGISTER NO. __________
THE STATE OF TEXAS	§	

I HEREBY CERTIFY that this Certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this ____________________

____
Acting Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Not to appear on printed Certificates.

D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Certificates Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued under the provisions of the within-mentioned Ordinance; the Certificate or Certificates of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

Registered this date:	U.S. Bank Trust Company, National Association, Houston, Texas as Paying Agent/Registrar
___________________________________	By: _______________________________ Authorized Signature

*NOTE TO PRINTER: Print on Definitive Certificates.

E. Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee): ___________________________________

____

(Social Security or other identifying number): ______________________________________
the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints ____________________attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED: ____________________________

____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Certificate in every particular.

Signature guaranteed:

____

F. Form of Initial Certificate. The Initial Certificate shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Certificate shall be modified as follows:

(i) immediately under the name of the Certificate the headings "Interest Rate and "Stated Maturity shall both be completed "as shown below";

(ii) the first two paragraphs shall read as follows:

The City of Mercedes, Texas (the *City*), a body corporate and municipal corporation in the County of Hidalgo, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above stated to mature on the fifteenth day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

Years of Stated Maturity	Principal Amounts ($)	Interest Rates (%)

(Information to be inserted
from schedule in Section 2 hereof)

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the Closing Date (anticipated to occur on March 18, 2026) specified above, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for to Stated Maturity, at the per annum rates of interest specified above, computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year (each, an *Interest Payment Date*), commencing August 15, 2026.

Principal of this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon its presentation and surrender, to Stated Maturity, while Outstanding, at the corporate trust office of U.S. Bank Trust Company, National Association, Houston, Texas (the *Paying Agent/Registrar*) provided, however, with respect to the principal payment prior to the final Stated Maturity, the Certificates need not be surrendered to the Paying Agent/Registrar, who will merely document such payment on an internal ledger maintained by the Paying Agent/Registrar. Interest shall be payable to the Holder of this Certificate whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last business day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof. While the Certificates are held by the Purchasers, payment of principal of, premium, if any, and interest, if any, on the Certificates shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

G. Insurance Legend. If bond insurance is obtained by the City or the Purchasers for the Certificates, the Definitive Certificates and the Initial Certificate shall bear an appropriate legend as provided by the bond insurer to appear under the following header:

[BOND INSURANCE] or [STATEMENT OF INSURANCE]

SECTION 9. Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 27 and 44 of this Ordinance have the meanings assigned to them in Sections 27 and 46 of this Ordinance, and all such terms, include the plural as well as the singular; (ii) all references in this Ordinance to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Additional Limited Pledge Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other evidences of indebtedness hereinafter issued by the City payable in whole or in part from Net Revenues of the System, being a lien on and pledge of Net Revenues that is subordinate and inferior to the lien thereon and pledge thereof securing the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien

Obligations or Junior Lien Obligations hereafter issued by the City, which pledge of revenues is limited pursuant to Section 1502.052, as amended, Texas Government Code, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing as determined by the City Commission in accordance with any applicable law.

B. The term *Additional Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured, together with the currently outstanding Prior Lien Obligations, by a prior and first lien on and pledge of the Net Revenues of the System, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing that are payable from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

C. The term *Additional Subordinate Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereinafter issued by the City that are payable wholly or in part from and equally and ratably secured, together with the Certificates and 2026B Certificates, by a lien on and pledge of the Net Revenues of the System, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations or Junior Lien Obligations hereinafter issued by the City, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations or any Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance and (ii) any obligations hereinafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Commission in accordance with applicable law.

D. The term *Authorized Officials* shall mean the Mayor, the Mayor Pro Tem, the City Manager, the Director of Finance, and/or the City Secretary.

E. The term *Certificate Fund* shall mean the special Fund created and established by the provisions of Section 10 of this Ordinance.

F. The term *Certificates* shall mean the $13,755,000 "CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A (CLEAN WATER STATE REVOLVING FUND)" authorized by this Ordinance.

G. The term *City* shall mean the City of Mercedes, located in Hidalgo County, Texas and, where appropriate, the City Commission of the City.

H. The term *Closing Date* shall mean the date of physical delivery of the Initial Certificates in exchange for the payment of the agreed purchase price for the Certificates.

I. The term *Collection Date* shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date the annual ad valorem taxes levied each year by the City become delinquent.

J. The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

K. The term *Depository* shall mean an official depository bank of the City.

L. The term *Fiscal Year* shall mean the annual financial accounting period for the System now ending on September 30th of each year; provided, however, the City Commission may change such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

M. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Certificates.

N. The term *Gross Revenues* for any period shall mean all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money in any special fund or account (except the Certificate Fund) created and established for the payment or security of the Certificates.

O. The term *Holder* or *Holders* shall mean the registered owner, whose name appears in the Security Register, for any Certificate.

P. The term *Interest Payment Date* shall mean the date interest is payable on the Certificates, being February 15 and August 15 of each year, commencing August 15, 2026, while any of the Certificates remain Outstanding.

Q. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or any similar obligations hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, such pledge being junior and inferior to the lien on and pledge of the Net Revenues of the System, that are pledged to the currently outstanding Prior Lien Obligations and may be pledged to the payment of any Additional Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing the payment of the Certificates, the Series 2026B Certificates, Limited Pledge Obligations, or any Additional Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance and (ii) any obligations hereafter issued to refund the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

R. The term *Limited Pledge Obligations* shall mean (i) the currently outstanding and unpaid obligations of the City that are payable, in part, from and secured by a subordinate and inferior lien on and pledge of a limited amount of the Net Revenues of the System and designated as follows:

(1) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2015", dated February 1, 2015, in the original principal amount of $2,600,000;

(2) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018", dated February 15, 2018, in the original principal amount of $9,595,000;

(3) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021", dated September 15, 2021, in the original principal amount of $8,250,000;

(4) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024", dated September 1, 2024, in the original principal amount of $6,760,000;

(5) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025", dated December 1, 2025, in the original principal amount of $1,795,000; and

(ii) any obligations hereafter issued to refund any of the foregoing as determined by the City Commission in accordance with any applicable law.

S. The term *Maintenance and Operating Expenses* shall mean all current expenses of operating and maintaining the System not paid from the proceeds of the Certificates, including (1) the cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, they are, in the judgment of the City Commission (reasonably and fairly exercised), necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof, or are necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues, (2) payments to pension, retirement, health, hospitalization, and other employee benefit funds for employees of the City engaged in the operation or maintenance of the System,

(3) payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods, or services for the System to the extent authorized by law and the provisions of such contract, (4) payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City hereunder, and (5) any legal liability of the City arising out of the operation, maintenance, or condition of the System, but excluding any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Certificates or other bonds, notes, warrants, or similar obligations of the City payable from Net Revenues.

T. The term *Net Revenues* for any period shall mean the Gross Revenues of the System less the Maintenance and Operating Expenses of the System.

U. The term *Ordinance* shall mean this ordinance as finally passed and adopted by the City Commission of the City.

V. The term *Outstanding* when used in this Ordinance with respect to Certificates shall mean, as of the date of determination, all Certificates issued and delivered under this Ordinance, except:

(1) those Certificates cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 29 of this Ordinance; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 25 of this Ordinance.

W. The term *Prior Lien Obligations* shall mean (i) the currently outstanding and unpaid obligations of the City that are payable wholly or in part from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law and designated as follows:

(1) CITY OF MERCEDES, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2013, dated February 15, 2013, in the original principal amount of $3,255,000;

and (ii) any obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

X. The term *Purchasers* shall mean the initial purchaser or purchasers of the Certificates named in Section 26 of this Ordinance.

Y. The term *Series 2026B Certificates* shall mean the "City of Mercedes, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2026B (Clean Water State Revolving Fund)", dated February 1, 2026, in the original principal amount of $105,000, issued simultaneously with the issuance of the Certificates.

Z. The term *Stated Maturity* shall mean the annual principal payments of the Certificates payable on February 15 of each year the Certificates are Outstanding as set forth in Section 2 of this Ordinance.

AA. The term *Subordinate Lien Obligations* shall mean (i) the currently outstanding and unpaid obligations of the City that are payable, in whole or in part, from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues of the System that are or may be pledged to the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations or any Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law and designated as follows:

(1) Upon issuance, the Certificates and the 2026B Certificates; and

(ii) any obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

BB. The term *System* shall mean all properties, facilities and plants currently owned, operated, and maintained by the City for the supply, treatment, and transmission of treated potable water, for the collection and treatment of wastewater, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the City and the City expressly reserves the right at its sole discretion to include additional utility, telecommunications, technology, or similar enterprise services as components of the System; provided, however, that notwithstanding the foregoing, and to the extent now or hereinafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Prior Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10. <u>Certificate Fund – Investments</u>. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Certificates, there shall be and is hereby created a special fund to be designated "COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A (CLEAN WATER STATE REVOLVING FUND), INTEREST AND SINKING FUND" (the *Certificate Fund*), which fund shall be kept and maintained at the Depository, and money deposited in the Certificate Fund shall be used for no other purpose and shall be maintained as provided in

Section 27. Authorized Officials of the City are hereby authorized and directed to make withdrawals from the Certificate Fund sufficient to pay the purchase price or the amount of principal of, premium, if any, and interest on the Certificates as the same become due and payable, or the purchase price thereof, and shall cause to be transferred to the Paying Agent/Registrar from money on deposit in the Certificate Fund an amount sufficient to pay the amount of principal and/or interest stated to mature on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the business day next preceding each interest and principal payment date for the Certificates.

Pending the transfer of funds to the Paying Agent/Registrar, money deposited in any fund created and established by this Ordinance may, at the option of the City, be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities, including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from such fund will be available at the proper time or times. All interest and income derived from deposits and investments in any fund established pursuant to the provisions of this Ordinance shall be credited to, and any losses debited to, such fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 11. Tax Levy. To provide for the payment of the Debt Service Requirements on the Certificates being (i) the interest on the Certificates and (ii) a sinking fund for their mandatory redemption or payment at Stated Maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied for the current year and each succeeding year thereafter while the Certificates or any interest thereon shall remain Outstanding, a sufficient tax, within the limitations prescribed by law, on each one hundred dollars valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the Certificate Fund and are thereafter pledged to the payment of the Certificates. The City Commission hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay such Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness and other obligations of the City.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

A. Prior to the date the City Commission establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the City Commission shall determine:

(1) the amount of Debt Service Requirements to become due and payable on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year;

(2) the amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Net Revenues to be appropriated and allocated during such year to pay such Debt Service Requirements, if any, prior to the Collection Date for the ad valorem taxes to be levied; and

(3) the amount of Net Revenues to be appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding Fiscal Year.

B. The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (1) above less the sum total of the amounts established in paragraphs (2) and (3), after taking into consideration delinquencies and costs of collecting such annual taxes.

SECTION 12. Pledge of Revenues. (a) The City hereby covenants and agrees that, subject to (i) any prior lien on and pledge of the Net Revenues of the System to the payment and security of the currently outstanding Prior Lien Obligations, and any Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City and (ii) the lien on and pledge of the Net Revenues to the payment and security of the currently outstanding Limited Pledge Obligations and any Additional Limited Pledge Obligations hereafter issued by the City, the Net Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates and the pledge of Net Revenues herein made for the payment of the Certificates shall constitute a lien on the Net Revenues in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City.

(b) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Certificates and the pledge of Pledged Revenues granted by the City under subsection (a) in this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Certificates the perfection of the security interest in this pledge, the Governing Body agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 13. System Fund. The City hereby covenants and agrees that all Gross Revenues derived from the operation of the System shall be kept separate and apart from all other funds, accounts and money of the City and shall be deposited as collected into the "CITY OF MERCEDES, TEXAS UTILITY SYSTEM FUND" (the *System Fund*). All money deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown:

- First: to the payment of the reasonable and proper Maintenance and Operating Expenses of the System required by statute or ordinances authorizing the issuance of any indebtedness of the City to be a first charge on and claim against the Gross Revenues of the System;

- Second: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;

- Third: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;

- Fourth: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of the Certificates, the Series 2026B Certificates, and any Additional Subordinate Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance; and

- Fifth: To the payment of the amounts that may be deposited in the special funds and accounts established for the payment of the currently outstanding Limited Pledge Obligations and any Additional Limited Pledge Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinances authorizing their issuance.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, security and benefit thereof, may be appropriated and used for any other City purpose now or hereinafter permitted by law.

SECTION 14. Deposits to Certificate Fund – Surplus Certificate Proceeds. The City hereby covenants and agrees to cause to be deposited in the Certificate Fund prior to a principal and interest payment date for the Certificates, from the Net Revenues in the System Fund, after the deduction of all payments required to be made to the special funds or accounts created for the payment, security, and benefit of (i) the currently outstanding Prior Lien Obligations and any

Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City and (ii) the currently outstanding Limited Pledge Obligations, including the Certificates or any Additional Limited Pledge Obligations hereafter issued by the City, any amounts budgeted to be paid therefrom in such Fiscal Year.

Accrued interest, if any, received from the Purchasers of the Certificates shall be deposited to the Certificate Fund and ad valorem taxes levied and collected for the benefit of the Certificates shall be deposited to the Certificate Fund. In addition, any surplus proceeds, including investment income therefrom, from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said fund from ad valorem taxes.

SECTION 15. Security of Funds. All money on deposit in the funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds (including as required by and in accordance with the Texas Public Funds Collateral Act, codified at Chapter 2257, as amended, Texas Government Code), and money on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

SECTION 16. Maintenance of System - Insurance. The City covenants and agrees that while the Certificates remain Outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance (including a system of self-insurance) on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, are held for the benefit of the holders of the Certificates until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 17. Rates and Charges. The City hereby covenants and agrees with the Holders of the Certificates that rates and charges for utility services afforded by the System will be established and maintained to provide Gross Revenues sufficient at all times:

A. to pay, together with any other lawfully available funds, all operating, maintenance, depreciation, replacement, betterment, and other costs incurred in the maintenance and operation of the System, including, but not limited to, Maintenance and Operating Expenses; provided, however, that the City expressly reserves the right to utilize other lawfully available funds to pay the Maintenance and Operating Expenses;

B. to produce Net Revenues sufficient, together with any other lawfully available funds, to pay (i) the interest on and principal of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, (ii) the interest on and principal of any Junior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, (iii) the interest on and principal of the Certificates, the Series 2026B Certificates, and any Additional Subordinate Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, and (iv) the amounts that may be deposited in the special funds established for the payment of the currently outstanding Limited Pledge Obligations or any Additional Limited Pledge Obligations hereafter issued by the City; and

C. to pay other legally incurred indebtedness payable from the Net Revenues of the System and/or secured by a lien on the System or the Net Revenues thereof.

SECTION 18. Records and Accounts - Annual Audit. The City further covenants and agrees that so long as any of the Certificates remain Outstanding it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, as amended, Texas Government Code, or other applicable law. The Holders of the Certificates or any duly authorized agent or agents of the Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year (and in no event later than 180 days after the end of each Fiscal Year), it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Copies of each annual audit shall be furnished, without charge, to (i) Texas Water Development Board, Attention: Executive Administrator and (ii) upon written request, and at the expense of such Holder, to any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 19. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Certificates shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

For the avoidance of doubt, for so long as the Purchasers are Holders of the Certificates, the Purchasers may exercise all remedies available to it at law or in equity, and any provision of this Ordinance or the Certificates that attempts to restrict or limit this right to exercise remedies shall be of no force or effect.

SECTION 20. Issuance of Additional Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations. The City hereby expressly reserves the right to hereinafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

A. Additional Prior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System;

B. Junior Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge thereof securing the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations, the Certificates, the Series 2026B Certificates and any Additional Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City; and

C. Additional Subordinate Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien on and pledge thereof securing the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations and any Additional Limited Pledge Obligations hereafter issued by the City; and

D. Additional Limited Pledge Obligations secured by a lien on and pledge of a limited amount of the Net Revenues in accordance with the provisions of the following paragraph.

SECTION 21. Special Covenants. The City hereby further covenants that:

A. it has the lawful power to pledge the Net Revenues supporting the Certificates and has lawfully exercised said powers under the laws of the State of Texas, including power existing under Chapter 1502, as amended, Texas Government Code, the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.064, and the City's Home Rule Charter;

B. other than for the payment of the currently outstanding Prior Lien Obligations, the Subordinate Lien Obligations, the Certificates, the Series 2026B Certificates, and the Limited Pledge Obligations, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

C. as long as any Certificates or any interest thereon remain Outstanding, the City will not sell, lease or encumber (except in the manner provided in Section 20 of this Ordinance) the System or any substantial part thereof, provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

D. to the extent that it legally may, the City further covenants and agrees that, so long as any of the Certificates, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited; and

E. no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

SECTION 22. Application of the Covenants and Agreements of the Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations. It is the intention of the City Commission and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administration and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, or Junior Lien Obligations, or Additional Subordinate Lien Obligations hereinafter issued by the City, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations hereafter issued by the City. It is expressly recognized that prior to the issuance of any Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations, the City must comply with each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Prior Lien Obligations, the Certificates, Series 2026B Certificates, and Limited Pledge Obligations, as appropriate.

SECTION 23. Notices to Holders – Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first-class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 24. Cancellation. All Certificates surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Certificates held by the Paying Agent/Registrar shall be destroyed as directed by the City.

SECTION 25. Mutilated, Destroyed, Lost, and Stolen Certificates. If (1) any mutilated Certificate is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Certificate, and (2) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Certificate has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Certificate, a new Certificate of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost, or stolen Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Certificate, pay such Certificate.

Upon the issuance of any new Certificate or payment in lieu thereof, under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses and charges (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Certificate issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Certificate shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Certificates.

SECTION 26. Sale of the Certificates - Approval of Private Placement Memorandum – Use of Certificate Proceeds. The sale of the Certificates to the Texas Water Development Board (the *TWDB* or the *Purchasers*, and having all the rights, benefits, and obligations of a Holder) at the price of par, less the origination fee of $____ pursuant to a loan commitment received from the Purchasers is hereby confirmed. The pricing and terms of the sale of the Certificates are hereby found and determined to be the most advantageous reasonably obtainable by the City. Delivery of the Certificates to the Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of loan commitment, and this Ordinance.

The Private Placement Memorandum related to the Certificates and presented to the City Commission in connection with this Ordinance is hereby approved. Any Authorized Official is hereby directed to deliver the Private Placement Memorandum to the Purchasers in satisfaction of the prerequisite of the Purchasers to receive the Private Placement Memorandum prior to their purchase of the Certificates.

Proceeds from the sale of the Certificates shall be applied as follows:

(1) Accrued interest, if any, received from the Purchasers, shall be deposited into the Certificate Fund.

(2) The balance of the proceeds derived from the sale of the Certificates (shall be deposited into the special construction account to be designated "CITY OF MERCEDES, TEXAS CLEAN WATER STATE REVOLVING FUND PROGRAM LOAN CONSTRUCTION FUND" (the *Construction Fund*) for the receipt and disbursement of all proceeds from the sale of the Certificates and all other funds acquired by the City in connection with the planning and construction of the Project financed, in whole or in part, by the Purchasers pursuant to the loan evidenced by the Certificates. All funds deposited to the credit of the Construction Fund shall be disbursed only for the payment of costs and expenses incurred in connection with the planning and building of the Project as approved by the Purchasers and as otherwise allowed by the rules and in accordance with the provisions of Chapter 15 or 17 of the Texas Water Code, as amended. The Construction Fund shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 10 of this Ordinance or otherwise secured in accordance with the provisions of Section 15 of this Ordinance, but any money deposited into the Construction Fund shall not be commingled with any other funds of the Issuer. Interest earned on the proceeds of the Certificates pending completion of construction of the Project financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 14 of this Ordinance.

SECTION 27. Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

"Closing Date" means the date on which the Certificates are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Certificates. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Certificates means the combined yield on the Certificates and Series 2026B Certificates, treating them as a single issue and as calculated pursuant to Section 1.148-4 of the Regulations.

B. Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Certificate to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the City shall comply with each of the specific covenants in this Section.

C. No Private Use or Private Payments. Except to the extent that it will not cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

D. No Private Loan. Except to the extent it will not cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if- (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

E. Not to Invest at Higher Yield. Except to the extent it will not cause the Certificates to become "arbitrage bonds" within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Certificates.

F. Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Certificates to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

G. Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

H. Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (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 shall retain all records of accounting for at least six years after the day on which the last Outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Certificates by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Certificate Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Certificates equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

I. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Certificates, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection H of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Certificates not been relevant to either party.

J. Certificates Not Hedge Bonds.

(1) The City reasonably expects to spend at least 85% of the spendable proceeds of the Certificates within three years after such Certificates are issued.

(2) Not more than 50% of the proceeds of the Certificates will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Elections. The City hereby directs and authorizes any Authorized Official, either individually or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document. Such elections shall be deemed to be made on the Closing Date.

SECTION 28. Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Certificates pending their approval by the Attorney General of the State of Texas, the registration thereof by the Comptroller of Public Accounts of the State of Texas and the delivery of the Certificates to the Purchasers.

Furthermore, any Authorized Officials, either or all, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Certificates, the approval of the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas and, together with the City's financial advisors, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Certificate to the Purchasers and, when requested in writing by the Purchasers, the initial exchange thereof for definitive Certificates.

SECTION 29. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest, if any, on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and the lien on and pledge of the Pledged Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when: (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent; and/or (ii) Government

Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest (if any) on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof for the Certificates. In the event of a defeasance of the Certificates, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, independent accounting firm, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificates. To the extent applicable, if at all, the City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 27 hereof).

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Certificates, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Certificates and remaining unclaimed for a period of three (3) years after the Stated Maturity of the Certificates, or applicable redemption date of the Certificates, such money was deposited and is held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Certificates that is made in conjunction with the payment arrangements specified in clause (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Certificates immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of clause (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Certificates, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Certificates.

SECTION 30. Printed Opinion. The Purchasers' obligation to accept delivery of the Certificates is subject to their being furnished a final opinion of Norton Rose Fulbright US LLP, Austin, Texas, as Bond Counsel, approving certain legal matters as to the Certificates, this opinion to be dated and delivered as of the date of initial delivery and payment for such Certificates. Printing of a true and correct copy of this opinion on the reverse side of each of the Certificates, with appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City is hereby approved and authorized.

SECTION 31. CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof, and neither the City nor Bond Counsel are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 32. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 33. Ordinance a Contract, Amendments - Outstanding Certificates. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Certificates. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided, however, that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest, if any, on the Certificates, reduce the principal amount thereof or the rate of interest, if any, thereon, or in any other way modify the terms of payment of the principal of, the redemption price therefor, or interest, if any, on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

SECTION 34. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, Bond Counsel, the Paying Agent/Registrar, and the Holders.

SECTION 35. Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

SECTION 36. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 37. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Commission hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 38. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 39. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Commission of the City.

SECTION 40. Authorization of Paying Agent/Registrar Agreement. The City Commission of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, registration, and transferability of the Certificates. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 41. Authorization of Escrow Agreement. The City Commission hereby finds and determines that it is in the best interest of the City to authorize the execution of an Escrow Agreement, to comply with the Purchasers' rules and regulations and provide for the installment deliveries of the proceeds of the Certificates to the Purchasers, if any. A copy of the Escrow Agreement is attached hereto, in substantially final form, as Exhibit B, and is incorporated by reference to the provisions of the this Ordinance for all purposes. Any Authorized Official is authorized to execute the Escrow Agreement as the act and deed of the City Commission.

SECTION 42. Application to Texas Water Development Board. The City Commission ratifies and confirms its prior approval of the form and content of the Application to the Texas Water Development Board (the *Application*), including the Private Placement Memorandum, prepared in connection with the sale of the Certificates and hereby approves the form and content of any addenda, supplement, or amendment thereto.

SECTION 43. Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 44. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 45. No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Certificate or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificate.

SECTION 46. Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

EMMA means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) http://www.emma.msrb.org.

Financial Obligation means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board.

Rule means SEC Rule 15c2-12, as amended from time to time.

SEC means the United States Securities and Exchange Commission.

Undertaking means the City's continuing disclosure undertaking, described in subsections B through F below, hereunder accepted and entered into by the City for the purpose of compliance with the Rule.

B. Annual Reports.

The City shall file annually with the MSRB, within six months after the end of each Fiscal Year ending in or after 2025, financial information and operating data with respect to the City of the general type included in the final Application authorized by Section 42 of this Ordinance being the information described in Exhibit D hereto. All such information must be filed with MSRB pursuant to its Electronic Municipal Access (EMMA) System. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit D hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year with the MSRB, when and if the audit report on such statements becomes available. Under current Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the City Secretary within 180 days after the last day of the City's Fiscal Year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the City changes its Fiscal Year, it will file notice thereof with the MSRB of such change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

C. Notice of Certain Events. The City shall file notice of any of the following events with respect to the Certificates, to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;

(7) modifications to rights of Holders of the Certificates, if material;

(8) Certificate calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Certificates, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;

(13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the

termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;

(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The City shall file notice with the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with this Section by the time required by this Section.

D. Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give notice of any deposit that causes the Certificates to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection B of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

F. General Policies and Procedures Concerning Compliance with the Rule.

Because the issuance of the Certificates is subject to the provisions of the Rule and because the potential "underwriters" in a negotiated sale of the Certificates or the initial purchasers in a competitive sale of the Certificates may be subject to MSRB rules and regulations with respect to such sale (including certain due diligence and suitability requirements, among others), the City hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the "Policies and Procedures"), attached hereto as Exhibit E, with which the City shall follow to assure compliance with the Undertaking. The City has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from its internal staff charged with administering the City's financial affairs, its municipal or financial advisors, its legal counsel (including its Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the City and any such amendment will not be deemed to be an amendment to the Undertaking. Each Authorized Official is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Authorized Official to be necessary or desirable for or with respect to future compliance with the Undertaking.

G. Annual Reports.

The City shall file annually with the MSRB, within six months after the end of each Fiscal Year ending in or after 2025, financial information and operating data with respect to the City of the general type included in the final Application authorized by Section 36 of this Ordinance being the information described in Exhibit D hereto. All such information must be filed with MSRB pursuant to its Electronic Municipal Access (EMMA) System. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit D hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year with the MSRB, when and if the audit report on such statements becomes available. Under current Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the City Secretary within 180 days after the last day of the City's Fiscal Year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the City changes its Fiscal Year, it will file notice thereof with the MSRB of such change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

SECTION 47. Book-Entry Only System.

It is intended that the Certificates will initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Certificates shall be issued (following cancellation of the Initial Certificates described in Section 7) in the form of a separate single definitive Certificate. Upon issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Certificates shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit C (the *Representation Letter*).

With respect to the Certificates registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Certificates from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Certificates (an *Indirect Participant*). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Certificates, as shown on the Security Register, of any notice with respect to the Certificates, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Certificate, of any amount with respect to principal of, premium, if any, or interest on the Certificates. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Certificates shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. However, the City will not discontinue the use of DTC without the prior notice and consent of the Purchasers for so long as the Purchasers are the holder of any of the Certificates. At that time, the City may determine that the Certificates shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Certificates may be registered in whatever name or names the Holders of Certificates transferring or exchanging the Certificates shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 48. Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Certificates, the Purchase Contract, the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Certificates, any Authorized Official and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Certificates by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 49. Contracts with Financial Advisor. The City Commission authorizes any Authorized Official, or their designees, to take all actions necessary to execute any necessary financial advisory contracts with Estrada Hinojosa, as the financial advisor to the City (the *Financial Advisor*). The City understands that under applicable federal securities laws and regulations that the City must have a contractual arrangement with its Financial Advisor relating to the sale, issuance, and delivery of the Certificates.

SECTION 50. Compliance with Purchasers' Rules and Regulations. The Issuer will comply with all of the requirements contained in the resolution or resolutions adopted by the Purchasers with respect to the issuance of the Certificates. In addition, in compliance with the Purchasers' Clean Water State Revolving Fund Program Rules, the Issuer hereby agrees, consents, and covenants the following:

A. The commitment of the TWDB to purchase the Certificates is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.

B. The commitment of the TWDB to purchase the Certificates is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas that all of the requirements of the laws under which the Certificates were issued have been complied with; that the Certificates were issued in conformity with the Constitution and laws of the State of Texas; and that the Certificates are valid and binding obligations of the Issuer.;

C. The commitment of the TWDB to purchase the Certificates is contingent upon the Issuer's compliance with all applicable requirements contained in 31 TAC Chapter 375.

D. The Certificates may be called for early redemption on any date beginning on or after the first interest payment date which is ten (10) years from the Certificate Date, at a redemption price of par, together with accrued interest to the date fixed for redemption, as provided in Section 4.

E. The Issuer shall comply with the requirements of the Rule as if the TWDB were a "Participating Underwriter" within the meaning of the Rule, as provided in Section 46. The Issuer shall further annually submit an audit, prepared by a certified public accountant or firm of certified public accountants, to the TWDB, as provided in Section 18.

F. The Issuer shall levy a tax and/or maintain and collect sufficient rates and charges to produce System revenues in an amount necessary to meet the debt service requirements of all outstanding debt obligations and to maintain the funds established and required by the Certificates, as provided in Section 11.

G. The Issuer shall use any loan proceeds evidenced by the Certificates that are determined to be "remaining unused funds", which are those funds unspent after the Project (as approved by TWDB) is completed, for enhancements to the Project that are explicitly approved by the Executive Administrator of the TWDB or, if no enhancements are authorized by the Executive Administrator, the Issuer shall submit a final accounting and disposition of any unused funds. In determining "remaining unused funds", the Issuer agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the TWDB, all other funds available from the Project as described in the project engineer's or fiscal representative's sufficiency of funds statement, and all interest earned by the Issuer on money in the Construction Fund.

H. The Issuer shall use any loan proceeds evidenced by the Certificates that are determined to be "surplus funds" remaining after completion of the Project and completion of a final accounting in a manner as approved by the Executive Administrator.

I. For so long as the TWDB is a Holder of the Certificates, the TWDB may exercise all remedies available to it in law or equity, and any provision of the Certificates that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect, as provided in Section 19.

J. Loan proceeds evidenced by the Certificates are public funds and, as such, shall be held at a designated State depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, and the Public Funds Collateral Act, Chapter 2257, as amended, Texas Government Code, as provided in Section 26 and in the Escrow Agreement authorized in Section 41 and attached hereto, in substantially final form, as Exhibit B.

K. Loan proceeds evidenced by the Certificates shall not be used by the Issuer when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The Issuer agrees, to the extent permitted by law, 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 Issuer, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project.

L. The Issuer shall implement any water conservation program required by the TWDB until all financial obligations to the TWDB have been discharged.

M. The Issuer shall comply with any special conditions, if any, specified by the Issuer's water conservation plan maintained in accordance with 31 TAC Section 375.43, as well as any environmental determination until all financial obligations to the TWDB have been discharged.

N. The Issuer shall 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.

O. Prior to the Closing Date, the Issuer shall 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.

P. Prior to the Closing Date, and if not previously provided with the Application, the Issuer shall 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 shall be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.

Q. Prior to the Closing Date, the Issuer shall execute the Escrow Agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed Escrow Agreement to the TWDB. The Escrow Agreement is authorized herein pursuant to Section 41 and attached hereto, in substantially final form, as Exhibit B.

R. The Issuer shall, if required by the Executive Administrator, execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

S. The Issuer's Bond Counsel shall prepare a written opinion that states that the interest on the Certificates is excludable from gross income or is exempt from federal taxation.

Bond Counsel may rely on covenants and representations of the Issuer when rendering this opinion.

T. The opinion of Bond Counsel shall also state that the Certificates are not "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder. Bond Counsel may rely on covenants and representations of the Issuer when rendering this opinion.

U. The Issuer shall not use the proceeds of the loan evidenced by the Certificates in a matter that would cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, as provided in Section 27C.

V. No portion of the proceeds of the loan evidenced by the Certificates will be used, directly or indirectly, in a manner that would cause the Certificates to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations and rulings thereunder, 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 loan (the *Source Series Bonds*), other than Nonpurpose Investments acquired with:

(1) proceeds of the Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Purchasers) until such proceeds are needed for the facilities to be financed;

(2) amounts invested in a bona fide debt service fund, within the meaning of §1.148-1(b) of the Regulations; and

(3) 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 Certificates, 125% of average annual debt service on the Certificates, or 10% of the stated principal amount (or, in the case of a discount, the issue price) of the Certificates.

W. The Issuer shall take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Certificates be rebated to the federal government in order to satisfy the requirements of section 148 of the Code, as provided in Section 27H.

X. The Issuer shall not take any action that would cause interest on the Certificates to be includable in gross income for federal income tax purposes, as provided in Section 27B.

Y. The Issuer will not cause or permit the Certificates to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code, as provided in Section 27F.

Z. The closing transcript of the Issuer shall contain a "No Arbitrage Certificate" or similar "Federal Tax Certificate" setting forth the Issuer's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Certificates.

AA. The Issuer shall not use proceeds of the Certificates or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Certificates in contravention of the requirements of section 149(d) of the Code (related to "advance refundings").

BB. The closing transcript shall include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied, as provided in Section 27G.

CC. Neither the Issuer nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Certificates to be acquired from the Issuer by the TWDB.

DD. The Issuer shall submit outlay reports with sufficient supporting documentation on costs (e.g., invoices, receipts) on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.

EE. All laborers and mechanics employed by contractors and subcontractors for the Project shall 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 US Department of Labor's implementing regulations. The Issuer, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with the Davis-Bacon Act. All contracts and subcontracts from the construction of the Project carried out in whole or in part with financial assistance made available by the TWDB to the Issuer as evidenced by the Certificates shall insert in full in any contract in excess of $2,000 the contracts clauses as provided by the TWDB.

FF. The Issuer shall 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 Issuer shall obtain a Data Universal Numbering System (*DUNS*) Number and shall register with the System for Award Management (*SAM*), and maintain current registration at all times during which the Certificates are Outstanding.

GG. All loan proceeds evidenced by the Certificates will be timely and expeditiously used, as required by 40 CFR §35.3135(d), and the Issuer will adhere to the approved project schedule.

HH. The Issuer shall abide by all applicable construction requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC §375.3 and 33 U.S.C. §1388, and related State Revolving Fund Policy Guidelines.

II. The Issuer shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR §200.216.

JJ. the Issuer will comply with the requirements set forth in 33 U.S.C. §1382 *et seq*. related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles. These standards and principles also apply to the reporting of underlying infrastructure assets.

KK. The Issuer shall submit, prior to the release of funds, a schedule of the useful life of the Project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the Certificates purchased by the TWDB does not exceed 120% of the average projected useful life of the Project, as determined by the schedule.

LL. Prior to or on the Closing Date, the Issuer shall pay an origination fee to the TWDB calculated pursuant to 31 TAC Chapter 375 and the applicable Intended Use Plan, as provided in Section 26;

MM. At the TWDB's option, the TWDB may fund the financial assistance evidenced by the Certificates with either available cash-on-hand or from bond proceeds. If the financial assistance evidenced by the Certificates 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 evidenced by the Certificates.

NN. Prior to release of funds for professional consultants including, but not limited to, the engineer, Financial Advisor, and Bond Counsel, as appropriate, the Issuer shall provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprise program.

OO. Prior to the release of funds for professional services related to architecture or engineering, including but not limited to, contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. §1102(2)(A)(C), the Issuer shall provide documentation that it has met all applicable federal procurement requirements.

PP. The Issuer will provide the TWDB with copies of "as built plans" pertaining to the projects financed, in whole or in part, with any funds of the TWDB.

QQ. The Issuer will comply with all applicable federal laws and TWDB laws and rules related to the use of the financial assistance.

RR. The Issuer will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.

SECTION 51. City's Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the City hereby consents to and authorizes any Authorized Official, Bond Counsel to the City, and/or Financial Advisor to the City to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Certificates; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Certificates.

SECTION 52. Effective Date. Pursuant to the provisions of Section 1201.028, as amended, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding any provision in the City's Home Rule Charter to the contrary concerning a multiple reading requirement for the adoption of ordinances.

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PASSED, APPROVED, AND ADOPTED on the 17th day of February, 2026.

CITY OF MERCEDES, TEXAS

____

Mayor

ATTEST:

____

City Secretary

(CITY SEAL)

In compliance with Section 2.13 of the Home Rule Charter of the City of Mercedes, Texas (the "City"), I, the undersigned, City Attorney of the City, hereby approve the legality of the foregoing Ordinance adopted by the City Commission of the City as aforesaid.

____

City Attorney, City of Mercedes, Texas

INDEX TO EXHIBITS

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. __

EXHIBIT B

ESCROW AGREEMENT

SEE TAB NO. __

EXHIBIT C

DTC LETTER OF REPRESENTATIONS

SEE TAB NO. __

EXHIBIT D

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 30 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Application referred to) below:

The City's audited financial statements for the most recently concluded Fiscal Year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the City referenced in the Application but for the most recently concluded Fiscal Year.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.

EXHIBIT E

GENERAL POLICIES AND PROCEDURES
CONCERNING COMPLIANCE WITH THE RULE

I. Capitalized terms used in this Exhibit have the meanings ascribed thereto in Section 46 of the Ordinance. "Certificates" refer to the Certificates that are the subject of the Ordinance to which this Exhibit is attached.

II. As a capital markets participant, the City is aware of its continuing disclosure requirements and obligations existing under the Rule prior to February 27, 2019, the effective date of the most recent amendment to the Rule (the "Effective Date"), and has implemented and maintained internal policies, processes, and procedures to ensure compliance therewith. Adherence to these internal policies, processes, and procedures has enabled underwriters in non-exempt negotiated sales and initial purchasers in non-exempt competitive sales to comply with their obligations arising under various MSRB rules and regulations concerning due diligence and findings of suitability, among other matters, regarding the City's compliance with the Rule.

III. The City is aware that the Rule was amended as of the Effective Date (the *Rule Amendment*) and has accommodated this amendment by adding subparagraphs (15) and (16) to Section 46C of the Ordinance, which provisions are a part of the Undertaking.

IV. The City is aware that "participating underwriters" (as such term is defined in the Rule) of the Certificates must make inquiry and reasonably believe that the City is likely to comply with the Undertaking and that the standards for determining compliance have increased over time as a result of, among others, the United States Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation Initiative and regulatory commentary relating to the effectiveness of the Rule Amendment.

V. The City now establishes the following general policies and procedures (the "Policies and Procedures") for satisfying its obligations pursuant to the Undertaking, which policies and procedures have been developed based on the City's informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the City's obligations under the Rule, the advice from and discussions with the City's internal senior staff (including staff charged with administering the City's financial affairs), its municipal or financial advisors, its legal counsel (including Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the "Compliance Team"):

1. the City Manager of the City (the "Compliance Officer") shall be responsible for satisfying the City's obligations pursuant to the Undertaking through adherence to these Policies and Procedures;

2. the Compliance Officer shall establish reminder or "tickler" systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the City's information of the type described in Section 46B of the Ordinance;

3. the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 46C of the Ordinance;

4. the Compliance Officer shall work with external consultants of the City, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the City and notice of the occurrence of any of the events referenced in Clauses 2 and 3 above, respectively, the foregoing being required to satisfy the terms of the Undertaking;

5. the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the City, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Certificates;

6. upon identification of any Financial Obligation meeting the materiality standard identified in Clause 5 above, the Compliance Officer shall establish a process for identifying and monitoring any City agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;

7. the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the City; and

8. the Compliance Officer shall annually review these Policies and Procedures with the remainder of the Compliance Team, make any modifications on an internal document retained by the Compliance Officer and available to any "participating underwriter" (as defined in the Rule), if requested, and on the basis of this annual review (to the extent determined to be necessary or desirable), seek additional training for herself or himself, as well as other members of the City's internal staff identified by the Compliance Officer to assist with the City's satisfaction of the terms and provisions of the Undertaking.

ORDINANCE NO. 2026-07

AN ORDINANCE AUTHORIZING THE ISSUANCE OF "CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION SERIES 2026B (CLEAN WATER STATE REVOLVING FUND)"; PROVIDING FOR THE PAYMENT OF SAID CERTIFICATES, BY THE LEVY OF AN AD VALOREM TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY AND FURTHER SECURING SAID CERTIFICATES BY A SUBORDINATE AND INFERIOR LIEN ON AND PLEDGE OF THE NET REVENUES OF THE SYSTEM ON A PARITY WITH CERTAIN CURRENTLY OUTSTANDING SUBORDINATE LIEN OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SAID CERTIFICATES AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SAID CERTIFICATES, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE CERTIFICATES; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AND AN ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS WITH THE DEPOSITORY TRUST COMPANY; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Commission of the City of Mercedes, Texas (the *City*) has caused notice to be given of its intention to issue certificates of obligation in the maximum principal amount of $15,000,000 as provided pursuant to the provisions of the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.064, for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, planning, building, improving, extending, enlarging, repairing, and equipping the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects; and

WHEREAS, notice has been duly posted on the City's website, if available, and published in a newspaper hereby found and determined to be of general circulation in the City, once a week for two (2) consecutive weeks, the date of the first (1st) publication of such notice being not less than forty-six (46) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of such certificates of obligation; and

WHEREAS, in accordance with the provisions of Section 271.049, as amended, Texas Local Government Code, the City confirms that notice of the City's intention to issue certificates of obligation was approved by resolution at a public meeting and stated (1) the then current principal of all outstanding debt of the City; (2) the then current combined principal and interest required to pay all outstanding debt obligations of the City on time and in full, based on the City's expectations relative to the interest due on any variable rate debt obligations, as applicable; (3) the maximum principal amount of the certificates of obligation to be authorized; (4) the estimated combined principal and interest required to pay the certificates of obligation in full; (5) the estimated interest rate for the certificates of obligation or that the maximum interest rate for the certificates of obligation may not exceed the maximum legal interest rate; and (6) the maximum maturity date of the certificates of obligation; and

WHEREAS, no petition protesting the issuance of the certificates of obligation described in this notice, signed by at least 5% of the qualified electors of the City, has been presented to or filed with the City Secretary prior to the date tentatively set in such notice for the passage of this ordinance; and

WHEREAS, the City Commission hereby finds and determines that the issuance of the certificates of obligation, under the terms herein specified, is in the best interests of the City and its residents; and

WHEREAS, the City Commission hereby finds and determines that certificates of obligation in the principal amount of $105,000 described in such notice should be issued and sold at this time; now, therefore,

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MERCEDES, TEXAS THAT:

SECTION 1. Authorization - Designation - Principal Amount - Purpose. The certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of ONE HUNDRED FIVE THOUSAND AND NO/100 DOLLARS ($105,000), to be designated and bear the title of "CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026B (CLEAN WATER STATE REVOLVING FUND)" (the *Certificates*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, planning, building, improving, extending, enlarging, repairing, and equipping the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects, pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and the City's Home Rule Charter.

SECTION 2. Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates – Certificate Date. The Certificates are issuable in fully registered form only; shall be dated February 1, 2026 (the *Certificate Date*) and shall be issued in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and shall be lettered "R" and numbered consecutively from One (1) upward. The Certificates shall become due and payable on February 15 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts as provided in Section 3, to the earlier of redemption or Stated

Maturity, while Outstanding, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

Years of Stated Maturity	Principal Amounts ($)	Interest Rates (%)

The Certificates shall bear interest on the unpaid principal amounts from the Closing Date (anticipated to occur on March 18, 2026), or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the rates per annum shown in the above schedule (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Certificates shall be payable on February 15 and August 15 in each year (each, an *Interest Payment Date*), commencing August 15, 2026; provided, however, that the Certificates shall bear interest at a rate of 0% and therefor no interest will be due and payable on any Interest Payment Date.

SECTION 3. Payment of Certificates - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity, mandatory redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of, premium if any, and interest on the Certificates shall be without exchange or collection charges to the Holder (hereinafter defined) of the Certificates. Interest, if any, on each Certificate issued and delivered to a Holder shall accrue from the latest Interest Payment Date that interest on such Certificate (or its Predecessor Certificate) has been paid that precedes the registration date appearing on such Certificate in the "Registration Certificate of Paying Agent/Registrar" (Section 8D hereof), unless the registration date appearing thereon is an Interest Payment Date for which interest is being paid, in which case interest on such Certificate shall accrue from the registration date appearing thereon and provided further that with respect to the initial payment of interest on a Certificate, such interest shall accrue from the date of initial delivery of the Certificates (or its Predecessor Certificate) to the Purchasers (hereinafter defined).

The selection and appointment of U.S. Bank Trust Company, National Association, Houston, Texas (the *Paying Agent/Registrar*), to serve as the initial Paying Agent/Registrar, for the Certificates is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment and transfer of the Certificates, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Certificates are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying

Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Certificates by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest, if any, on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable only to the registered owner of the Certificates (the *Holder* or *Holders*) appearing in the Security Register maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided: (i) on the Record Date (hereinafter defined) for purposes of paying interest, if any, thereon; (ii) on the date of surrender of the Certificates for purposes of receiving payment of principal thereof upon redemption of the Certificates or at the Certificates' Stated Maturity; and (iii) on any other date for any other purpose. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Certificate for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the Certificates shall be payable only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its corporate trust office. Interest, if any, on the Certificates shall be paid to the Holder whose name appears in the Security Register at the close of business on the last business day of the month next preceding an Interest Payment Date for the Certificates (the *Record Date*) and shall be paid: (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register; or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense. While the Certificates are held by the Purchasers (as defined in Section 26 hereof), payment of principal of, premium, if any, and interest, if any, on the Certificates shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

If the date for the payment of the principal of, premium, if any, or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Certificates was due.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder of a Certificate appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4. Redemption.

A. Mandatory Redemption of Term Certificates. The Certificates stated to mature on February 15, 20__ are referred to herein as the "Term Certificates". The Term Certificates are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Certificate Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

Term Certificate
Stated to Mature
on February 15, 20__

Year	Principal Amount ($)

*Payable at Stated Maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Certificate Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

B. Optional Redemption. The Certificates having Stated Maturities on and after February 15, 2037, shall be subject to redemption prior to Stated Maturity, at the option of the City, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), on February

15, 2036, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

C. Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of the Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem the Certificates, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise the right to redeem the Certificates shall be entered in the minutes of the governing body of the City.

D. Selection of Certificates for Redemption. If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Certificates as representing the number of Certificates outstanding which is obtained by dividing the principal amount of such Certificates by $5,000 and shall select the Certificates, or principal amount thereof, to be redeemed within such Stated Maturity by lot.

E. Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first-class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Certificate to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*).

All notices of redemption shall: (i) specify the date of redemption for the Certificates; (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed; (iii) state the redemption price; (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest, if any, thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date; and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder.

If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Certificates (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on the Certificates (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Certificates shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance.

F. Transfer/Exchange of Certificates. Neither the City nor the Paying Agent/Registrar shall be required to: (i) transfer or exchange any Certificate during a period beginning forty-five (45) days prior to the date fixed for redemption of the Certificates; or (ii) transfer or exchange any Certificate selected for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate which is subject to redemption in part.

SECTION 5. Execution - Registration. The Certificates shall be executed on behalf of the City by its Mayor or Mayor Pro Tem under its seal reproduced or impressed thereon and attested by its City Secretary. The signature of either of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of individuals who were, at the time of the Certificate Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Certificates to the Purchasers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 8C herein, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D herein, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified or registered and delivered

SECTION 6. Registration - Transfer - Exchange of Certificates - Predecessor Certificates. The Security Register relating to the registration, payment, transfer, or exchange of the Certificates shall at all times be kept and maintained by the City at the corporate trust office of the Paying Agent/Registrar, and the Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Certificates or, if appropriate, the nominee thereof. Any Certificate may, in accordance with its terms and the terms hereof, be transferred or exchanged for Certificates of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Certificate at the corporate trust office of the Paying Agent/Registrar, the City shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates executed on behalf of, and furnished by, the City of authorized denominations and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange upon surrender of the Certificates to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Certificates are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Certificates executed on behalf of, and furnished by, the City to the Holder requesting the exchange.

All Certificates issued upon any transfer or exchange of Certificates shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by United States registered mail to the Holder at his request, risk, and expense and, upon the delivery thereof, the same shall be the valid and binding obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered upon such transfer or exchange.

All transfers or exchanges of Certificates pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Certificates canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Certificates", evidencing all or a portion, as the case may be, of the same debt evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Certificates shall include any Certificate registered and delivered pursuant to Section 25 in lieu of a mutilated, lost, destroyed, or stolen Certificate which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Certificate.

SECTION 7. Initial Certificate. The Certificates herein authorized shall be issued initially either (i) as a single fully registered Certificate in the total principal amount of $ 105,000 with principal installments to become due and payable as provided in Section 2 and numbered T-1; or (ii) as one (1) fully registered Certificate for each year of Stated Maturity in the applicable principal amount, interest rate, and denomination and to be numbered consecutively from T-1 and upward (the *Initial Certificate*) and, in either case, the Initial Certificate shall be registered in the name of the Purchasers or the designee thereof. The Initial Certificate shall be the Certificates submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas, and delivered to the Purchasers. Any time after the delivery of the Initial Certificate to the Purchasers, the Paying Agent/Registrar, upon written instructions from the Purchasers, or the designee thereof, shall cancel the Initial Certificate delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates, and shall be lettered "R" and numbered consecutively from One (1) upward, for transfer and delivery to the Holders named and at the addresses identified therefor, all pursuant to and in accordance with and pursuant to such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8. Forms.

A. Forms Generally. The Certificates, the Registration Certificate of Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Certificates shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends and any reproduction of an opinion of Bond Counsel (hereinafter referenced)) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Certificates as evidenced by their execution thereof. Any portion of the text of any Certificate may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Certificate.

The definitive Certificates shall be typewritten, printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Certificates as evidenced by their execution thereof, but the Initial Certificate submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

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B. Form of Definitive Certificate.

REGISTERED NO. _________	REGISTERED PRINCIPAL AMOUNT $_____________

United States of America
State of Texas
County of Hidalgo
CITY OF MERCEDES, TEXAS
COMBINATION TAX AND SUBORDINATE LIEN REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026B
(CLEAN WATER STATE REVOLVING FUND)

Certificate Date:	Interest Rate:	Stated Maturity:	CUSIP No.
February 1, 2026			

REGISTERED OWNER: ____

PRINCIPAL AMOUNT: ____

The City of Mercedes, Texas (the *City*), a body corporate and municipal corporation in the County of Hidalgo, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Closing Date (anticipated to occur on March 18, 2026), or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until such Principal Amount has become due and payment thereof has been made or duly provided for, while Outstanding, to the earlier of redemption or Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year (each, an *Interest Payment Date*) commencing August 15, 2026; provided, however, that the Certificates shall bear interest at a rate of 0% and therefor no interest will be due and payable on any Interest Payment Date.

Principal and premium, if any, of this Certificate shall be payable, at its Stated Maturity or prior redemption, to the Holder hereof upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or a successor thereof. Interest, if any, shall be payable to the Holder of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears in the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last business day of the month next preceding each Interest Payment Date. All payments of principal of, premium, if any, and interest, if any, on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest, if any, shall be paid by the Paying

Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof. While the Certificates are held by the Purchasers, payment of principal of, premium, if any, and interest, if any, on the Certificates shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of $105,000 (the *Certificates*) pursuant to an Ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, planning, building, improving, extending, enlarging, repairing, and equipping the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects, under and in strict conformity with the laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.064, and the City's Home Rule Charter.

The Certificates stated to mature on February 15, 20__ are referred to herein as the "Term Certificates". The Term Certificates are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Certificate Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

Term Certificate
Stated to Mature
on February 15, 20__

Year	Principal Amount ($)

*Payable at Stated Maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Certificate Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

The Certificates stated to mature on and after February 15, 2037 may be redeemed prior to their Stated Maturity, at the option of the City, on February 15, 2036, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par plus accrued interest, if any, to the date of redemption; provided, however, that at least thirty (30) days' prior written notice shall be sent to the registered owners of the Certificates to be redeemed by United States mail, first-class postage prepaid, and subject to the terms and provisions relating thereto contained in the Ordinance. If this Certificate (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Certificate (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed (if any) to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

If this Certificate (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption has been duly given, then upon such redemption date this Certificate (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if the money for the payment of the redemption price and the interest (if any) accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Certificate is called for redemption, in whole or in part, the City or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Certificate within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Net Revenues (identified and defined in the Ordinance), derived from the operation of the City's combined utility system (the *System*), such lien on and pledge of the Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Prior Lien Obligations, and any Additional Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Reference is hereby made to the Ordinance, a copy of which is on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions under which the City may issue Additional Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holder; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Certificate may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a Special Record Date) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by the laws of the State of Texas and the Ordinance, and that issuance of the Certificates does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of, premium if any, and interest on the Certificates by the levy of a tax and collection of Net Revenues as aforestated. In case any provision in this Certificate or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the City has caused this Certificate to be duly executed under its official seal.

CITY OF MERCEDES, TEXAS

By ___________________________________
Mayor

ATTEST:

____
City Secretary

(CITY SEAL)

C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Certificate Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF	§	
PUBLIC ACCOUNTS	§	
	§	REGISTER NO. __________
THE STATE OF TEXAS	§	

I HEREBY CERTIFY that this Certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this ____________________

____
Acting Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Not to appear on printed Certificates.

D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Certificates Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued under the provisions of the within-mentioned Ordinance; the Certificate or Certificates of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

Registered this date:	U.S. Bank Trust Company, National Association, Houston, Texas as Paying Agent/Registrar
____________________________________	By: ________________________________ Authorized Signature

*NOTE TO PRINTER: Print on Definitive Certificates.

E. Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee): ___________________________________

____

(Social Security or other identifying number): ____ the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints ____________________attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED: ____________________________

____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Certificate in every particular.

Signature guaranteed:

____

F. Form of Initial Certificate. The Initial Certificate shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Certificate shall be modified as follows:

(i) immediately under the name of the Certificate the headings "Interest Rate and "Stated Maturity shall both be completed "as shown below";

(ii) the first two paragraphs shall read as follows:

The City of Mercedes, Texas (the *City*), a body corporate and municipal corporation in the County of Hidalgo, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above stated to mature on the fifteenth day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

Years of Stated Maturity	Principal Amounts ($)	Interest Rates (%)

(Information to be inserted
from schedule in Section 2 hereof)

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the Closing Date (anticipated to occur on March 18, 2026) specified above, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for to Stated Maturity, at the per annum rates of interest specified above, computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year (each, an *Interest Payment Date*), commencing August 15, 2026; provided, however, that the Certificates shall bear interest at a rate of 0% and therefor no interest will be due and payable on any Interest Payment Date.

Principal of this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon its presentation and surrender, to Stated Maturity, while Outstanding, at the corporate trust office of U.S. Bank Trust Company, National Association, Houston, Texas (the *Paying Agent/Registrar*) provided, however, with respect to the principal payment prior to the final Stated Maturity, the Certificates need not be surrendered to the Paying Agent/Registrar, who will merely document such payment on an internal ledger maintained by the Paying Agent/Registrar. Interest shall be payable to the Holder of this Certificate whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last business day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof. While the Certificates are held by the Purchasers, payment of principal of, premium, if any, and interest, if any, on the Certificates shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

G. Insurance Legend. If bond insurance is obtained by the City or the Purchasers for the Certificates, the Definitive Certificates and the Initial Certificate shall bear an appropriate legend as provided by the bond insurer to appear under the following header:

[BOND INSURANCE] or [STATEMENT OF INSURANCE]

SECTION 9. Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 27 and 44 of this Ordinance have the meanings assigned to them in Sections 27 and 46 of this Ordinance, and all such terms, include the plural as well as the singular; (ii) all references in this Ordinance to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Additional Limited Pledge Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other evidences of indebtedness hereinafter issued by the City payable in whole or in part from Net Revenues of the System, being a lien on and pledge of Net Revenues that is subordinate and inferior to the lien thereon and pledge thereof securing the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, which pledge of revenues is limited pursuant to Section 1502.052, as amended, Texas Government Code, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing as determined by the City Commission in accordance with any applicable law.

B. The term *Additional Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured, together with the currently outstanding Prior Lien Obligations, by a prior and first lien on and pledge of the Net Revenues of the System, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing that are payable from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

C. The term *Additional Subordinate Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereinafter issued by the City that are payable wholly or in part from and equally and ratably secured, together with the Certificates and 2026A Certificates, by a lien on and pledge of the Net Revenues of the System, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations or Junior Lien Obligations hereinafter issued by the City, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations or any Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance and (ii) any obligations hereinafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Commission in accordance with applicable law.

D. The term *Authorized Officials* shall mean the Mayor, the Mayor Pro Tem, the City Manager, the Director of Finance, and/or the City Secretary.

E. The term *Certificate Fund* shall mean the special Fund created and established by the provisions of Section 10 of this Ordinance.

F. The term *Certificates* shall mean the $105,000 "CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026B (CLEAN WATER STATE REVOLVING FUND)" authorized by this Ordinance.

G. The term *City* shall mean the City of Mercedes, located in Hidalgo County, Texas and, where appropriate, the City Commission of the City.

H. The term *Closing Date* shall mean the date of physical delivery of the Initial Certificates in exchange for the payment of the agreed purchase price for the Certificates.

I. The term *Collection Date* shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date the annual ad valorem taxes levied each year by the City become delinquent.

J. The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

K. The term *Depository* shall mean an official depository bank of the City.

L. The term *Fiscal Year* shall mean the annual financial accounting period for the System now ending on September 30th of each year; provided, however, the City Commission may change such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

M. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Certificates.

N. The term *Gross Revenues* for any period shall mean all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money in any special fund or account (except the Certificate Fund) created and established for the payment or security of the Certificates.

O. The term *Holder* or *Holders* shall mean the registered owner, whose name appears in the Security Register, for any Certificate.

P. The term *Interest Payment Date* shall mean the date interest is payable on the Certificates, being February 15 and August 15 of each year, commencing August 15, 2026, while any of the Certificates remain Outstanding; provided, however, that the Certificates shall bear interest at a rate of 0% and therefor no interest will be due and payable on any Interest Payment Date.

Q. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or any similar obligations hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, such pledge being junior and inferior to the lien on and pledge of the Net Revenues of the System, that are pledged to the currently outstanding Prior Lien Obligations and may be pledged to the payment of any Additional Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing the payment of the Certificates, the Series 2026A Certificates, Limited Pledge Obligations, or any Additional Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance and (ii) any obligations hereafter issued to refund the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

R. The term *Limited Pledge Obligations* shall mean (i) the currently outstanding and unpaid obligations of the City that are payable, in part, from and secured by a subordinate and inferior lien on and pledge of a limited amount of the Net Revenues of the System and designated as follows:

(1) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2015", dated February 1, 2015, in the original principal amount of $2,600,000;

(2) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018", dated February 15, 2018, in the original principal amount of $9,595,000;

(3) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021", dated September 15, 2021, in the original principal amount of $8,250,000;

(4) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024", dated September 1, 2024, in the original principal amount of $6,760,000;

(5) CITY OF MERCEDES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025", dated December 1, 2025, in the original principal amount of $1,795,000; and

(ii) any obligations hereafter issued to refund any of the foregoing as determined by the City Commission in accordance with any applicable law.

S. The term *Maintenance and Operating Expenses* shall mean all current expenses of operating and maintaining the System not paid from the proceeds of the Certificates, including (1) the cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, they are, in the judgment of the City Commission (reasonably and fairly exercised), necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof, or are necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues, (2) payments to pension, retirement, health, hospitalization, and other employee benefit funds for employees of the City engaged in the operation or maintenance of the System, (3) payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods, or services for the System to the extent authorized by law and the provisions of such contract, (4) payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City hereunder, and (5) any legal liability of the City arising out of the operation, maintenance, or condition of the System, but excluding any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Certificates or other bonds, notes, warrants, or similar obligations of the City payable from Net Revenues.

T. The term *Net Revenues* for any period shall mean the Gross Revenues of the System less the Maintenance and Operating Expenses of the System.

U. The term *Ordinance* shall mean this ordinance as finally passed and adopted by the City Commission of the City.

V. The term *Outstanding* when used in this Ordinance with respect to Certificates shall mean, as of the date of determination, all Certificates issued and delivered under this Ordinance, except:

(1) those Certificates cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 29 of this Ordinance; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 25 of this Ordinance.

W. The term *Prior Lien Obligations* shall mean (i) the currently outstanding and unpaid obligations of the City that are payable wholly or in part from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law and designated as follows:

(1) CITY OF MERCEDES, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2013, dated February 15, 2013, in the original principal amount of $3,255,000;

and (ii) any obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

X. The term *Purchasers* shall mean the initial purchaser or purchasers of the Certificates named in Section 26 of this Ordinance.

Y. The term *Series 2026A Certificates* shall mean the "City of Mercedes, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2026A (Clean Water State Revolving Fund)", dated February 1, 2026, in the original principal amount of $13,755,000, issued simultaneously with the issuance of the Certificates.

Z. The term *Stated Maturity* shall mean the annual principal payments of the Certificates payable on February 15 of each year the Certificates are Outstanding as set forth in Section 2 of this Ordinance.

AA. The term *Subordinate Lien Obligations* shall mean (i) the currently outstanding and unpaid obligations of the City that are payable, in whole or in part, from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues of the System that are or may be pledged to the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations or any Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law and designated as follows:

(1) Upon issuance, the Certificates and the 2026A Certificates; and

(ii) any obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System as determined by the City Commission in accordance with any applicable law.

BB. The term *System* shall mean all properties, facilities and plants currently owned, operated, and maintained by the City for the supply, treatment, and transmission of treated potable water, for the collection and treatment of wastewater, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the City and the City expressly reserves the right at its sole discretion to include additional utility, telecommunications, technology, or similar enterprise services as components of the System; provided, however, that notwithstanding the foregoing, and to the extent now or hereinafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Prior Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10. Certificate Fund – Investments. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Certificates, there shall be and is hereby created a special fund to be designated "COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026B (CLEAN WATER STATE REVOLVING FUND), INTEREST AND SINKING FUND" (the *Certificate Fund*), which fund shall be kept and maintained at the Depository, and money deposited in the Certificate Fund shall be used for no other purpose and shall be maintained as provided in Section 27. Authorized Officials of the City are hereby authorized and directed to make withdrawals from the Certificate Fund sufficient to pay the purchase price or the amount of principal of, premium, if any, and interest on the Certificates as the same become due and payable, or the purchase price thereof, and shall cause to be transferred to the Paying Agent/Registrar from money on deposit in the Certificate Fund an amount sufficient to pay the amount of principal and/or interest stated to mature on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the business day next preceding each interest and principal payment date for the Certificates.

Pending the transfer of funds to the Paying Agent/Registrar, money deposited in any fund created and established by this Ordinance may, at the option of the City, be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities, including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from such fund will be available at the proper time or times. All interest and income derived from deposits and investments in any fund established pursuant to the provisions of this Ordinance shall be credited to, and any losses debited to, such fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 11. Tax Levy. To provide for the payment of the Debt Service Requirements on the Certificates being (i) the interest on the Certificates and (ii) a sinking fund for their mandatory redemption or payment at Stated Maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied for the current year and each succeeding year thereafter while the Certificates or any interest thereon shall remain Outstanding, a sufficient tax, within the limitations prescribed by law, on each one hundred dollars valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the Certificate Fund and are thereafter pledged to the payment of the Certificates. The City Commission hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay such Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness and other obligations of the City.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

A. Prior to the date the City Commission establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the City Commission shall determine:

(1) the amount of Debt Service Requirements to become due and payable on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year;

(2) the amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Net Revenues to be appropriated and allocated during such year to pay such Debt Service Requirements, if any, prior to the Collection Date for the ad valorem taxes to be levied; and

(3) the amount of Net Revenues to be appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding Fiscal Year.

B. The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (1) above less the sum total of the amounts established in paragraphs (2) and (3), after taking into consideration delinquencies and costs of collecting such annual taxes.

SECTION 12. Pledge of Revenues. (a) The City hereby covenants and agrees that, subject to (i) any prior lien on and pledge of the Net Revenues of the System to the payment and security of the currently outstanding Prior Lien Obligations, and any Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City and (ii) the lien on and pledge of the Net Revenues to the payment and security of the currently outstanding Limited Pledge Obligations and any Additional Limited Pledge Obligations hereafter issued by the City, the Net Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates and the pledge of Net Revenues herein made for the payment of the Certificates shall constitute a lien on the Net Revenues in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City.

(b) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Certificates and the pledge of Pledged Revenues granted by the City under subsection (a) in this

Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Certificates the perfection of the security interest in this pledge, the Governing Body agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 13. System Fund. The City hereby covenants and agrees that all Gross Revenues derived from the operation of the System shall be kept separate and apart from all other funds, accounts and money of the City and shall be deposited as collected into the "CITY OF MERCEDES, TEXAS UTILITY SYSTEM FUND" (the *System Fund*). All money deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown:

- First: to the payment of the reasonable and proper Maintenance and Operating Expenses of the System required by statute or ordinances authorizing the issuance of any indebtedness of the City to be a first charge on and claim against the Gross Revenues of the System;

- Second: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;

- Third: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;

- Fourth: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of the Certificates, the Series 2026A Certificates, and any Additional Subordinate Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance; and

- Fifth: To the payment of the amounts that may be deposited in the special funds and accounts established for the payment of the currently outstanding Limited Pledge Obligations and any Additional Limited Pledge Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinances authorizing their issuance.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, security and benefit thereof, may be appropriated and used for any other City purpose now or hereinafter permitted by law.

SECTION 14. Deposits to Certificate Fund – Surplus Certificate Proceeds. The City hereby covenants and agrees to cause to be deposited in the Certificate Fund prior to a principal and interest payment date for the Certificates, from the Net Revenues in the System Fund, after the deduction of all payments required to be made to the special funds or accounts created for the payment, security, and benefit of (i) the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City and (ii) the currently outstanding Limited Pledge Obligations, including the Certificates or any Additional Limited Pledge Obligations hereafter issued by the City, any amounts budgeted to be paid therefrom in such Fiscal Year.

Accrued interest, if any, received from the Purchasers of the Certificates shall be deposited to the Certificate Fund and ad valorem taxes levied and collected for the benefit of the Certificates shall be deposited to the Certificate Fund. In addition, any surplus proceeds, including investment income therefrom, from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said fund from ad valorem taxes.

SECTION 15. Security of Funds. All money on deposit in the funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds (including as required by and in accordance with the Texas Public Funds Collateral Act, codified at Chapter 2257, as amended, Texas Government Code), and money on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

SECTION 16. Maintenance of System - Insurance. The City covenants and agrees that while the Certificates remain Outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance (including a system of self-insurance) on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, are held for the benefit of the holders of the Certificates until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 17. Rates and Charges. The City hereby covenants and agrees with the Holders of the Certificates that rates and charges for utility services afforded by the System will be established and maintained to provide Gross Revenues sufficient at all times:

A. to pay, together with any other lawfully available funds, all operating, maintenance, depreciation, replacement, betterment, and other costs incurred in the maintenance and operation of the System, including, but not limited to, Maintenance and Operating Expenses; provided, however, that the City expressly reserves the right to utilize other lawfully available funds to pay the Maintenance and Operating Expenses;

B. to produce Net Revenues sufficient, together with any other lawfully available funds, to pay (i) the interest on and principal of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, (ii) the interest on and principal of any Junior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, (iii) the interest on and principal of the Certificates, the Series 2026A Certificates, and any Additional Subordinate Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, and (iv) the amounts that may be deposited in the special funds established for the payment of the currently outstanding Limited Pledge Obligations or any Additional Limited Pledge Obligations hereafter issued by the City; and

C. to pay other legally incurred indebtedness payable from the Net Revenues of the System and/or secured by a lien on the System or the Net Revenues thereof.

SECTION 18. Records and Accounts - Annual Audit. The City further covenants and agrees that so long as any of the Certificates remain Outstanding it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, as amended, Texas Government Code, or other applicable law. The Holders of the Certificates or any duly authorized agent or agents of the Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year (and in no event later than 180 days after the end of each Fiscal Year), it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Copies of each annual audit shall be furnished, without charge, to (i) Texas Water Development Board, Attention: Executive Administrator and (ii) upon written request, and at the expense of such Holder, to any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 19. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Certificates shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

For the avoidance of doubt, for so long as the Purchasers are Holders of the Certificates, the Purchasers may exercise all remedies available to it at law or in equity, and any provision of this Ordinance or the Certificates that attempts to restrict or limit this right to exercise remedies shall be of no force or effect.

SECTION 20. Issuance of Additional Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations. The City hereby expressly reserves the right to hereinafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

A. Additional Prior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System;

B. Junior Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge thereof securing the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations, the Certificates, the Series 2026A Certificates and any Additional Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City; and

C. Additional Subordinate Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien on and pledge thereof securing the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations and any Additional Limited Pledge Obligations hereafter issued by the City; and

D. Additional Limited Pledge Obligations secured by a lien on and pledge of a limited amount of the Net Revenues in accordance with the provisions of the following paragraph.

SECTION 21. Special Covenants. The City hereby further covenants that:

A. it has the lawful power to pledge the Net Revenues supporting the Certificates and has lawfully exercised said powers under the laws of the State of Texas, including power existing under Chapter 1502, as amended, Texas Government Code, the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.064, and the City's Home Rule Charter;

B. other than for the payment of the currently outstanding Prior Lien Obligations, the Subordinate Lien Obligations, the Certificates, the Series 2026A Certificates, and the Limited

Pledge Obligations, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

C. as long as any Certificates or any interest thereon remain Outstanding, the City will not sell, lease or encumber (except in the manner provided in Section 20 of this Ordinance) the System or any substantial part thereof, provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

D. to the extent that it legally may, the City further covenants and agrees that, so long as any of the Certificates, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited; and

E. no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

SECTION 22. Application of the Covenants and Agreements of the Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations. It is the intention of the City Commission and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administration and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, or Junior Lien Obligations, or Additional Subordinate Lien Obligations hereinafter issued by the City, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations hereafter issued by the City. It is expressly recognized that prior to the issuance of any Additional Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations, the City must comply with each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Prior Lien Obligations, the Certificates, Series 2026A Certificates, and Limited Pledge Obligations, as appropriate.

SECTION 23. Notices to Holders – Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first-class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 24. Cancellation. All Certificates surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Certificates held by the Paying Agent/Registrar shall be destroyed as directed by the City.

SECTION 25. Mutilated, Destroyed, Lost, and Stolen Certificates. If (1) any mutilated Certificate is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Certificate, and (2) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Certificate has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Certificate, a new Certificate of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost, or stolen Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Certificate, pay such Certificate.

Upon the issuance of any new Certificate or payment in lieu thereof, under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses and charges (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Certificate issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Certificate shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Certificates.

SECTION 26. Sale of the Certificates - Approval of Private Placement Memorandum – Use of Certificate Proceeds. The sale of the Certificates to the Texas Water Development Board (the *TWDB* or the *Purchasers*, and having all the rights, benefits, and obligations of a Holder) at the price of par, less the origination fee of $____ pursuant to a loan commitment received from the Purchasers is hereby confirmed. The pricing and terms of the sale of the Certificates are hereby found and determined to be the most advantageous reasonably obtainable by the City. Delivery of the Certificates to the Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of loan commitment, and this Ordinance.

The Private Placement Memorandum related to the Certificates and presented to the City Commission in connection with this Ordinance is hereby approved. Any Authorized Official is hereby directed to deliver the Private Placement Memorandum to the Purchasers in satisfaction of the prerequisite of the Purchasers to receive the Private Placement Memorandum prior to their purchase of the Certificates.

Proceeds from the sale of the Certificates shall be applied as follows:

(1) Accrued interest, if any, received from the Purchasers, shall be deposited into the Certificate Fund.

(2) The balance of the proceeds derived from the sale of the Certificates (shall be deposited into the special construction account to be designated "CITY OF MERCEDES, TEXAS CLEAN WATER STATE REVOLVING FUND PROGRAM LOAN CONSTRUCTION FUND" (the *Construction Fund*) for the receipt and disbursement of all proceeds from the sale of the Certificates and all other funds acquired by the City in connection with the planning and construction of the Project financed, in whole or in part, by the Purchasers pursuant to the loan evidenced by the Certificates. All funds deposited to the credit of the Construction Fund shall be disbursed only for the payment of costs and expenses incurred in connection with the planning and building of the Project as approved by the Purchasers and as otherwise allowed by the rules and in accordance with the provisions of Chapter 15 or 17 of the Texas Water Code, as amended. The Construction Fund shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 10 of this Ordinance or otherwise secured in accordance with the provisions of Section 15 of this Ordinance, but any money deposited into the Construction Fund shall not be commingled with any other funds of the Issuer. Interest earned on the proceeds of the Certificates pending completion of construction of the Project financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 14 of this Ordinance.

SECTION 27. Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

"Closing Date" means the date on which the Certificates are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Certificates. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Certificates means the combined yield on the Certificates and Series 2026A Certificates, treating them as a single issue and as calculated pursuant to Section 1.148-4 of the Regulations.

B. Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Certificate to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the City shall comply with each of the specific covenants in this Section.

C. No Private Use or Private Payments. Except to the extent that it will not cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

D. No Private Loan. Except to the extent it will not cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if- (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

E. Not to Invest at Higher Yield. Except to the extent it will not cause the Certificates to become "arbitrage bonds" within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Certificates.

F. Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Certificates to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

G. Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

H. Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (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 shall retain all records of accounting for at least six years after the day on which the last Outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Certificates by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Certificate Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Certificates equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

I. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Certificates, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection H of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Certificates not been relevant to either party.

J. Certificates Not Hedge Bonds.

(1) The City reasonably expects to spend at least 85% of the spendable proceeds of the Certificates within three years after such Certificates are issued.

(2) Not more than 50% of the proceeds of the Certificates will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Elections. The City hereby directs and authorizes any Authorized Official, either individually or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document. Such elections shall be deemed to be made on the Closing Date.

SECTION 28. Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Certificates pending their approval by the Attorney General of the State of Texas, the registration thereof by the Comptroller of Public Accounts of the State of Texas and the delivery of the Certificates to the Purchasers.

Furthermore, any Authorized Officials, either or all, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Certificates, the approval of the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas and, together with the City's financial advisors, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Certificate to the Purchasers and, when requested in writing by the Purchasers, the initial exchange thereof for definitive Certificates.

SECTION 29. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest, if any, on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and the lien on and pledge of the Pledged Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when: (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent; and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest (if any) on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof for the Certificates. In the event of a defeasance of the Certificates, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, independent accounting firm, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificates. To the extent applicable, if at all, the City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 27 hereof).

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Certificates, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Certificates and remaining unclaimed for a period of three (3) years after the Stated Maturity of the Certificates, or applicable redemption date of the Certificates, such money was deposited and is held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Certificates that is made in conjunction with the payment arrangements specified in clause (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Certificates immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of clause (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Certificates, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Certificates.

SECTION 30. Printed Opinion. The Purchasers' obligation to accept delivery of the Certificates is subject to their being furnished a final opinion of Norton Rose Fulbright US LLP, Austin, Texas, as Bond Counsel, approving certain legal matters as to the Certificates, this opinion to be dated and delivered as of the date of initial delivery and payment for such Certificates. Printing of a true and correct copy of this opinion on the reverse side of each of the Certificates, with appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City is hereby approved and authorized.

SECTION 31. CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof, and neither the City nor Bond Counsel are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 32. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 33. Ordinance a Contract, Amendments - Outstanding Certificates. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Certificates. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided, however, that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest, if any, on the Certificates, reduce the principal amount thereof or the rate of interest, if any, thereon, or in any other way modify the terms of payment of the principal of, the redemption price therefor, or interest, if any, on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

SECTION 34. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, Bond Counsel, the Paying Agent/Registrar, and the Holders.

SECTION 35. Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

SECTION 36. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 37. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Commission hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 38. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 39. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Commission of the City.

SECTION 40. Authorization of Paying Agent/Registrar Agreement. The City Commission of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, registration, and transferability of the Certificates. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 41. Authorization of Escrow Agreement. The City Commission hereby finds and determines that it is in the best interest of the City to authorize the execution of an Escrow Agreement, to comply with the Purchasers' rules and regulations and provide for the installment deliveries of the proceeds of the Certificates to the Purchasers, if any. A copy of the Escrow Agreement is attached hereto, in substantially final form, as Exhibit B, and is incorporated by reference to the provisions of the this Ordinance for all purposes. Any Authorized Official is authorized to execute the Escrow Agreement as the act and deed of the City Commission.

SECTION 42. Application to Texas Water Development Board. The City Commission ratifies and confirms its prior approval of the form and content of the Application to the Texas Water Development Board (the *Application*), including the Private Placement Memorandum, prepared in connection with the sale of the Certificates and hereby approves the form and content of any addenda, supplement, or amendment thereto.

SECTION 43. Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 44. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 45. No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Certificate or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificate.

SECTION 46. Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

EMMA means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) http://www.emma.msrb.org.

Financial Obligation means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board.

Rule means SEC Rule 15c2-12, as amended from time to time.

SEC means the United States Securities and Exchange Commission.

Undertaking means the City's continuing disclosure undertaking, described in subsections B through F below, hereunder accepted and entered into by the City for the purpose of compliance with the Rule.

B. Annual Reports.

The City shall file annually with the MSRB, within six months after the end of each Fiscal Year ending in or after 2025, financial information and operating data with respect to the City of the general type included in the final Application authorized by Section 42 of this Ordinance being the information described in Exhibit D hereto. All such information must be filed with MSRB pursuant to its Electronic Municipal Access (EMMA) System. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit D hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year with the MSRB, when and if the audit report on such statements becomes available. Under current Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the City Secretary within 180 days after the last day of the City's Fiscal Year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the City changes its Fiscal Year, it will file notice thereof with the MSRB of such change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

C. Notice of Certain Events. The City shall file notice of any of the following events with respect to the Certificates, to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;

(7) modifications to rights of Holders of the Certificates, if material;

(8) Certificate calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Certificates, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;

(13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;

(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The City shall file notice with the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with this Section by the time required by this Section.

D. Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give notice of any deposit that causes the Certificates to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection B of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

F. General Policies and Procedures Concerning Compliance with the Rule.

Because the issuance of the Certificates is subject to the provisions of the Rule and because the potential "underwriters" in a negotiated sale of the Certificates or the initial purchasers in a competitive sale of the Certificates may be subject to MSRB rules and regulations with respect to such sale (including certain due diligence and suitability requirements, among others), the City hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the "Policies and Procedures"), attached hereto as Exhibit E, with which the City shall follow to assure compliance with the Undertaking. The City has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from its internal staff charged with administering the City's financial affairs, its municipal or financial advisors, its legal counsel (including its Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the City and any such amendment will not be deemed to be an amendment to the Undertaking. Each Authorized Official is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Authorized Official to be necessary or desirable for or with respect to future compliance with the Undertaking.

G. Annual Reports.

The City shall file annually with the MSRB, within six months after the end of each Fiscal Year ending in or after 2025, financial information and operating data with respect to the City of the general type included in the final Application authorized by Section 36 of this Ordinance being the information described in Exhibit D hereto. All such information must be filed with MSRB pursuant to its Electronic Municipal Access (EMMA) System. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit D hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year with the MSRB, when and if the audit report on such statements becomes available. Under current Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the City Secretary within 180 days after the last day of the City's Fiscal Year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the City changes its Fiscal Year, it will file notice thereof with the MSRB of such change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

SECTION 47. Book-Entry Only System.

It is intended that the Certificates will initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Certificates shall be issued (following cancellation of the Initial Certificates described in Section 7) in the form of a separate single definitive Certificate. Upon issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Certificates shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit C (the *Representation Letter*).

With respect to the Certificates registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Certificates from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Certificates (an *Indirect Participant*). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Certificates, as shown on the Security Register, of any notice with respect to the Certificates, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Certificate, of any amount with respect to principal of, premium, if any, or interest on the Certificates. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Certificates shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. However, the City will not discontinue the use of DTC without the prior notice and consent of the Purchasers for so long as the Purchasers are the holder of any of the Certificates. At that time, the City may determine that the Certificates shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Certificates may be registered in whatever name or names the Holders of Certificates transferring or exchanging the Certificates shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 48. Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Certificates, the Purchase Contract, the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Certificates, any Authorized Official and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Certificates by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 49. Contracts with Financial Advisor. The City Commission authorizes any Authorized Official, or their designees, to take all actions necessary to execute any necessary financial advisory contracts with Estrada Hinojosa, as the financial advisor to the City (the *Financial Advisor*). The City understands that under applicable federal securities laws and regulations that the City must have a contractual arrangement with its Financial Advisor relating to the sale, issuance, and delivery of the Certificates.

SECTION 50. Compliance with Purchasers' Rules and Regulations. The Issuer will comply with all of the requirements contained in the resolution or resolutions adopted by the Purchasers with respect to the issuance of the Certificates. In addition, in compliance with the

Purchasers' Clean Water State Revolving Fund Program Rules, the Issuer hereby agrees, consents, and covenants the following:

A. The commitment of the TWDB to purchase the Certificates is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.

B. The commitment of the TWDB to purchase the Certificates is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas that all of the requirements of the laws under which the Certificates were issued have been complied with; that the Certificates were issued in conformity with the Constitution and laws of the State of Texas; and that the Certificates are valid and binding obligations of the Issuer.;

C. The commitment of the TWDB to purchase the Certificates is contingent upon the Issuer's compliance with all applicable requirements contained in 31 TAC Chapter 375.

D. The Certificates may be called for early redemption on any date beginning on or after the first interest payment date which is ten (10) years from the Certificate Date, at a redemption price of par, together with accrued interest to the date fixed for redemption, as provided in Section 4.

E. The Issuer shall comply with the requirements of the Rule as if the TWDB were a "Participating Underwriter" within the meaning of the Rule, as provided in Section 46. The Issuer shall further annually submit an audit, prepared by a certified public accountant or firm of certified public accountants, to the TWDB, as provided in Section 18.

F. The Issuer shall levy a tax and/or maintain and collect sufficient rates and charges to produce System revenues in an amount necessary to meet the debt service requirements of all outstanding debt obligations and to maintain the funds established and required by the Certificates, as provided in Section 11.

G. The Issuer shall use any loan proceeds evidenced by the Certificates that are determined to be "remaining unused funds", which are those funds unspent after the Project (as approved by TWDB) is completed, for enhancements to the Project that are explicitly approved by the Executive Administrator of the TWDB or, if no enhancements are authorized by the Executive Administrator, the Issuer shall submit a final accounting and disposition of any unused funds. In determining "remaining unused funds", the Issuer agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the TWDB, all other funds available from the Project as described in the project engineer's or fiscal representative's sufficiency of funds statement, and all interest earned by the Issuer on money in the Construction Fund.

H. The Issuer shall use any loan proceeds evidenced by the Certificates that are determined to be "surplus funds" remaining after completion of the Project and completion of a final accounting in a manner as approved by the Executive Administrator.

I. For so long as the TWDB is a Holder of the Certificates, the TWDB may exercise all remedies available to it in law or equity, and any provision of the Certificates that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect, as provided in Section 19.

J. Loan proceeds evidenced by the Certificates are public funds and, as such, shall be held at a designated State depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, and the Public Funds Collateral Act, Chapter 2257, as amended, Texas Government Code, as provided in Section 26 and in the Escrow Agreement authorized in Section 41 and attached hereto, in substantially final form, as Exhibit B.

K. Loan proceeds evidenced by the Certificates shall not be used by the Issuer when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The Issuer agrees, to the extent permitted by law, 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 Issuer, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project.

L. The Issuer shall implement any water conservation program required by the TWDB until all financial obligations to the TWDB have been discharged.

M. The Issuer shall comply with any special conditions, if any, specified by the Issuer's water conservation plan maintained in accordance with 31 TAC Section 375.43, as well as any environmental determination until all financial obligations to the TWDB have been discharged.

N. The Issuer shall 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.

O. Prior to the Closing Date, the Issuer shall 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.

P. Prior to the Closing Date, and if not previously provided with the Application, the Issuer shall 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 shall be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.

Q. Prior to the Closing Date, the Issuer shall execute the Escrow Agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed Escrow Agreement to the TWDB. The Escrow Agreement is authorized herein pursuant to Section 41 and attached hereto, in substantially final form, as Exhibit B.

R. The Issuer shall, if required by the Executive Administrator, execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

S. The Issuer's Bond Counsel shall prepare a written opinion that states that the interest on the Certificates is excludable from gross income or is exempt from federal taxation. Bond Counsel may rely on covenants and representations of the Issuer when rendering this opinion.

T. The opinion of Bond Counsel shall also state that the Certificates are not "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder. Bond Counsel may rely on covenants and representations of the Issuer when rendering this opinion.

U. The Issuer shall not use the proceeds of the loan evidenced by the Certificates in a matter that would cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, as provided in Section 27C.

V. No portion of the proceeds of the loan evidenced by the Certificates will be used, directly or indirectly, in a manner that would cause the Certificates to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations and rulings thereunder, 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 loan (the *Source Series Bonds*), other than Nonpurpose Investments acquired with:

(1) proceeds of the Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Purchasers) until such proceeds are needed for the facilities to be financed;

(2) amounts invested in a bona fide debt service fund, within the meaning of §1.148-1(b) of the Regulations; and

(3) 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 Certificates, 125% of average annual debt service on the Certificates, or 10% of the stated principal amount (or, in the case of a discount, the issue price) of the Certificates.

W. The Issuer shall take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Certificates be rebated to the federal government in order to satisfy the requirements of section 148 of the Code, as provided in Section 27H.

X. The Issuer shall not take any action that would cause interest on the Certificates to be includable in gross income for federal income tax purposes, as provided in Section 27B.

Y. The Issuer will not cause or permit the Certificates to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code, as provided in Section 27F.

Z. The closing transcript of the Issuer shall contain a "No Arbitrage Certificate" or similar "Federal Tax Certificate" setting forth the Issuer's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Certificates.

AA. The Issuer shall not use proceeds of the Certificates or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Certificates in contravention of the requirements of section 149(d) of the Code (related to "advance refundings").

BB. The closing transcript shall include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied, as provided in Section 27G.

CC. Neither the Issuer nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Certificates to be acquired from the Issuer by the TWDB.

DD. The Issuer shall submit outlay reports with sufficient supporting documentation on costs (e.g., invoices, receipts) on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.

EE. All laborers and mechanics employed by contractors and subcontractors for the Project shall 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 US Department of Labor's implementing regulations. The Issuer, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with the Davis-Bacon Act. All contracts and subcontracts from the construction of the Project carried out in whole or in part with financial assistance made available by the TWDB to the Issuer as evidenced by the Certificates shall insert in full in any contract in excess of $2,000 the contracts clauses as provided by the TWDB.

FF. The Issuer shall 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 Issuer shall obtain a Data Universal Numbering System (*DUNS*) Number and shall register with the System for Award Management (*SAM*), and maintain current registration at all times during which the Certificates are Outstanding.

GG. All loan proceeds evidenced by the Certificates will be timely and expeditiously used, as required by 40 CFR §35.3135(d), and the Issuer will adhere to the approved project schedule.

HH. The Issuer shall abide by all applicable construction requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC §375.3 and 33 U.S.C. §1388, and related State Revolving Fund Policy Guidelines.

II. The Issuer shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR §200.216.

JJ. the Issuer will comply with the requirements set forth in 33 U.S.C. §1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles. These standards and principles also apply to the reporting of underlying infrastructure assets.

KK. The Issuer shall submit, prior to the release of funds, a schedule of the useful life of the Project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the Certificates purchased by the TWDB does not exceed 120% of the average projected useful life of the Project, as determined by the schedule.

LL. Prior to or on the Closing Date, the Issuer shall pay an origination fee to the TWDB calculated pursuant to 31 TAC Chapter 375 and the applicable Intended Use Plan, as provided in Section 26;

MM. At the TWDB's option, the TWDB may fund the financial assistance evidenced by the Certificates with either available cash-on-hand or from bond proceeds. If the financial assistance evidenced by the Certificates 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 evidenced by the Certificates.

NN. Prior to release of funds for professional consultants including, but not limited to, the engineer, Financial Advisor, and Bond Counsel, as appropriate, the Issuer shall provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprise program.

OO. Prior to the release of funds for professional services related to architecture or engineering, including but not limited to, contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. §1102(2)(A)(C), the Issuer shall provide documentation that it has met all applicable federal procurement requirements.

PP. The Issuer will provide the TWDB with copies of "as built plans" pertaining to the projects financed, in whole or in part, with any funds of the TWDB.

QQ. The Issuer will comply with all applicable federal laws and TWDB laws and rules related to the use of the financial assistance.

RR. The Issuer will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.

SECTION 51. <u>City's Consent to Provide Information and Documentation to the Texas MAC</u>. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the City hereby consents to and authorizes any Authorized Official, Bond Counsel to the City, and/or Financial Advisor to the City to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Certificates;

provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Certificates.

SECTION 52. Effective Date. Pursuant to the provisions of Section 1201.028, as amended, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding any provision in the City's Home Rule Charter to the contrary concerning a multiple reading requirement for the adoption of ordinances.

[The remainder of this page intentionally left blank.]

PASSED, APPROVED, AND ADOPTED on the 17th day of February, 2026.

CITY OF MERCEDES, TEXAS

____
Mayor

ATTEST:

____
City Secretary

(CITY SEAL)

In compliance with Section 2.13 of the Home Rule Charter of the City of Mercedes, Texas (the "City"), I, the undersigned, City Attorney of the City, hereby approve the legality of the foregoing Ordinance adopted by the City Commission of the City as aforesaid.

____
City Attorney, City of Mercedes, Texas

INDEX TO EXHIBITS

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. __

EXHIBIT B

ESCROW AGREEMENT

SEE TAB NO. __

EXHIBIT C

DTC LETTER OF REPRESENTATIONS

SEE TAB NO. __

EXHIBIT D

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 30 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Application referred to) below:

The City's audited financial statements for the most recently concluded Fiscal Year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the City referenced in the Application but for the most recently concluded Fiscal Year.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.

EXHIBIT E

GENERAL POLICIES AND PROCEDURES
CONCERNING COMPLIANCE WITH THE RULE

I. Capitalized terms used in this Exhibit have the meanings ascribed thereto in Section 46 of the Ordinance. "Certificates" refer to the Certificates that are the subject of the Ordinance to which this Exhibit is attached.

II. As a capital markets participant, the City is aware of its continuing disclosure requirements and obligations existing under the Rule prior to February 27, 2019, the effective date of the most recent amendment to the Rule (the "Effective Date"), and has implemented and maintained internal policies, processes, and procedures to ensure compliance therewith. Adherence to these internal policies, processes, and procedures has enabled underwriters in non-exempt negotiated sales and initial purchasers in non-exempt competitive sales to comply with their obligations arising under various MSRB rules and regulations concerning due diligence and findings of suitability, among other matters, regarding the City's compliance with the Rule.

III. The City is aware that the Rule was amended as of the Effective Date (the *Rule Amendment*) and has accommodated this amendment by adding subparagraphs (15) and (16) to Section 46C of the Ordinance, which provisions are a part of the Undertaking.

IV. The City is aware that "participating underwriters" (as such term is defined in the Rule) of the Certificates must make inquiry and reasonably believe that the City is likely to comply with the Undertaking and that the standards for determining compliance have increased over time as a result of, among others, the United States Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation Initiative and regulatory commentary relating to the effectiveness of the Rule Amendment.

V. The City now establishes the following general policies and procedures (the "Policies and Procedures") for satisfying its obligations pursuant to the Undertaking, which policies and procedures have been developed based on the City's informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the City's obligations under the Rule, the advice from and discussions with the City's internal senior staff (including staff charged with administering the City's financial affairs), its municipal or financial advisors, its legal counsel (including Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the "Compliance Team"):

1. the City Manager of the City (the "Compliance Officer") shall be responsible for satisfying the City's obligations pursuant to the Undertaking through adherence to these Policies and Procedures;

2. the Compliance Officer shall establish reminder or "tickler" systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the City's information of the type described in Section 46B of the Ordinance;

3. the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 46C of the Ordinance;

4. the Compliance Officer shall work with external consultants of the City, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the City and notice of the occurrence of any of the events referenced in Clauses 2 and 3 above, respectively, the foregoing being required to satisfy the terms of the Undertaking;

5. the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the City, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Certificates;

6. upon identification of any Financial Obligation meeting the materiality standard identified in Clause 5 above, the Compliance Officer shall establish a process for identifying and monitoring any City agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;

7. the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the City; and

8. the Compliance Officer shall annually review these Policies and Procedures with the remainder of the Compliance Team, make any modifications on an internal document retained by the Compliance Officer and available to any "participating underwriter" (as defined in the Rule), if requested, and on the basis of this annual review (to the extent determined to be necessary or desirable), seek additional training for herself or himself, as well as other members of the City's internal staff identified by the Compliance Officer to assist with the City's satisfaction of the terms and provisions of the Undertaking.

RESOLUTION NO. 2026-15

A RESOLUTION APPROVING THE PRINCIPAL FORGIVENESS AGREEMENT CLEAN WATER STATE REVOLVING FUND IN THE AMOUNT OF $10,000,000 AND AN ESCROW AGREEMENT RELATING THERETO; AUTHORIZING THE MAYOR, CITY MANAGER, AND CITY SECRETARY, OR THEIR DESIGNEES, TO EXECUTE ANY AND ALL DOCUMENTS RELATED THERETO; AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City of Mercedes, Texas (the *City*) deems it necessary to request additional financial assistance from the Texas Water Development Board (the *Board*) as evidenced by a 2026 Principal Forgiveness Agreement Clean Water State Revolving Fund; and

WHEREAS, in accordance with the rules and regulations of the Board, which govern the procedures in making this request, the governing body of the City is required to pass a resolution to accompany this request; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCEDES, TEXAS THAT:

1. It is hereby found and determined that the City cannot reasonably finance the proposed project without the financial assistance of the Board in the amount requested in the City's Resolution adopted on September 2, 2025 authorizing the filing of an application (the *Application*) with the Board.

2. The Mayor, City Manager, and City Secretary of the City are hereby authorized to execute and submit to the Board the Principal Forgiveness Agreement Clean Water State Revolving Fund and the Escrow Agreement, and the Mayor and City Manager of the City, together with the bond counsel, financial advisors and consulting engineers named in the Application, are authorized to appear before the Board in support of the Application and this additional request.

3. The Mayor, City Manager, and City Secretary of the City are further specifically authorized to make any required assurances to the Board in accordance with the rules, regulations, and policies of the Board.

4. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this resolution for all purposes and are adopted as a part of the judgment and findings of the City.

5. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

6. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

7. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City hereby declares that this Resolution would have been enacted without such invalid provision.

8. It is officially found, determined, and declared that the meeting at which this resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

9. This resolution shall be in force and effect from and after its passage on the date shown below.

[The remainder of this page intentionally left blank]

PASSED, ADOPTED AND APPROVED on the 17th day of February, 2026.

CITY OF MERCEDES, TEXAS

____
Mayor

Attest:

____
City Secretary

(CITY SEAL)

EXHIBIT A

PRINCIPAL FORGIVENESS AGREEMENT
CLEAN WATER STATE REVOLVING FUND

SEE TAB NO. __

EXHIBIT B

ESCROW AGREEMENT

SEE TAB NO. __

HIDALGO COUNTY APPRAISAL DISTRICT

PO Box 208
Edinburg, TX 78540-0208
(956) 381-8466 (956) 565-2461
www.hidalgoad.org

January 16, 2026

Mr. Alberto Perez
City of Mercedes Manager
400 S. Ohio
Mercedes, TX 78570

Re: 2026 Board of Directors Vacancy

Dear Mr. Perez:

It is with profound sorrow and heavy hearts that we inform you of the passing of our esteemed colleague and friend, Eddy Betancourt, Board of Directors Vice Chairman, who died on December 27, 2025.

Eddie has been a dedicated and valued member of the Board of Directors since 2020. His wisdom, kindness, and commitment have left an indelible mark on our organization, and he will be greatly missed by all who had the privilege of knowing him.

In accordance with the Texas Property Tax Code, Section 6.03 and Section 6.031, a vacancy in the Board of Directors has been declared following this unfortunate event. The existing Board of Directors must fill the vacancy in the manner as follows:

1. Participating taxing units must nominate candidates via resolution for a vacant appointed director seat.

2. Resolutions must be submitted by March 2, 2026.

3. The Chief Appraiser will compile the list of nominees and submit it to the current Board of Directors.

4. The Board will select a nominee from the list by majority vote to fill the vacancy at the March 11, 2026, Board of Directors meeting.

For your convenience, a sample resolution form is included; you are welcome to use it, or you may submit one prepared by your office. If you require additional information, please don't hesitate to contact me at (956) 381-8466.

Sincerely,

Rolando Garza

Rolando Garza, RPA
Chief Appraiser

RG: plg

Attachment

RESOLUTION NO. 2026-16

A RESOLUTION OF THE CITY COMMISSION FOR THE CITY OF MERCEDES EXPRESSING ITS NOMINATION FOR THE HIDALG COUNTY APPRAISAL DISTRICT BOARD OF DIRECTORS:

WHEREAS, the City Commission for the City of Mercedes is authorized to make a nomination for the position to be filled in the Hidalgo County Appraisal District Board of Directors; and

WHEREAS, this director shall serve the unexpired term ending December 31, 2027, and that all taxing entities associated with the Hidalgo County Appraisal District are authorized to nominate one person for said Board; and

WHEREAS, the City Commission for the City of Mercedes must submit the name of the nominee by written resolution to the Chief Appraiser by March 2, 2026.

NOW, THEREFORE BE IT RESOLVED, by the City Commission for the City of Mercedes, Texas, that the name(s) of:

____

is/are hereby nominated to the Hidalgo County Appraisal District Board of Directors.

FURTHERMORE, the City Commission for the City of Mercedes directs the Chief Appraiser to submit said nomination for consideration by the Board of Directors to fill the vacancy.

READ, PASSED, AND APPROVED at a regular meeting by the City Commissioners of the City of Mercedes, on this the 17th day of February, 2026.

____
Oscar D. Montoya Sr., Mayor

ATTEST:

____
Joselynn Castillo, City Secretary

AGENDA ITEM NO. 10.A.

Bids/Contracts

DATE: February 17, 2026
FROM: Javier Campos, Fire Chief
ITEM: **Discussion and possible action to Consideration and action to renew the Interlocal Agreement with Hidalgo County through the Hidalgo County Office of Emergency Management**

BACKGROUND INFORMATION: The City of Mercedes previously entered into an Interlocal Agreement with Hidalgo County through the Hidalgo County Office of Emergency Management for the use of an emergency ambulance assigned to the City on March 1, 2024. The agreement provides the City with operational use of the ambulance to support emergency medical response services within the City of Mercedes and designated Hidalgo County response areas under the existing Emergency Services District (ESD) #2 agreement.
The proposed item represents the **second extension under a three-year extension option** contained within the original agreement.
Terms of Agreement:

- The City of Mercedes will continue to utilize the ambulance to provide emergency medical services to residents within the City and designated county response areas.
- The City will compensate Hidalgo County in the amount of **$10.00 per month**, totaling **$120.00 annually**, for the duration of the agreement term.
- The ambulance will remain assigned for operational emergency response and public safety services.

Operational Impact:
Over the past year, this ambulance has significantly supported emergency response operations within the City and County response areas. The unit has also assisted with maintaining service continuity by providing fleet support when frontline units were unavailable due to preventative maintenance or mechanical repairs.

BOARD REVIEW/CITIZEN FEEDBACK:

ALTERNATIVES/OPTIONS:

FISCAL IMPACT: (Total Costs)

Proposed Expenditure/(Revenue):	**Account Number(s):**
$ 120.00 / year	46-510-2044

Finance Review by: N/A

LEGAL REVIEW: N/A

ATTACHMENTS:

1. Ambulance Extension Contract

STAFF RECOMMENDATION: Staff recommends approval of the Second Amendment to the Interlocal Agreement with Hidalgo County Office of Emergency Management to continue the assignment and operational use of the emergency ambulance.

CONTRACT EXTENSION #

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF MERCEDES, TEXAS, that the contract between the City of Mercedes, Texas and Hidalgo County, Texas by and through its Office of Emergency Management, was evaluated and contract renewals may be extended in accordance with the Mercedes City Charter, and

The City Commission hereby exercises the contract extension option for the second of the three additional one-year extension periods beginning March 1, 2026 and ending February 28, 2027 and that the Mayor or Mayor Pro-Tem is hereby authorized to execute this contract extension and to do all other acts necessary to carry said extension into effect.

PASSED, APPROVED, AND ADOPTED THIS THE 2nd DAY OF February, 2026.

____
Oscar D. Montoya Sr., Mayor

ATTEST:

____
Joselynn Castillo, City Secretary

Customer tickets overview

Date Filter is from 2026/01/01 until 2026/01/31   Ticket Status is not Merged

Total Tickets
92

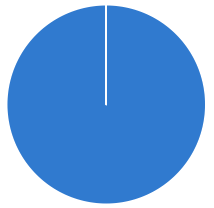
Total Ticket Duration (hours)
2,387.51

Average Ticket Duration (hours)
25.95

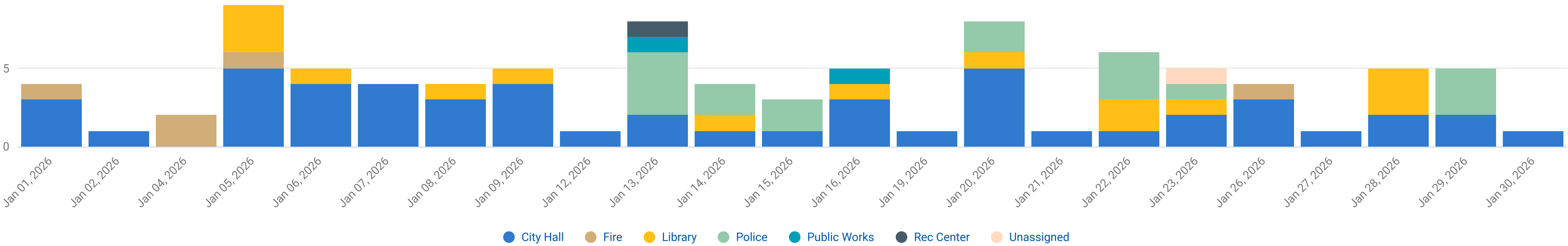
7
Number of Customers

92
Ticket Volume Per Customer

Ticket SLA Category



Tickets by Customer



Customer Overview

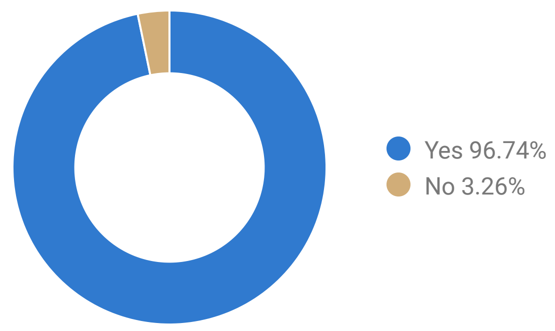
Site name	Number of tickets	Total Ticket Duration (hours)	Average Ticket Duration (hours)	Average First Response Time (hours)	Number of alerts	Exceeded SLA
City Hall	51	987.23	19.36	17.92	0	0
Police	17	66.29	3.90	3.90	0	0
Library	15	382.29	25.49	22.75	0	0
Fire	5	817.87	163.57	82.08	0	0
Public Works	2	90.15	45.08	45.08	0	0
Rec Center	1	43.56	43.56	43.56	0	0
Unassigned	1	0.13	0.13	0.08	0	0

Ticketing summary

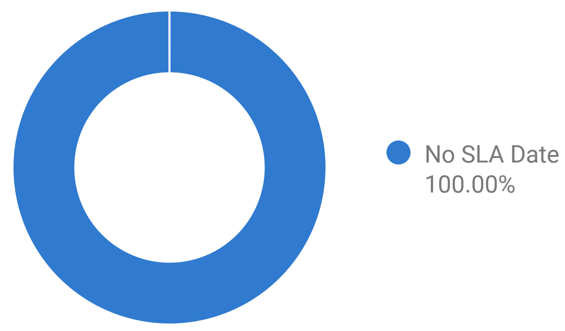
Date Filter is from 2026/01/01 until 2026/01/31   Ticket Status is not Merged

Total Tickets	Total Duration (hours)	Average Duration (hours)	Total Time Entry Duration (hours)
92	2,387.51	25.95	2.18

Technician Assigned



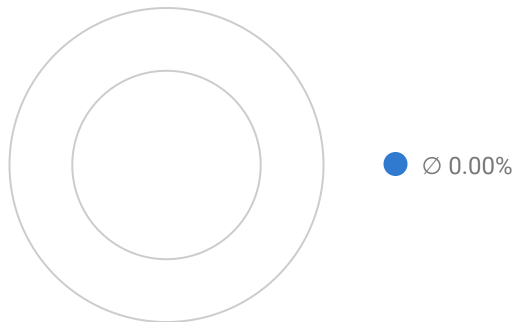
Ticket SLA Category



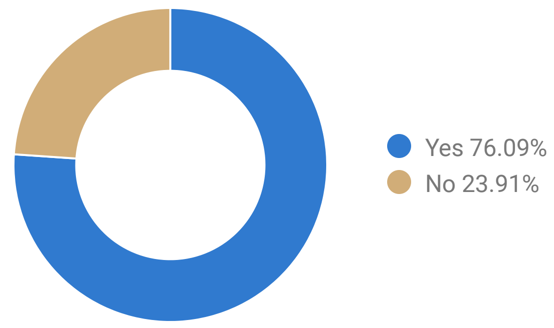
AI Auto-Tags

	Tag Name	Number of Tags
1	Security / Security Alerts and Threats	24
2	Network / Internet and Phone Connectivity Issues	8
3	Network / Onboarding - Offboarding User	7
4	Hardware / Equipment orders and installations	7
5	System / Windows / Login - Password Reset	6
6	Application / Application usability & setup	5
7	Application / Access & Permissions	4
8	Scanner / Scanning Usage & Setup	4
9	Application / Printing usage & setup	3
10	Hardware / Printing Device	3
11	Network / Remote Access & Permissions	2
12	Hardware / Damaged - Faulty	2
13	Application / Email Management, Delivery and Settings	2
14	Application / Install - Uninstall - Update	2
15	System / Windows / System Configuration & Settings	2
16	Application / Access ▯ Permissions	1
17	Application / Office 365	1
18	Application / Application usability ▯ setup	1
19	Printer / Printing Usage ▯ Setup	1
20	Printer / Printing Usage & Setup	1
21	Printer / Printing Usage 26 Setup	1
22	Maintenance / Backup and Service Maintenance	1
23	Hardware / New Hardware - Retire Hardware	1

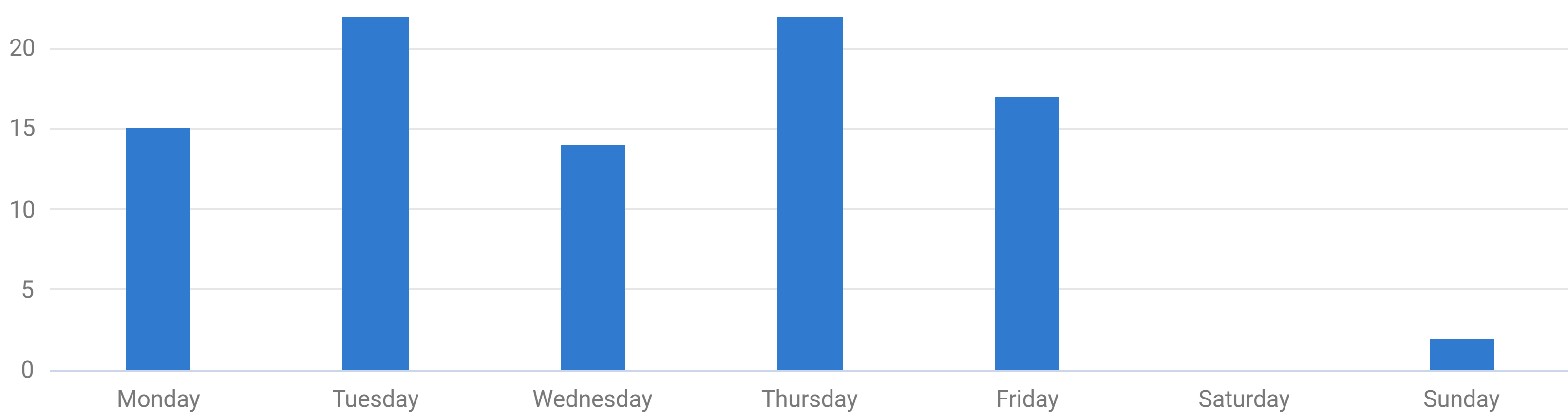
Ticket Alerts



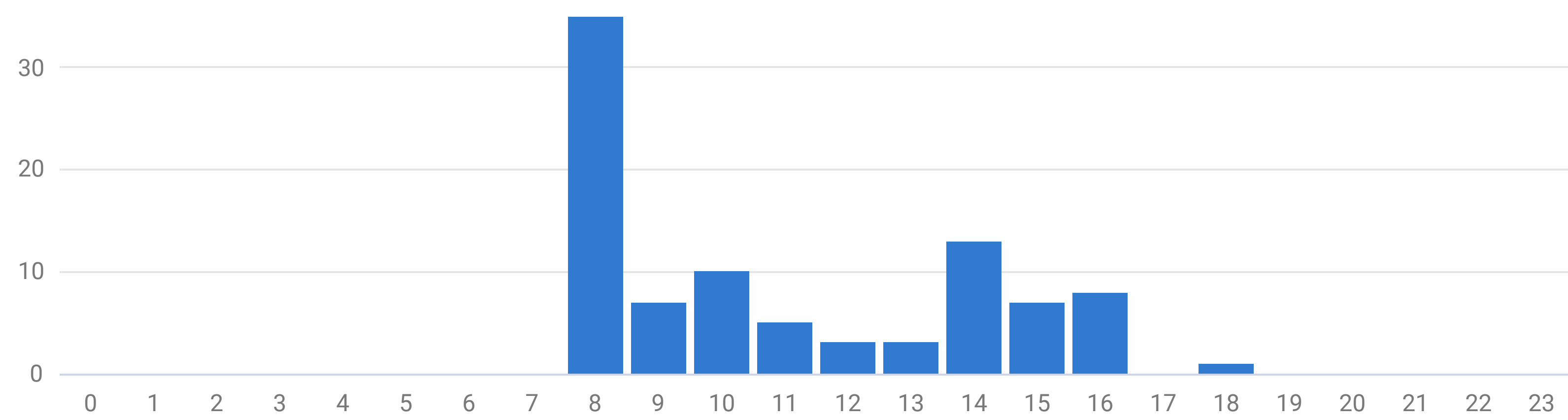
Agent Assigned



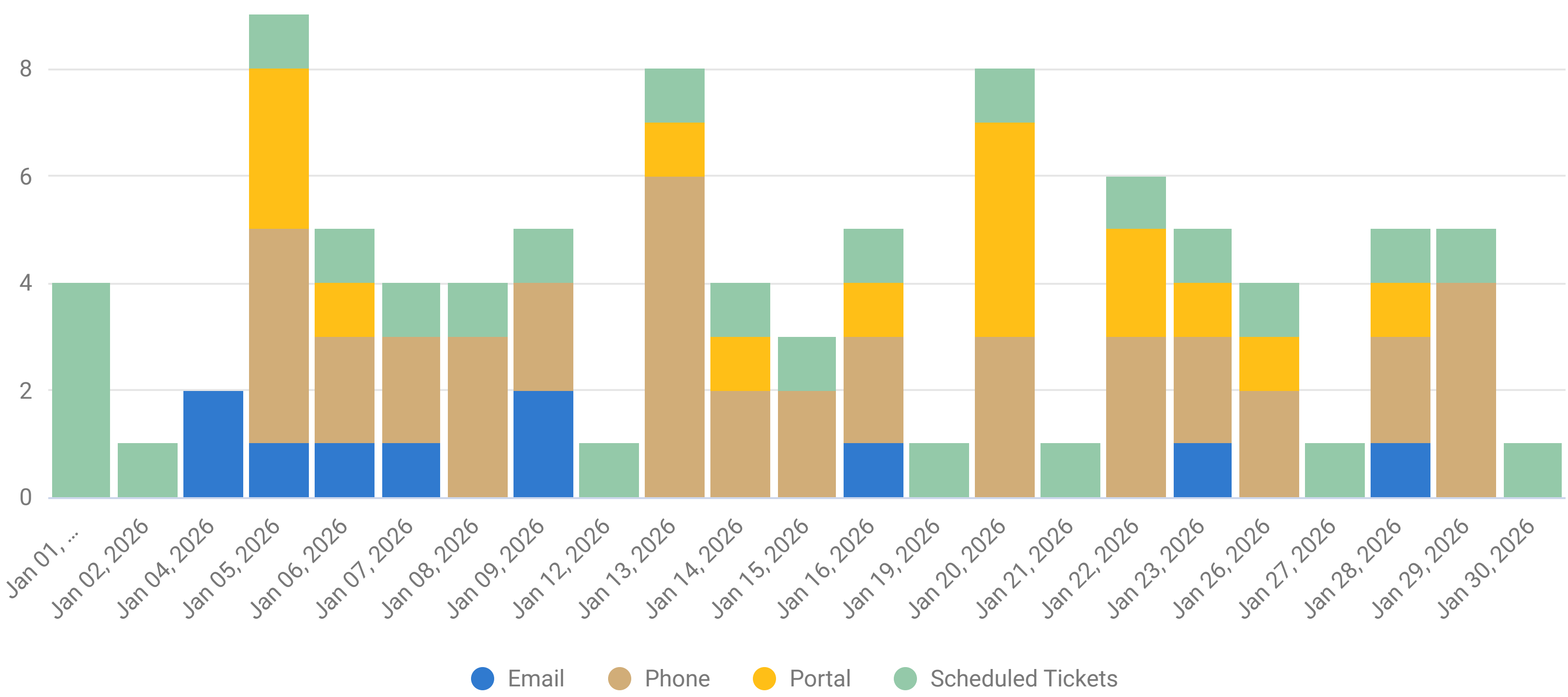
Tickets Created by Day of Week



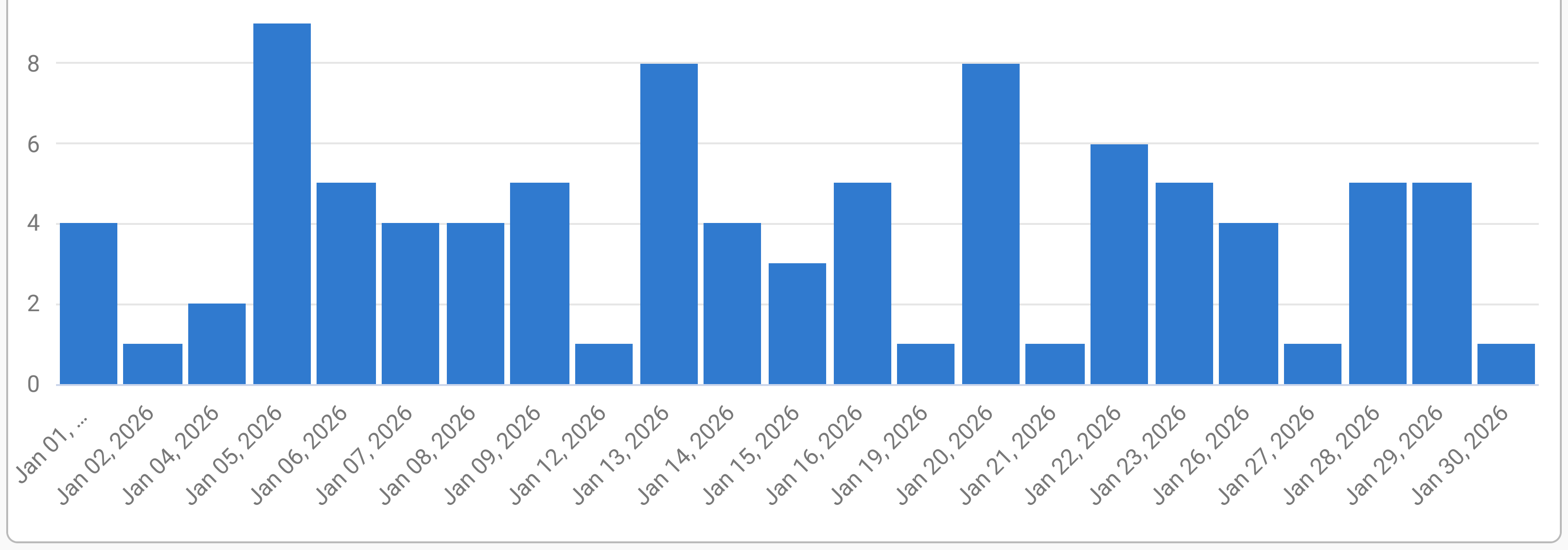
Tickets Created by Hour of Day



Tickets by Source



Tickets by Status



Technician overview

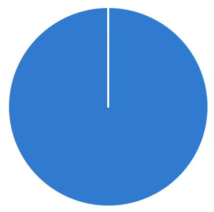
Date Filter is from 2026/01/01 until 2026/01/31   Ticket Status is not Merged

Number of tickets	Total Ticket Duration (hours)	Average Ticket Duration (hours)
92	2,387.51	25.95

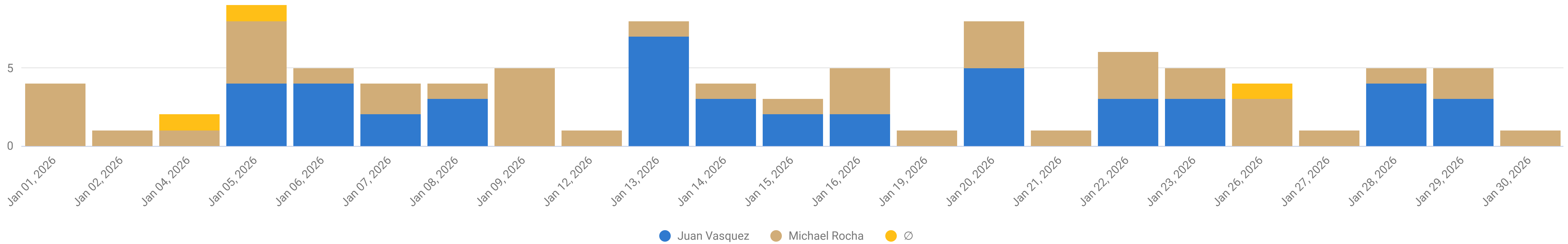
20.28
Average First Response Time (h...

25.95
Average Resolution Time (hours)

Ticket SLA Category



Tickets by Technician

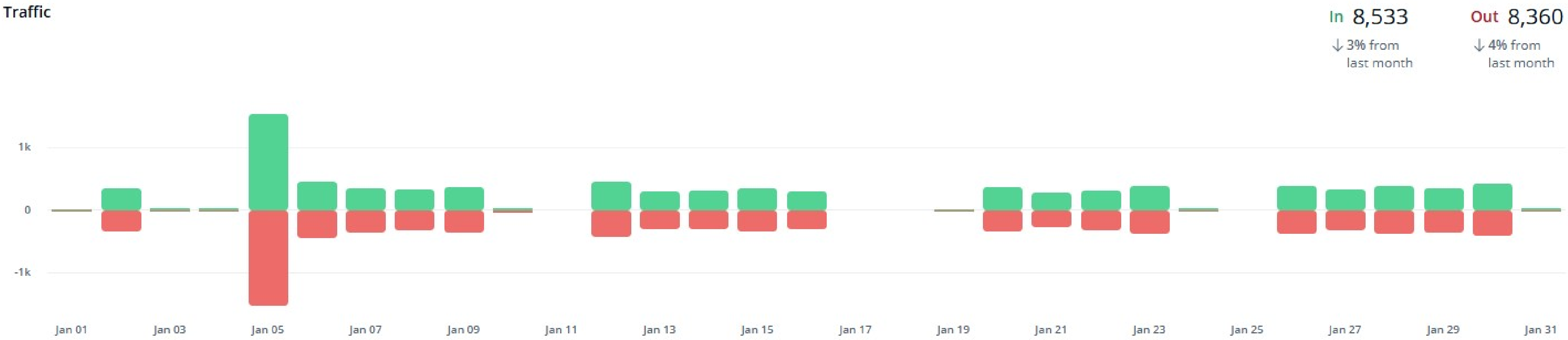


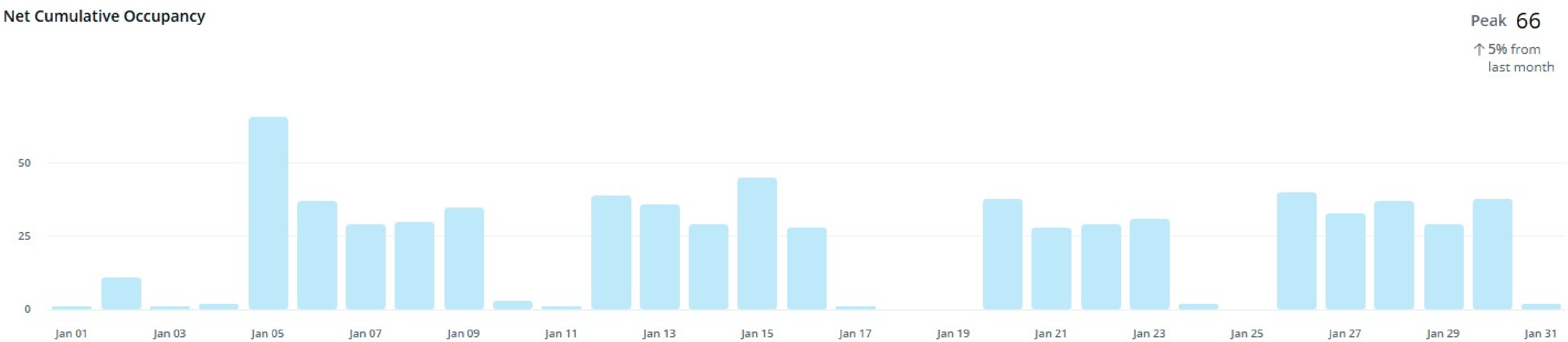
Technician Overview

	Technician name	Number of tickets	Total Ticket Duration (hours)	Average Ticket Duration (hours)	Average First Response Time (hours)	Number of Tickets Exceeded SLA	Number of tickets closed within SLA	Number of tickets closed outside SLA	Number of open tickets within SLA
1	Juan Vasquez	45	588.00	13.07	8.97	0	0	0	0
2	Michael Rocha	44	1,733.07	39.39	32.25	0	0	0	0
3	∅	3	66.45	22.15	14.38	0	0	0	0

City Hall Analytics Jan 1, 2026 - Jan 31, 2026 All Sites

Occupancy 1 Day



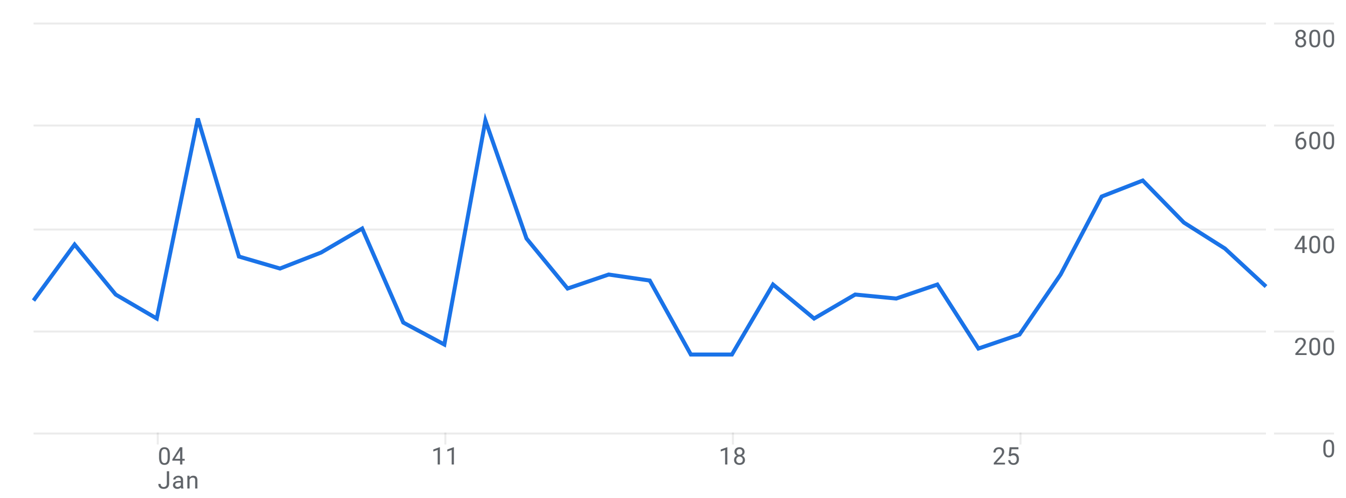


All Users | Add comparison +

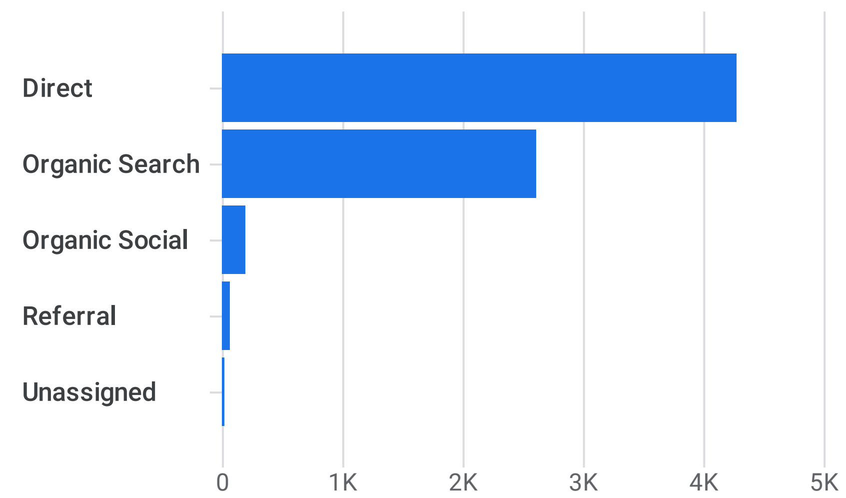
Custom Jan 1 - Jan 31, 2026

Reports snapshot

Active users 8.3K | New users 7.1K | Average engagement time per active u 47s



New users by
First user primary channel group (Default ...



View user acquisition →

Sessions by
Session primary ch...

SESSION PRIMARY ...	SESSIONS
Organic Search	6.4K
Direct	6K
Organic Social	208
Referral	102
Unassigned	37

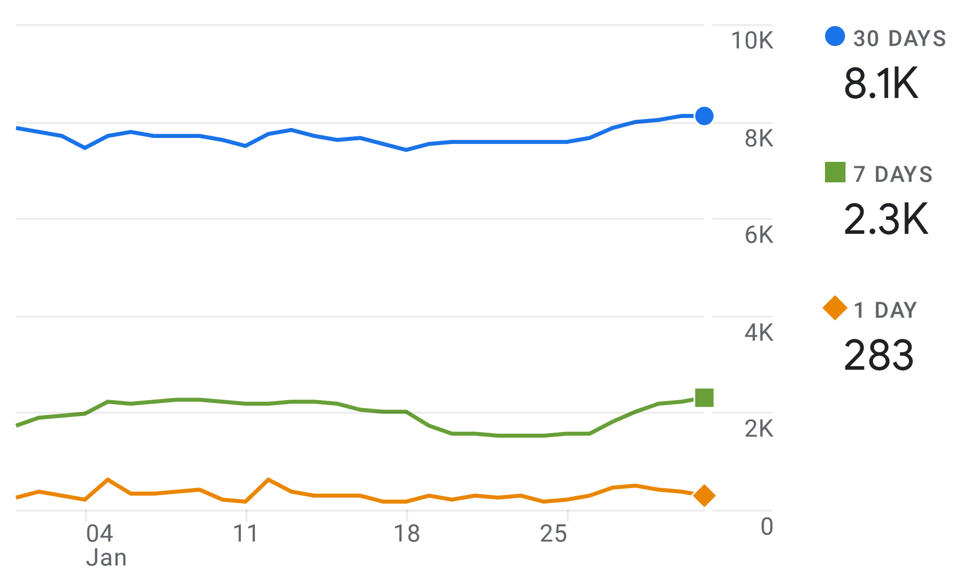
View traffic acquisition →

Active users by Country

COUNTRY	ACTIVE USERS
United States	5.7K
China	2.1K
Germany	50
Mexico	39
India	27
Netherlands	23
Sweden	21

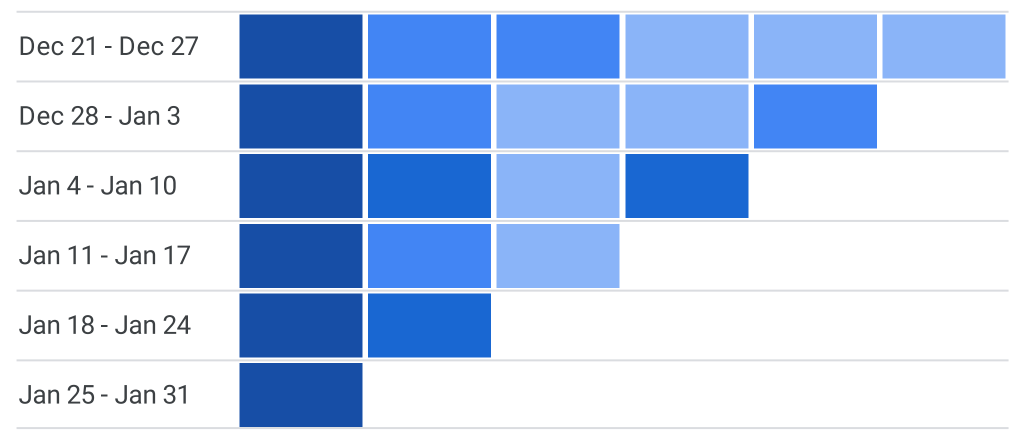
View countries →

User activity over time



User activity by cohort
Based on device data only

	Week 0	Week 1	Week 2	Week 3	Week 4	Week 5
All Users	100.0%	2.2%	1.4%	1.9%	1.7%	1.3%



6 weeks ending Jan 31

View retention →

Views by Page title and screen class

PAGE TITLE AND SCREEN ...	VIEWS
Home | City of Mercedes	8.5K
Job Opportunities | City of Me...	1.8K
Employment Application - Cit...	1.6K
Not Found 404 | City of Merce...	1.2K
Utility Connections | City of M...	737
Contacts Directory | City of M...	362
It Starts Here	330

View pages and screens →

Event count by Event name

EVENT NAME	EVENT COUNT
page_view	22K
session_start	13K
user_engagement	11K
first_visit	7.1K
scroll	3.3K
click	2.6K
file_download	2.4K

View events →

CITY SECRETARY'S OFFICE
2025 ANNUAL REPORT

TYPE	JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JUL.	AUG.	SEPT.	OCT.	NOV.	DEC.	YTD Total
CITY SECRETARY													
Agenda Reg./Special/Wkshp	2												2
Minutes Reg./Special	2												2
Ordinances	2												2
Resolutions	4												4
Contracts	1												1
Bids	0												0
PERMITS													
Sound/Dance	2												2
TABC	0												0
VITAL STATISTICS													
Filling w. State	9												9
Issuing Birth	26												26
Issuing Death	8												8
RISK MANAGEMEI													
Vehicle Claims	0												0
Liability Claims	0												0
OPEN RECORDS													
Received	26												26
Responded	24												24
HUMAN RESOURC													
New Hires	3												3
Resignations	3												3
Retirements	2												2
Workers Comp	1												1

Significant Comments:

Dr. Hector P. Garcia Memorial Library Statistical Report

Jan-26

Circulation	2026	2025
Check-Outs & Renewals:	431	359
Year to Date Total:	1,743	1,464
In-House Book Circulation:	84	128
Year to Date Total:	519	368
In-House Magazine Circulation:	10	25
Year to Date Total:	39	79
In-House Newspaper Circulation:	17	15
Year to Date Total:	68	80
New Borrowers:	25	24
Year to Date Total:	107	99

Digital Resources	2026	2025
cloudLibrary Checkouts:	292	210
Year to Date Total:	1,099	609
NewsStand Checkouts:	449	470
Year to Date Total:	1,593	1,194
Biblio+ Views:	98	159
Year to Date Total:	349	463

Interlibrary Loans (ILL's)	2026	2025
Items Requested:	29	27
Year to Date Total:	104	126
Items Sent:	10	21
Year to Date Total:	49	85

Book & Media Donations	2026	2025
Donations Received:	30	10
Year to Date Total:	136	67
Donations Selected:	0	8
Year to Date Total:	10	27

Assistance	2026	2025
Reference:	148	242
Year to Date Total:	676	869
Directional:	275	294
Year to Date Total:	1,276	969

Library Service	2026	2025
Fax Assistance:	53	66
Year to Date Total:	204	216
Copy Assistance:	71	125
Year to Date Total:	343	367
Scan Assistance:	33	7
Year to Date Total:	71	22
Print Outs:	2,334	2,589
Year to Date Total:	7,667	6,579
3-D Printing:	5	0
Year to Date Total:	15	0
Notary:	3	0
Year to Date Total:	26	0

Computer Sessions	2026	2025
Adult Lab Sessions:	267	1,126
Year to Date Total:	2,638	2,613
Juvenile Lab Sessions:	39	102
Year to Date Total:	280	316
WiFi:	1,581	1,736
Year to Date Total:	6,860	6,990

Meeting Room Sessions	2026	2025
Sessions:	40	55
Year to Date Total:	164	217

Technical Services	2026	2025
New Items Added:	118	547
Year to Date Total:	425	884
Items Processed:	73	95
Year to Date Total:	228	334
Items Withdrawn:	72	8
Year to Date Total:	3,926	227
Items Recataloged:	32	49
Year to Date Total:	170	113
Items Repaired:	4	3
Year to Date Total:	15	12

Dr. Hector P. Garcia Memorial Library Statistical Report

Jan-26

Adult Programming	2026	2025
Adult Events:	5	14
Year to Date Total:	29	37
Adults in Attendance:	38	103
Year to Date Total:	236	334

Teen Programming	2026	2025
Teen Events:	0	0
Year to Date Total:	2	2
Teens in Attendance:	0	0
Year to Date Total:	4	10

Children's Programming	2026	2025
Children Events:	7	5
Year to Date Total:	23	16
Children in Attendance:	22	52
Year to Date Total:	109	133
Adults in Attendance:	7	22
Year to Date Total:	64	47

Toddler Programming	2026	2025
Toddler Events:	1	0
Year to Date Total:	2	0
Toddler in Attendance:	5	0
Year to Date Total:	16	0
Adults in Attendance:	3	0
Year to Date Total:	13	0

Family Place	2026	2025
Early Learning Space Total:	82	0
Year to Date Total:	346	196
Workshop Toddler in Attendence:	0	0
Year to Date Total:	35	0
Workshop Adults in Attendance:	0	0
Year to Date Total:	26	0

General Programming	2026	2025
Events:	1	0
Year to Date Total:	5	7
Total General Programing Attendence:	3	0
Year to Date Total:	198	1833

Outreach Programming	2026	2025
Events:	2	3
Year to Date Total:	10	8
Toddlers in Attendance:	13	0
Year to Date Total:	28	0
Children in Attendance:	0	0
Year to Date Total:	1,100	25
Teens in Attendance:	0	0
Year to Date Total:	34	0
Adults in Attendance:	0	34
Year to Date Total:	388	42
General Attendance:	13	0
Year to Date Total:	177	353

SRP Stats	2026	2025
Children Events:	0	0
Children Attendance:	0	0
Adults Attendance:	0	0
Adult/Teen Events:	0	0
Teen Attendance:	0	0
Adult Attendance:	0	0
Adults Registered:	0	0
Teens Registered:	0	0
Children Registered:	0	0
Toddlers Registered:	0	0
Challenges Completed:	0	0
Badges Earned:	0	0
Reviews Submitted:	0	0
Books Read:	0	0

Beanstack Stats	2026	2025
Reviews Submitted:	0	0
Year to Date Total:	3	0
Books Read:	0	0
Year to Date Total:	5	0
Challenges Completed:	0	0
Year to Date Total:	3	0
Badges Earned:	0	0
Year to Date Total:	45	0

Volunteer Hours	2026	2025
Total:	157.25	153.25
Year to Date Total:	626.50	787.50

Dr. Hector P. Garcia Memorial Library Statistical Report

Jan-26

Curbside Services	2026	2025
Curbside Café:	1	1
Year to Date Total:	7	1
Curbside Circulation:	0	1
Year to Date Total:	1	1
Curbside Other Services:	1	2
Year to Date Total:	1	2

Library Visits	2026	2025
Visits:	2,171	2,579
Year to Date Total:	11,906	10,603

Café Visits	2026	2025
Visits:	529	459
Year to Date Total:	2,128	1,477

Café Sales	2026	2025
Net Sales:	$ 1,031.75	$ 1,338.91
Year to Date Total:	$ 5,755.44	$ 5,703.23
Sales Tax:	$ 85.10	$ 110.58
Year to Date Total:	$ 471.05	$ 469.95

Social Media	2026	2025
Library Posts:	87	89
Year to Date Total:	374	408
Library DMs:	4	7
Year to Date Total:	6	17
City Posts:	17	78
Year to Date Total:	52	242
City DMs:	0	5
Year to Date Total:	0	62
Videos Created:	11	3
Year to Date Total:	11	5
Website Updates:	26	3
Year to Date Total:	101	23
HCLS Posts:	1	2
Year to Date Total:	1	17
Flyers	68	35
Year to Date Total:	217	115
Facebook Followers:	9	0
Year to Date Total:	1942	0
Instagram Followers:	1	0
Year to Date Total:	237	0

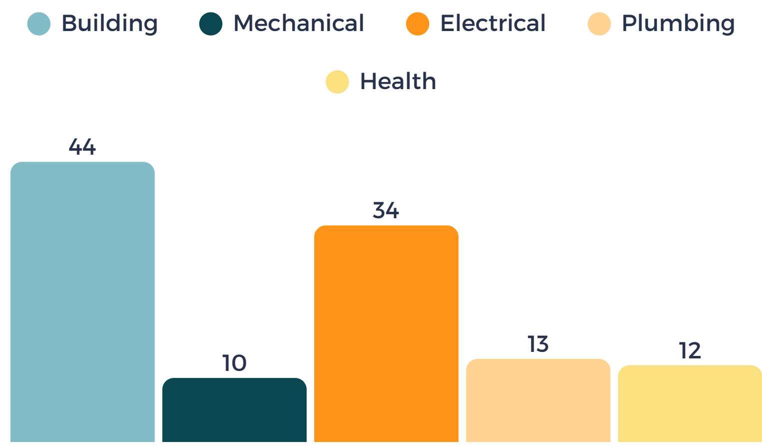
Digital Assistance	2026	2025
Walk-Ins:	127	0
Year to Date Total:	503	0
Appointment:	2	0
Year to Date Total:	11	0
Telephone:	1	0
Year to Date Total:	20	0
Outreach:	2	0
Year to Date Total:	4	0
Children in Attendance:	0	0
Year to Date Total:	0	0
Teen in Attendance:	0	0
Year to Date Total:	0	0
Adults in Attendance:	16	0
Year to Date Total:	23	0
Classes:	3	0
Year to Date Total:	3	0
Attendance:	10	0
Year to Date Total:	73	0

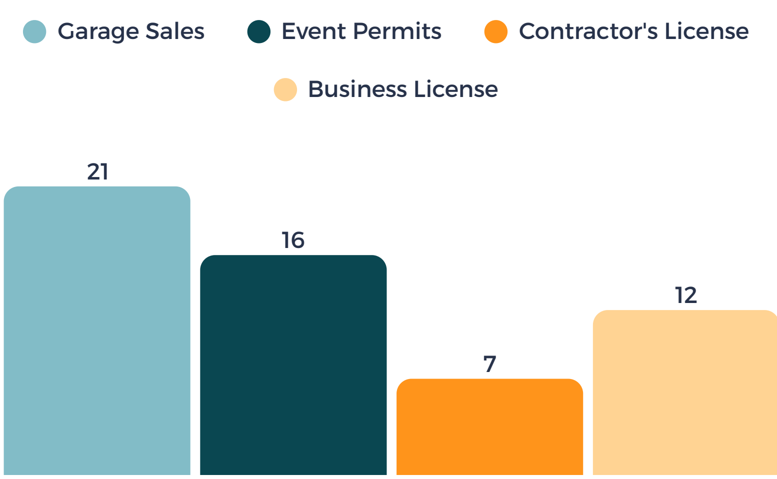
city of mercedes
It Starts Here!

PLANNING DEPARTMENT MONTHLY REPORT JANUARY 2026

Department Activity (January 2026)

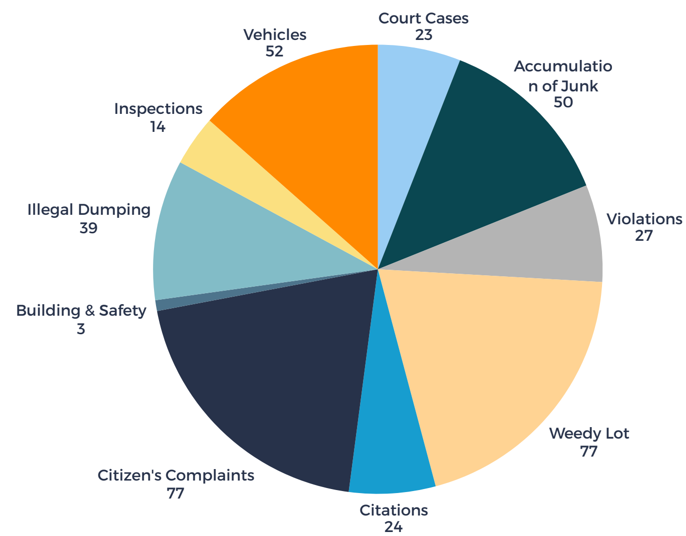
Permits Issued



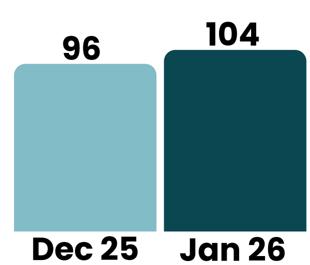


*includes both new and renewal licenses

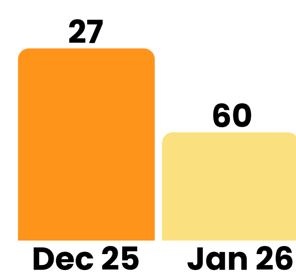
Code Enforcement Activity (January 2026)



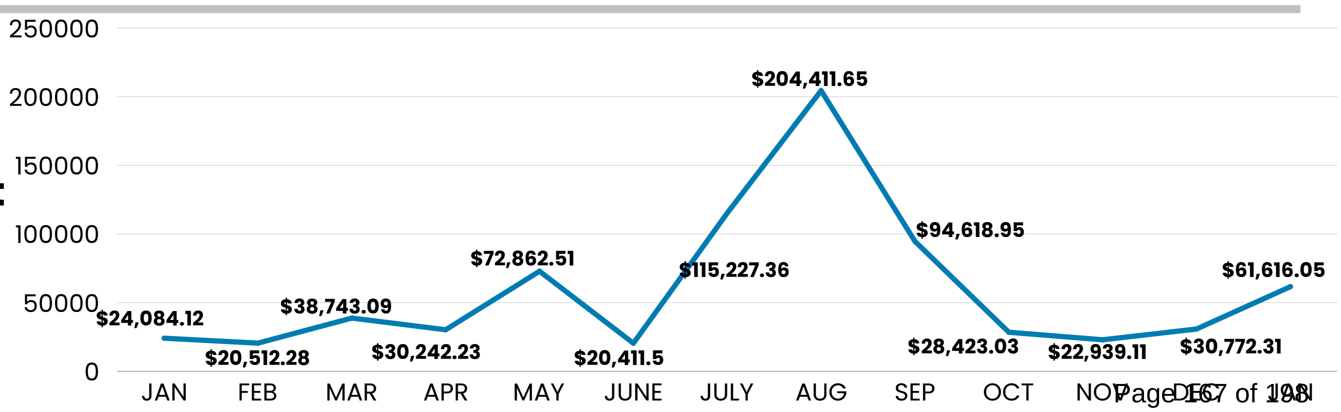
Building Inspections



Plan Reviews



Department Revenue



city of mercedes
It Starts Here!

PLANNING DEPARTMENT MONTHLY REPORT YTD (JANUARY)

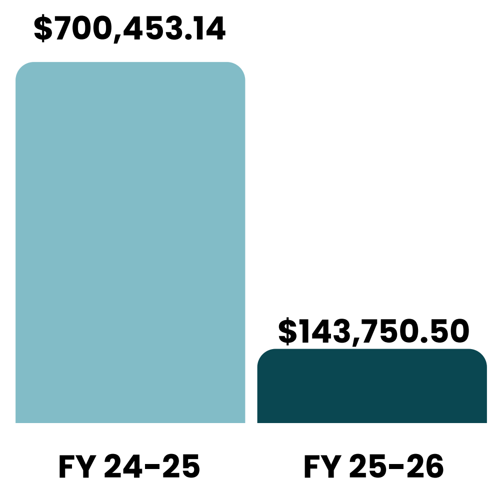
Activity (FY 24-25 VS YTD)

Permits Issued

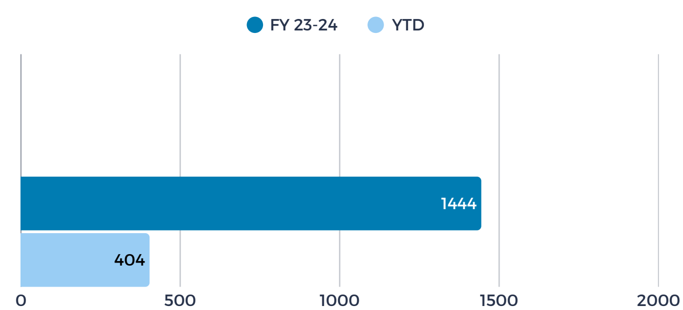
	FY 24-25	YTD
New Residential Construction	61	19
Commercial Construction	18	4
Other Permits	1,365	381

Other Permits: Repairs, Remodel, Re-roof, Driveway, Carport, Fences, ROW, Irrigation, Mechanical, Electrical, Plumbing, Meter reset, Moving a Building, Solar Panel, Storage Shed

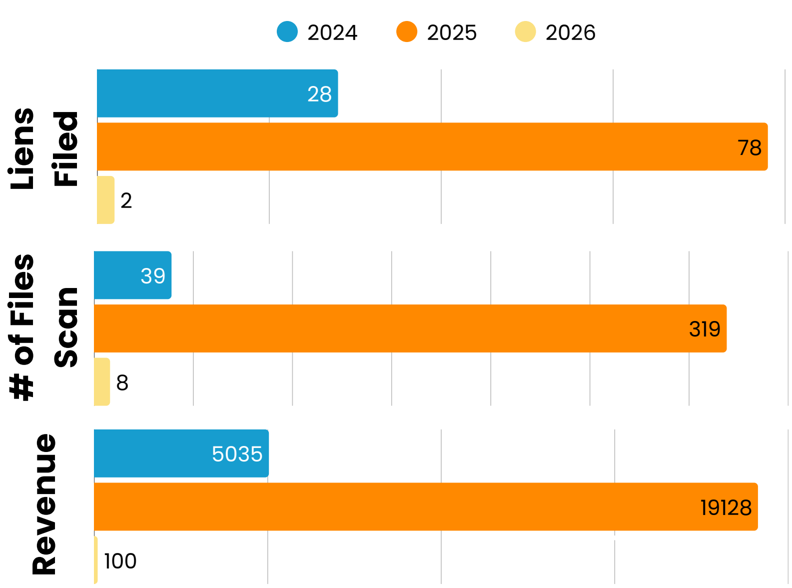
Revenue



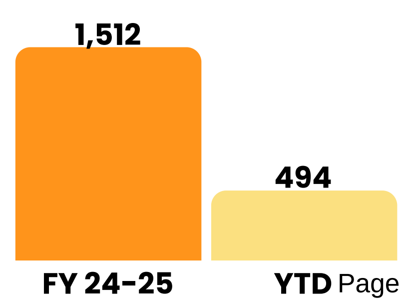
Total of Permits Issued



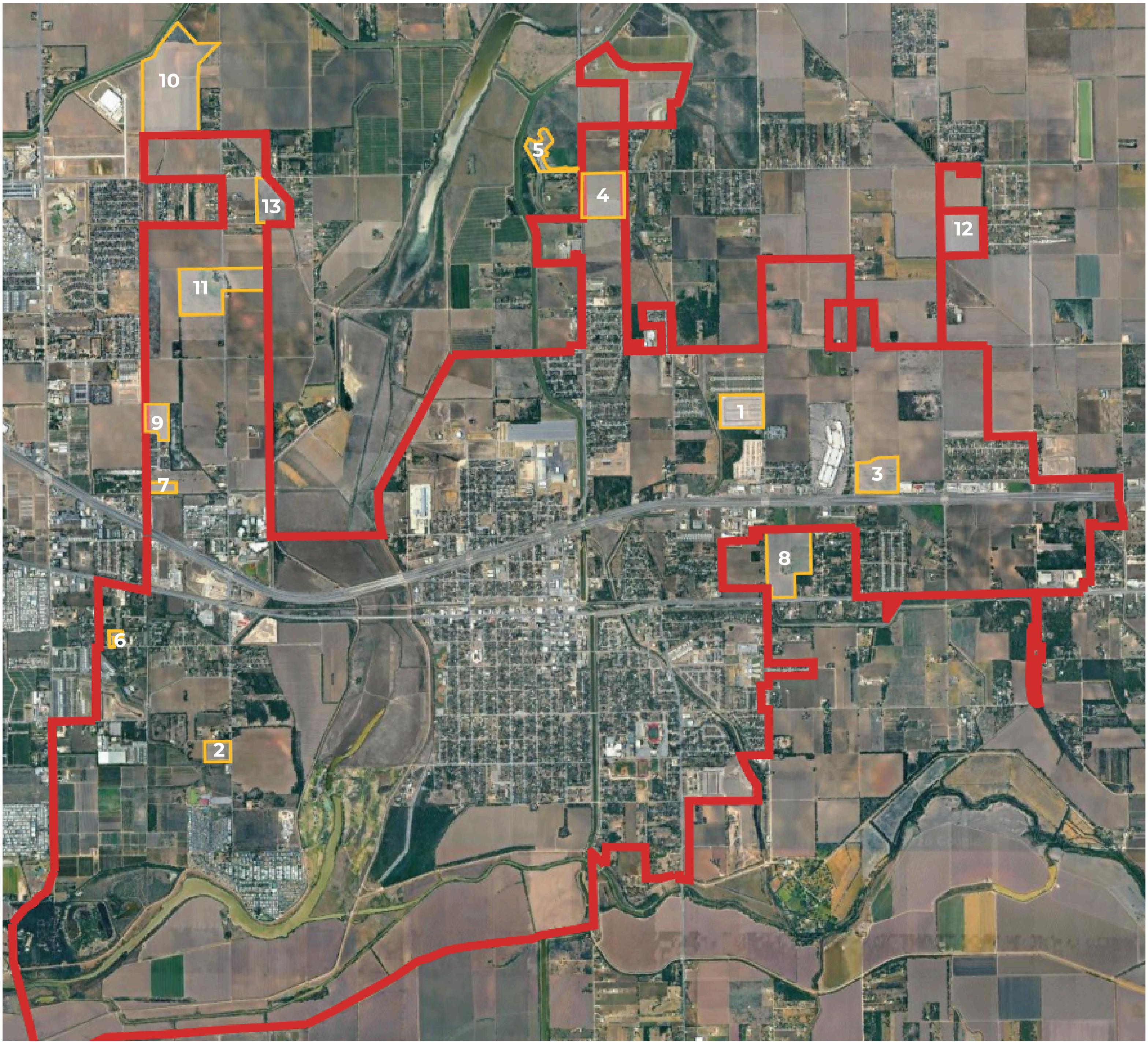
Weedy Lots



Building Inspections



SUBDIVISIONS



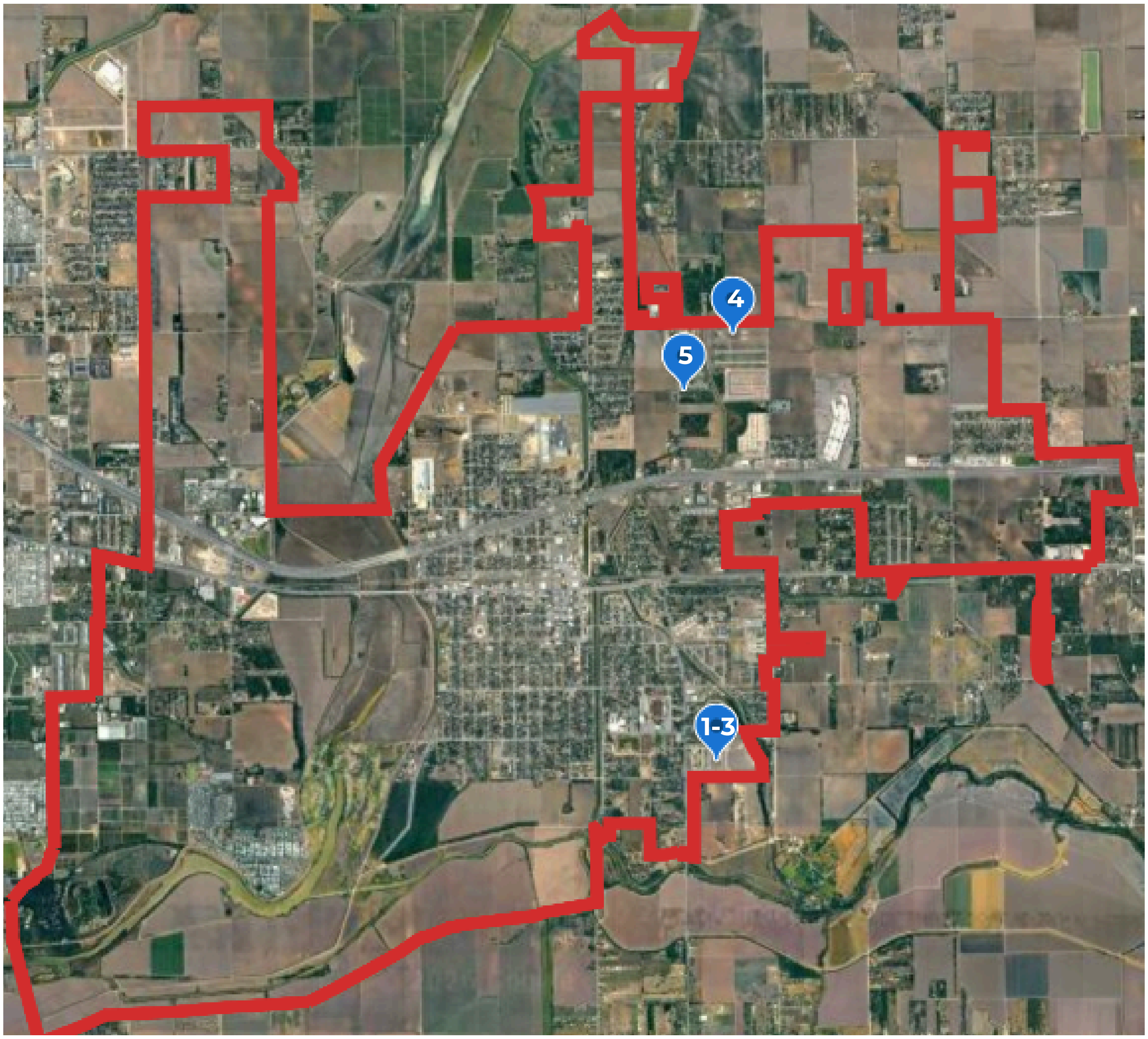
SUBDIVISIONS

	Subdivision	Location	Acres	Number of lots	Status	Type
1	Stable Estates	1 Mile N of Express way 83 on Mile 1 E. West of Mile 1 E/South of Mile 8	30	96	Obtain Final Approval, Awaiting County Filing	Multi-Family & Town Houses
2	Palladium Energy	Mile 2 West Road and North of Camino De Verdad Rd	10.56	2	Obtain Final Approval, Awaiting County Filing	Light Industrial
3	Shops at Mercedes	Hwy 83 Frontage next to the Outlets	30	7	Under Construction	Commercial
4	Rodeo Estates	Mile 8 and Fm 491	40.00	211	Obtain Preliminary Approval	Single Family & Commercial
5	Los Prados Ph 2	2 Mile N of Exp 83 on FM 49. NW corner of Fm 491/Mile 9 North	16.238	84	Obtain Preliminary Approval	Single Family
6	Camino Heights	S Mile 2 1/2 W and Camino Real Viejo	2.93	22	Waiting for the Irrigation District Approval	Single Family
7	Red Stone	Mile 2 1/2 and north of Expressway 83	6.0	28	Obtain Preliminary Approval	Single Family
8	Tranquil Estates	Mile 1 E and Bus 83	51.07	246	Under Review	Single Family
9	Villa Del Lago	Mile 2 ½ West and South of Mile 8 N	14.83	42	Waiting for Revised Plans	Multi-Family
10	San Jacinto Estates No. 12	N of Mile 9 N and between Mile 2 ½ W & Mile 2 W	127.44	332	Obtain Preliminary Approval, TIRZ Process	Single Family & Multi-Family

SUBDIVISIONS

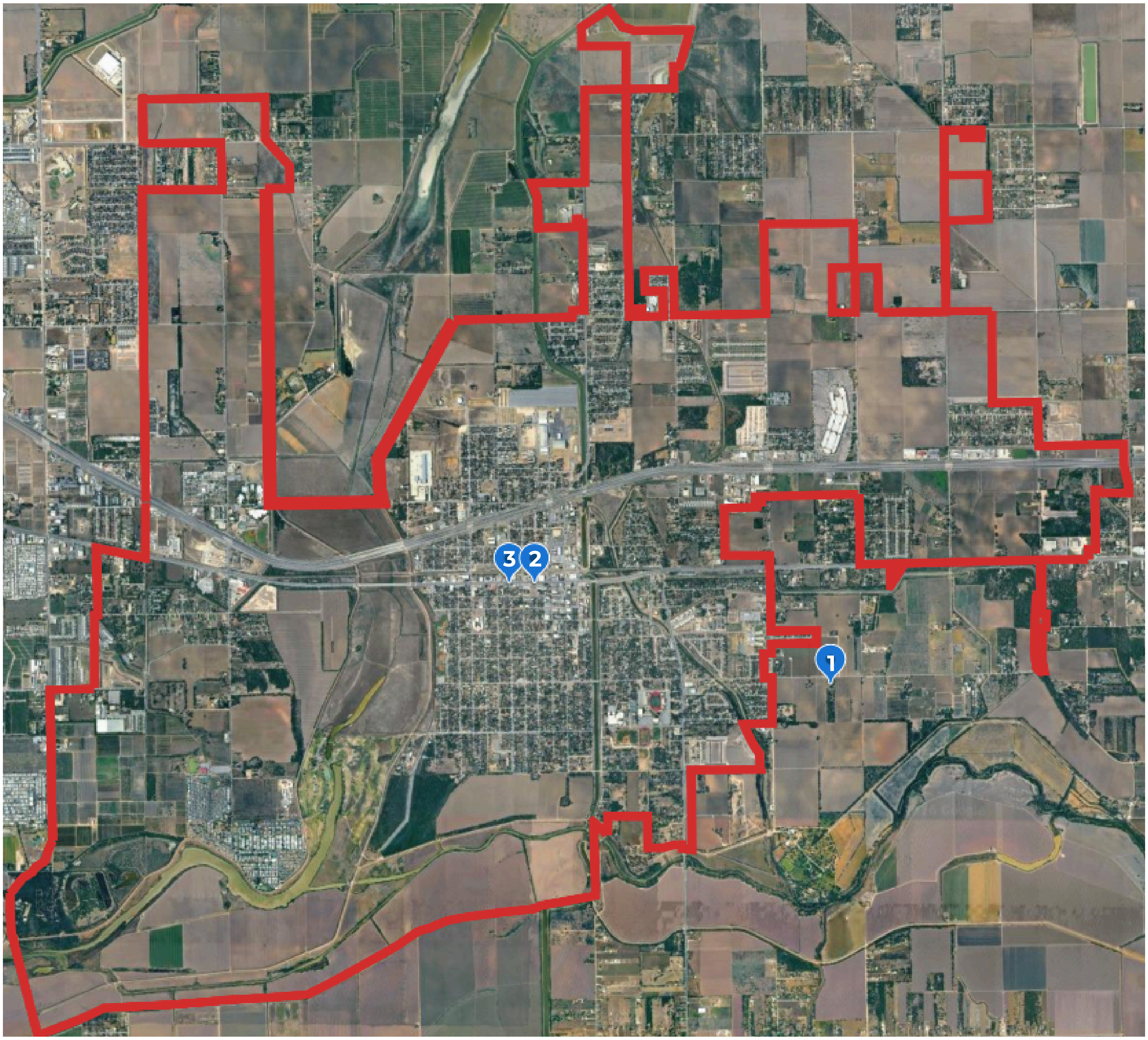
	Subdivision	Location	Acres	Number of lots	Status	Type
11	San Jacinto Estates No. 16	Mile 8 N and Mile 2 W	81.73	319	Obtain Preliminary Approval, TIRZ Process	Single Family
12	North Valley Village	East side of Mile 2 East and south of Mile 8 North Rd	40	193	Pending Sewer Extension, On Hold	Single Family
13	Las Cabanas	Mile 9 North and between Mile 2 W & Mile 1 1/2 W	24.90	73	Pre-Construction Stage, On Hold	Single Family

NEW RESIDENTIAL CONSTRUCTION



	Project Address	Type	Sq Ft	Subdivision
1	1610 Amanda St	Single-Family	4,212	Hacienda Olivia Ph 2
2	1510 Abigail St	Single-Family	1,968	Hacienda Olivia Ph 2
3	1506 Abigail St	Single-Family	1,982	Hacienda Olivia Ph 2
4	1501 Karianna Dr	Single-Family	1,411	Valley Ranch Ph 2
5	1206 Mile ½ East	Single-Family	2,580	Capisallo District

NEW COMMERCIAL CONSTRUCTION/BUSINESSES



	Business	Project Address	Type of Business	Status
1	Blue Bunting	2415 Mile 6 N	Short Term Rentals	Building Permit Issued
2	It's Party Time	526 W 2nd St	Event Center	Business License Issued
3	Holiday Wine & Liquor	626 W 2nd St	Liquor Store	Business License Issued

Health & Code Enforcement

Health & Code Enforcement Inspections, January

	January 2026
Code Compliance Inspections	352
Citations Issued	24
Health Inspections	10

Health Inspections Results, January 2026

Business Name	Business Type	Address	Pass/Fail
UMOS	Head Start	124 N Vermont	Pass
Juanito's Restaurant	Restaurant	331 N Texas	Pass with conditions
Cortino's Italian Restaurant	Restaurant	3812 W Bus 83	Pass
Easy Learning Preschool	Preschool	101 N Virginia	Pass
Family Dollar	Store	402 S Texas	Pass
El Fenix Cafe	Restaurant	126 N Texas	Pass
Dollar General	Store	100 N Ohio	Pass
Eski Tequiero	Snack Place	708 N Baseline Rd	Pass
Cafe Nashta	Restaurant	7013 E Exp 83	Pass
Amigos del Valle	Adult Daycare	334 E 5th St	Pass

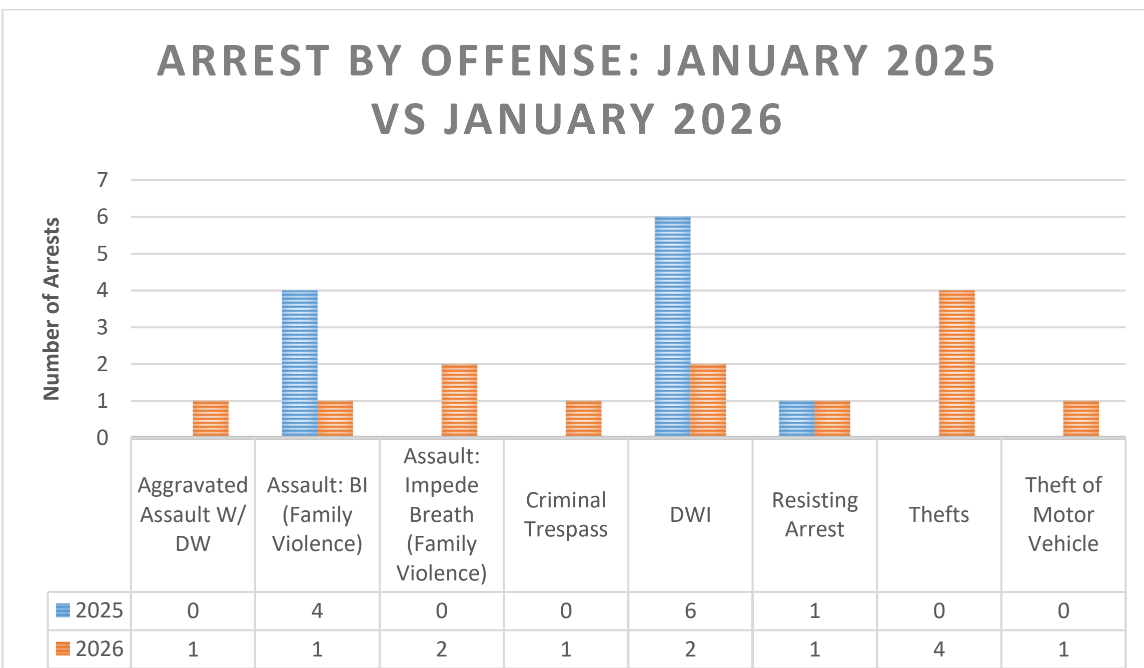
January 2026 Monthly Report

1. Summary Overview

This monthly report outlines notable activity for the Mercedes Police Department during January 2026, including a statistical comparison with January 2025. Key metrics include CAD call volume, arrests by offense, and officer productivity data.

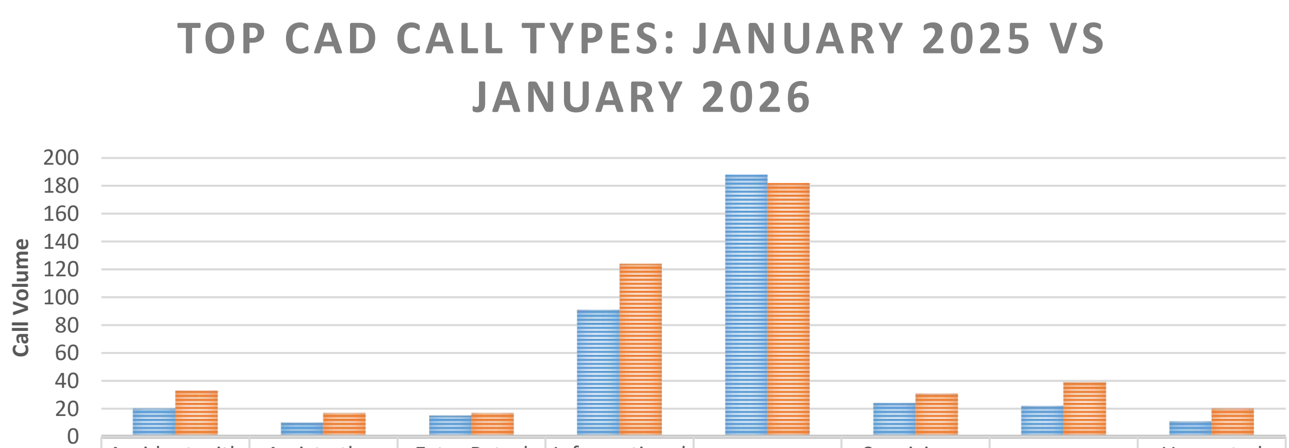
2. Arrests by Offense (January Comparison)

Below is a comparison of arrests made in January 2025 and January 2026. Overall, January 2026 showed increases in assaults impede breath, criminal trespass, thefts, and theft of motor vehicle cases.



3. Top CAD Call Types (January Comparison)

The chart below compares top CAD calls for January 2025 and January 2026. While there was a decrease in medical calls, there were notable increases in informational calls, thefts, and suspicious activity.



	Accident with No Injuries	Assist other Agencies	Extra Patrol Requests	Informational Call	Medical Call	Suspicious Activity	Theft	Unwanted Person
2025	20	10	15	91	188	24	22	11
2026	33	17	17	124	182	31	39	20

3. Recommendations

1. Continue targeting high-frequency calls like public intoxication with visibility patrols.

2. Leverage success in warrant enforcement by enhancing regional information sharing.

3. Monitor increase in harassment and unwanted person calls for possible community engagement or prevention strategies.

I. **Meetings Attended**

Throughout January, the Administration Division participated in several key meetings to support interagency coordination, budget planning, community safety initiatives, and strategic projects.

- 1/5 – City Commissioners Meeting (City Hall) : Provided updates on department initiatives and public safety metrics.
- 1/7 – Department Head Meeting (Library) : Collaborated with other department heads to align on citywide service objectives and operational coordination.
- 1/9 – 2007 eGrants Meeting (MPD) : Discussing grants such as; Mental peace officer, Victim Liaison, Operation Lone Star, and State Emergency Grant.
- 1/12 – WISH/Nueva Luz Meeting (MPD) : To discuss future partnership with assessing police personnel with mental assistance.
- 1/12 – GT Distributors Body Armor Meeting (MPD) : Measurements for the incoming Officers
- 1/14 – Quarterly Budget Meeting with City Manager and Finance (City Hall) : Reviewed departmental budget proposals and capital expenditure needs with Finance and City Management.
- 1/14 – RGVLS Meeting for Monster Truck/5k Boot Run (RGVLS) : Planning for event on providing security and
- 1/15 – City of Mercedes Annual Client Review – Enterprise (City Hall) : Continuing partnership with Enterprise and discuss positive matter with city vehicles.
- 1/20 – RGVLS Stockshow Meeting (RGVLS) : Planning phase for RGVLS Parade
- 6/21 – Department Head Meeting (Library) : : Collaborated with other department heads to align on citywide service objectives and operational coordination.
- 1/27 – Smoking on the Rio Meeting (RGVLS) : To discuss the planning phase for security.
- 1/27 – Mercedes Crime Stoppers Meeting (MPD) : Reviewed tip reporting metrics and new outreach initiatives to engage the public in crime prevention
- 1/28 – Meeting for K9 Kennels (MPD): To discuss about future assistance on having our own dog impound.
- 1/28 - 2nd Annual Autism Acceptance Committee (Mercedes) : Discussing future event for Autism Event taking place at the HEB Park, to show community support.

II. Trainings Attended

Officers and staff completed both mandatory and advanced trainings to ensure operational readiness and legal compliance

- (1/4-1/9) - FBI LEEDA PIO Training :
- (1/7-1/9) - Crime Scene Investigation :
- (1/16/) - Interacting with Law Enforcement :
- (1/28) - TCIC Terminal Agency Coordinator Training :

III. Community Events & Outreach

- (1/31) – Mission Citrus Parade (Mission PD) :

IV. Interviews Conducted

Conducted pre-employment assessments for sworn positions

- (1/7) – Wilfredo Cantu : Interviewed for entry- level police officer position
- (1/9) – Dora Martinez : Interviewed for entry-level police officer position
- (1/16) – Gabriela Ayala / Kayla Gomez – Interviewed for Administrative Assistant

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V. Financial Submissions to Finance Department

Administration submitted the following invoices, payment requests, and reimbursements to the Finance Department for processing in January:

- 01/08: Processed invoices for Southern Tire Mart, Williams Scotsman, Amazon, O'Reilly Auto Parts, and Exxon.
- 01/09: Processed invoice for GT Distributors.
- 01/13: Processed invoice for Lt. Rodriguez and Officer Michael Garza's training.
- 01/14: Processed invoice for O'Reilly
- 01/18: Processed Sound Permit for citizen and forwarded to City secretary office.
- 01/22: Tri County Communications Payment request processed
- 01/23: Process invoices for Southern Tire Mart, 3G's Shredding, Exxon Payment Request,
- 01/28: Processed Purchase Order requests for the RGVLS 2026 year for the following:
    - Texas Music Festivals Enterprise (Canopy)
    - Alicia's Restaurant (Tacos & Coffee for breakfast briefing day of parade)
    - Amazon PO (Prizes for games to interact with public)
    - Card service Center (Food to feed officer's working during the RGVLS Event)

The month of January 2026 saw a high volume of proactive patrols and community response calls, particularly in traffic enforcement, medical response, and public safety concerns. Dispatchers coordinated effectively with patrol, fire, and EMS units to address priority incidents while managing routine service calls. The Mercedes Police Department remains committed to rapid response, safety, and transparency in all dispatch operations.

The Dispatch Division received and managed 1653 calls in January 2026. Below is a breakdown of notable incident categories and public safety responses:

High- Volume Call Categories

Call Type	Number of Calls
Traffic Stops	269
Area Checks	190
Information Calls	124
Burglary Alarms-Commercial	51
Accident (No Injuries)	11
Reckless Vehicles	20
Welfare Checks	36
Verbal Disputes	14
Nuisance/Noise Complaints	16

Traffic- Related Activity

- Accidents with Injuries: 11
- Accidents without Injuries: 33
- Hit & Runs: 7
- Stalled Vehicles: 53
- Traffic Hazards: 14
- Reckless Driving Reports: 20

Criminal & Public Safety Incidents

- Assaults (Occurred/Just Occurred): 9
- Domestic Disturbance (In Progress):
- Criminal Mischief: 3
- Thefts(Already Occurred):39
- Burglary Alarms (All Types): 64
- Narcotics Violation Reports: 0
- Violation of Protective Order: 0
- Suicide/Suicide Attempts: 1

Animal- Related Calls

- Animal Problems (Non-Vicious): 42
- Animal Bites (Dog/Other): 2
- Vicious Animals: 9
- Animal Rescues: 2
- Livestock in Roadway: 3

Fire & Utility Assistance

- Fire Alarm/Box Alarm Calls: 7
- Fire Investigations: 17
- Grass/Structure Fires: 12
- Water Line Breaks: 8
- Downed Power Lines: 1

Other Notable Incidents

- Missing Juveniles: 9
- Harassment Reports: 13
- Suspicious Activity (Person/Vehicle): 76
- Unwanted Persons: 20
- Bee Calls & Attacks: 1
- Warrant Service: 2
- Suicidal Subjects: 1
- Wave Downs: 14

In January 2026, the Dispatch Division managed a high volume of calls involving traffic related incidents and criminal offenses. Coordination with CID and Patrol resulted in numerous arrests and cleared warrants. Dispatchers also supported missing persons investigations and warrant entry processes efficiently.

1. **Wreckers Dispatched**
   - Total Wrecker calls: 24

   Wreckers were dispatched primarily due to accidents, abandoned vehicles, and impound needs.

   Most Common Locations: Frontage Rd, Expressway corridors, and School zones.

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2. **Traffic Accidents**
   - Total Accidents Dispatched: 27
     Highest volume of incidents occurred along:
     - E/W Expressway 83
     - Dawson Rd/ Vermont Ave Intersections
       Multiple-accident dates: 01/13/2026, 01/15/2026, & 01/28/2026

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3. **Stolen Vehicles Entered**
   - Total Entered:1
     - Incident involved stolen vehicle from residential area.

4. **CID Warrants Entered**
   - Total warrants entered into TCIC/NCIC: 11
     - Charges included assault (Bodily Injury), aggravated assault, harassment, and Theft of a Motor Vehicle.

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5. **Warrants Cleared**
   - Total Cleared Warrants: 5
     - Offenses included Assault, Criminal Mischief, and Aggravated Assault.

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6. **Arrests**
   - Total Arrests for the Month:19
     - Top Offenses:

- Assault
- Criminal Mischief
- Theft

- Multiple arrests stemmed from CID investigations and patrol response to public calls.

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7. **Criminal Trespass Warnings Entered**
   - Total CTW's Entered:3
     - Locations included businesses and residential areas with recurring disturbances.

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8. **Missing Persons**
   - Total Cases Entered:7
     - Individual ranged in age from 11-85.
     - All cases were entered into TCIC/NCIC and actively investigated.

Throughout the month of January 2026, the Mercedes Police Department's Education Resource Officers (EROs) remained actively engaged with Mercedes ISD in various safety, security, and youth engagement efforts. Officers supported campus security, attended district events, and assisted in community policing efforts as needed.

Date	Event	Location/Details
01/10/2026	Band – TMEA Guitar Honor Ensembles	MISD Auditorium-Officers attended and assisted with evening event safety.
01/20/2026	Mercedes ISD School Board Meeting	JFK Administration Building-Officers attended and assited with evening event safety.
01/22/2026	Softball - Mercedes Softball Madness	Jim Norris Gym- Officers provided safety checks and monitored entrances/exits.
01/28/2026	MISD Registration Night	High School Cafeteria- Officers provided safety checks and monitored entrances/exits

Sergeant Notes:

- Eros Hernandez and Flores proceeded to do "Interacting with Law Enforcement " training for all senior students at Mercedes Early College. Training is required by the State of Texas to graduate along with CPR training.
- Eros are working alongside Mercedes Academic to raise funds for Campus senior's end of year trip and gathering.
- Eros are conducting Traffic at South 491 at 1500 and 1600 due to heavy traffic in the area and helping crossing guard
- Eros Provided Security checks of all campuses during school hours and provided security for after school events.

MISD Academic Calendar Update:

- Spring Break: March 16th through March 20th, 2026
- Good Friday: April 3rd, 2026
- Easter Monday: April 6th, 2026
- Memorial Day: May 25th, 2026
- Graduation: Friday, May 29th, 2026

The ERO team remains aligned with MISD leadership to adjust officer coverage in accordance with the school calendar and upcoming events.
During the month of January 2026, the Animal Control Division handled a total of 82 service calls, responding to a wide range of animal – related issues within the city limits. Calls included stray animals, cruelty investigations, dead animal removal, and wildlife concerns.

Key Statistics

Activity

Total Intakes (To Shelter)	4
Dead Animal Pickups	10
Possums Removed (Relocated)	2
Animal Cruelty Investigations	1
Animal Bites Investigated	0

Animal Cruelty Investigations- Zero cases were investigated this month.

Animal Bite Incident- Zero cases were investigated this month.

Possum Removal- Animal Control responded to two possum related calls all involving:

- Possums trapped in residential areas.
- Animals were safely relocated to a designated release site.

Dead Animal Pickups

- 10 Dead Animals (including dogs, cats, and possums) were picked up throughout the city.
- Locations included Business 83, N Texas, and 6th St Mathis, Hidalgo, and Indiana St.
- All carcasses were transported to CCS for proper disposal.

Animal Running at Large- the majority of the month's activity centered on loose and stray animals including:

- Approximately 4 dogs were picked up citywide and transported to the Weslaco Shelter.
- Areas with frequent activity included: Mathis St, Mile 2 ½ E, North St, Georgia Ave, Tangerine Ave, and Colorado Ave.
- One case involved one cow running o Mile 2 ½ and E Frontage Rd, Mercedes PD also assisted with this case.
- A few other calls involved stray puppies going into residences property.

General Observations

- High volume of stray and loose dog pickups indicates a continued need for public education on pet containment.
- Animal Control continues to monitor and address repeat locations and problem areas.

During the month of January 2026, the Mercedes Municipal Court processed a total of 63 citations. Below is a breakdown of the most frequently cited offense:

Violation	**Total Citations**
No Driver’s License	10
Fail to Display Driver’s License	1
Expired Operator’s License	2
Driving While License Invalid	1
Failure to Maintain Financial Responsibility	12
Speeding	4
Speeding>10% Above Posted Limit	3
Unsafe Speed (Too fast for conditions)	1
Expired Registration	1
PRK: Stop/Stand/Park in Prohibited Area	2
Ran Stop Sign	5
Ran Red Light	4
Change Lane When Unsafe	1
Following Too Closely	1
Fail to Control Speed	2
Defective Stop Lamp(s)	1
Assault- Physical Contact	1

Theft	1
Possession of Drug Paraphernalia	1
Public Intoxication	1
Other (Various Municipal/City Code Violations)	8

Dismissals

- Total Citations Dismissed: 14
- Total Amount Dismissed: $3,537.10

All Dismissed Citations have $0.00 Remaining Balance.

Court Revenue

Recipient	Amount
City of Mercedes:	$7,284.70
State of Texas:	$3,736.10
Total Revenue Collected:	$11,020.80

Court Hearings and Proceedings

- Total Cases (Dockets) Heard: 32
- Arrest Warrants Issued: None
- Capiases Pro Fine Issued: None
- Search Warrants/ Emergency Hearings/ Peace Bonds: None
- Magistrate Warnings, Orders, or Trials Conducted: None
- Fines Waived for Indigency: $0.00
- Community Service or Jail Credit Cases: None Reported

DEPARTMENT: Mercedes Recreation Center
MONTHLY REPORT: January 2026

Report Summary:

This report tracks membership, programs and project activities for the Recreation Center for the month.

Registration for membership conducted year-round:

Fall Program: Registrations start date Aug. 1, 2025

Fall Program: Aug. 2025 - May 2026
After-school At Risk Programs - Weekly Program Mon. - Fri. 3:30pm - 6:00pm

Summer Program: June & July 2026 - Registration start date May 1, 2026
Summer Program - Weekly Program Mon. - Thurs. 8:00am - 5:00pm

Mercedes Recreation Center Program Registration Numbers: January

- After-School Membership Registration 20 - 25
- Membership Daily Attendance 40
- Adult League CO-ED Volleyball Registration 110
- Youth Basketball Leagues Registration 300
    - Mercedes 150 / Donna 100 / La Feria 50
    - Total League Participation 300
    - Total Tournament Participation TBA
- Youth Baseball League Registration Pending

Mid-Valley Inter-League Play: La Feria / Donna / Mercedes

Rec Staff Training & Meetings:

- **Meeting w/ Recreational Leaders - Programs & Duties**
  - Staff Items:
    - Staff work cleaning detail 1/12
    - Reporting to work (Requesting Time-off or Out Sick) 1/20
- **Meeting w/ Recreation Centers & Officials**
  - Youth Basketball League:
    - Mercedes / Donna / La Feria Meeting 1/8
    - La Feria / Mercedes Meeting: City Hall La Feria 1/15
    - Meeting w/ Officials - Coaches 1/21

Projects: Fields & Parks / Maintenance Work Orders / Special Task:

- **Meeting w/ Parks Director - Armando Villela**
  - Texas Sports Kevin Garcia 1/14
  - Mural Artist Pool Bath-house / Civic Center 1/15

- **Public Works - Work Order submitted:**

  Dome Facility
  - Handicap Sign 1/12
  - Heater Copper Lines 1/13
  - Raiser Room Leak 1/13

  Rec Facility
  - Gym Benches 1/19
  - Staff Restroom Drain 1/20
  - Roof Repair SKO Elite Vendor Project Start Date 1/28

  Pool Facility
  - Villegas Pool Vendor - Quote 1/8
  - Vendor Forms & P.O. Approval - Project 1/28 & 1/29

- **Rec & Dome Center - Pest Control & AC Units:**
  - Dome AC Filters 1/7
  - Dome & Rec Facilities: Pest Control 1/9

Swimming Pool Projects/Maintenance:

- **Mercedes Public Pool - Public Hours - Pool Rental - Swimming Lessons**
    - Closed for the season / Pool Weekly Maintenance - Lee Puckett
    - Vendors Pool Skimmers: Albert Gonzlaez Pool Repair 1/8 - Alvarez Pools 1/9

- **Swimming Pool Maintenance - Daily/Monthly Equipment Inspections**
    - Facility maintenance - pool vacuuming, netting & clean skimmers - Daily
    - Motor & filter pumps inspection - Daily
    - Test pool water levels - Daily / Leslie's Pool water testing - Weekly
    - Inspection - pumps, check valves, chlorinators, gauges & filters - Daily
    - Backwash filters - Monthly
    - Facility landscaping / grass cutting / chemical room inventory - Monthly
    - Pool filters - disassembled & cleaned - Quarterly

Community:

- **RGV FOOD BANK**
    - January RGV Food-Drive City of Mercedes Dome Site 1/14

- **Dome Shelter**
    - Brand Geniuz
        - Dome Filming 1/8

- **City of Mercedes**
    - Commission Meeting - Tues. 1/6
    - Department Head Meeting - Wed. 1/7
    - Department Budget Review 1/13
    - Commission Meeting - Tues. 1/20
    - Jorge Gutierrez FGP Program - Tues. 1/20
    - Department Head Meeting - Wed. 1/21

city of mercedes
It Starts Here!

Fall After-School Program:

- **Registration Information**
  - January Program: Location 1202 N. Vermont
  - Mon. - Fri. 3:30pm - 6pm Monthly Fee: $25.00 per

Youth & Adult Leagues:

- **Youth Basketball**
  - 34 Teams - Mercedes / Donna / La Feria (Inter-League Play)
  - 5 - week schedule
    - Monday - Thursday
    - All cities to alternate and host weekly games
    - Mid-Season Tournament TBA

- **Adult CO-ED Volleyball**
  - Season Play Jan. 9 Dome Facility
  - Friday Games 6pm – 10pm
  - 10 Teams

Out-Reach Programs:

- **Denise Adame Nutrition Program - Meals**
  - Senica Serving Smiles Food Program
  - Mon. - Fri. 4:00pm - 4:30pm
  - Meals Served: January 359

- **Foster Grandparent Senior Corps Program**
  - Assist with Supervision/Mentor & Tutoring
  - 2 Volunteer Foster Grandparents
  - Monday - Friday 1:30pm - 5:30pm

- **Out-reach Program Meetings**
  - Behavioral Health Solutions
    - Wednesdays - Sessions at Dome Center
  - Texas A&M Agri-Life Nutrition Program Registration 1/12

Recreation Center Programs:

- **Programs Attendance: January**

Program/Activites Descipition	Week 1	Week 2	Week 3	Week 4	Total
Membership Daily Attendance	82	100	77	100	359
Nutrition Food Program Meals	82	100	77	100	359
Game-room	30	40	27	30	127
Computers	20	30	15	25	90
PS4 Room	22	25	25	35	107
Arts & Crafts	22	25	25	33	105
Sports & Fitness / Out-door Activities	50	60	52	67	229
Homework Hour / Tutoring 3:30pm - 4:30pm	30	35	30	25	120
Out-reach Programs	10	10	10	10	40
Youth Leagues - Practices/Games			60	130	190
Adult Leagues - Games			110	110	220

Mission Statement

Mercedes Recreation Center, in conjunction with the City of Mercedes, is responsible for the development and implementation of youth programs for youth that reside in the City of Mercedes. The Recreation Center is a Non-Profit Organization for Youth age 6 to 18, which are targeted for programs that will increase pro-social behavior. These programs include recreation activities, community service events/projects, youth leadership programs and cultural events.

Mercedes Recreation Center

"Impacting the youth in our community"

United Way

United Way of South Texas
Serving Hidalgo & Starr Counties

Mercedes Fire Department

January 2026

Monthly Report

"Through dedicated, professional members, the Mercedes Fire Department EMS care for and protects the lives and property of our community through incident response, comprehensive training, public education and fire prevention."

Fire Chief/EMC
Javier Campos Jr.

Mercedes Fire Department
105 N. Ohio Ave
956-565-7755

Count of Total Fire Incidents

Count of Total Fire Incidents

Count of Incidents

55

Average Dispatch to Arrival

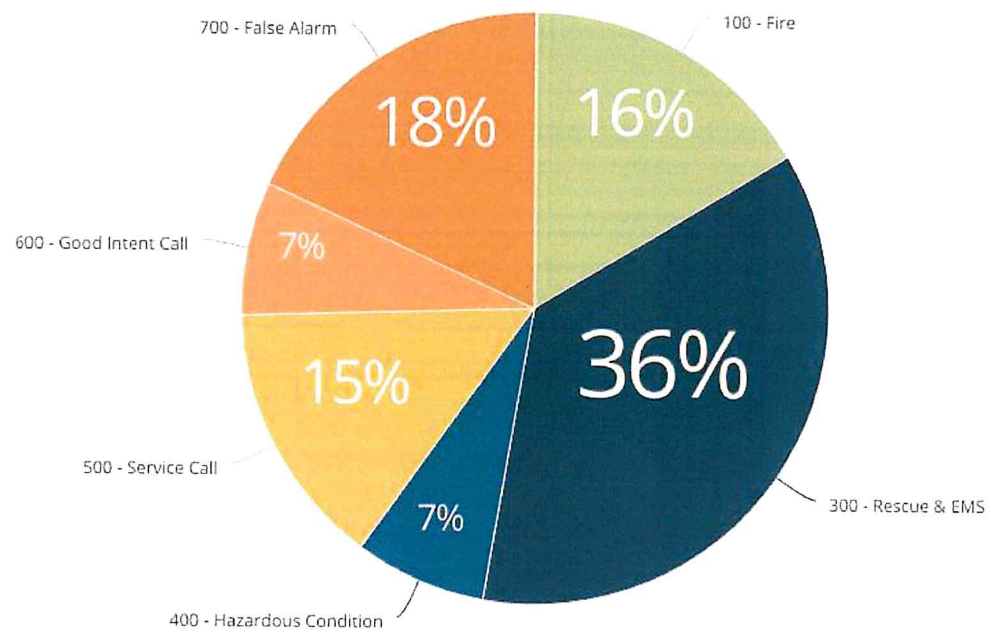
Average Dispatch to Arrival Time

Average Response Time Alarm To Arri...

8m:24s

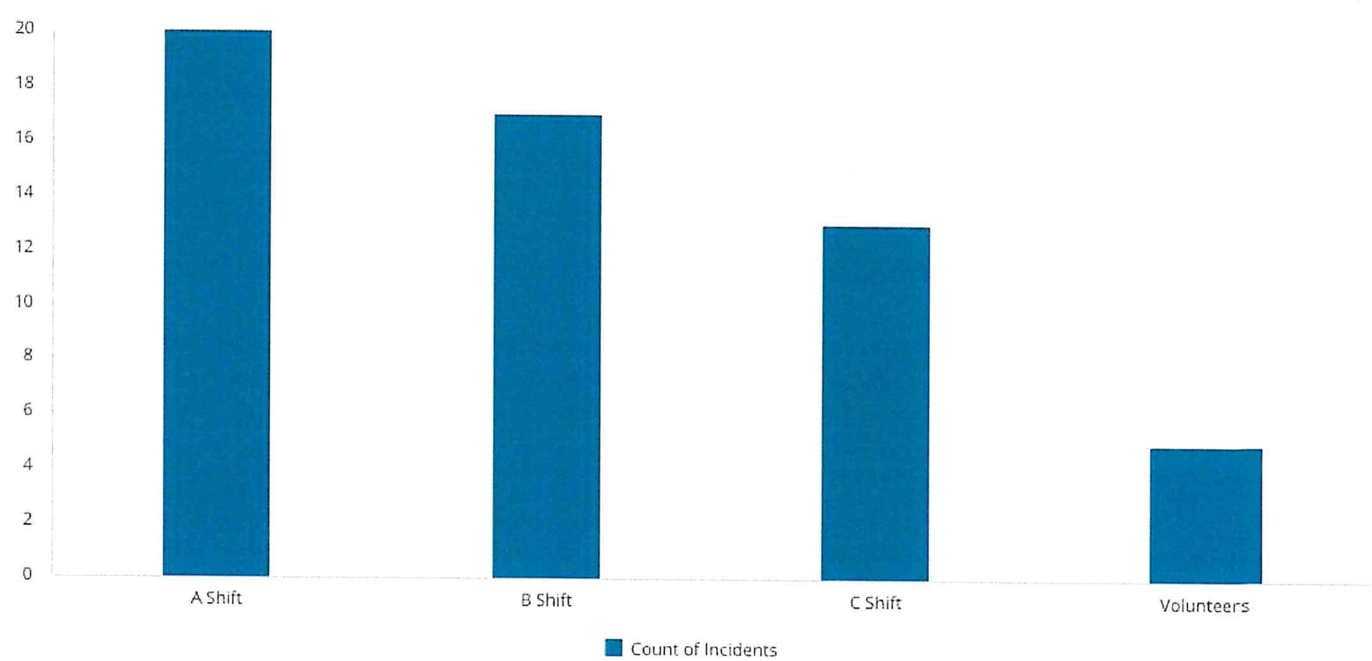
Percentage of Incident Type Group

Percentage of Incident Type Group

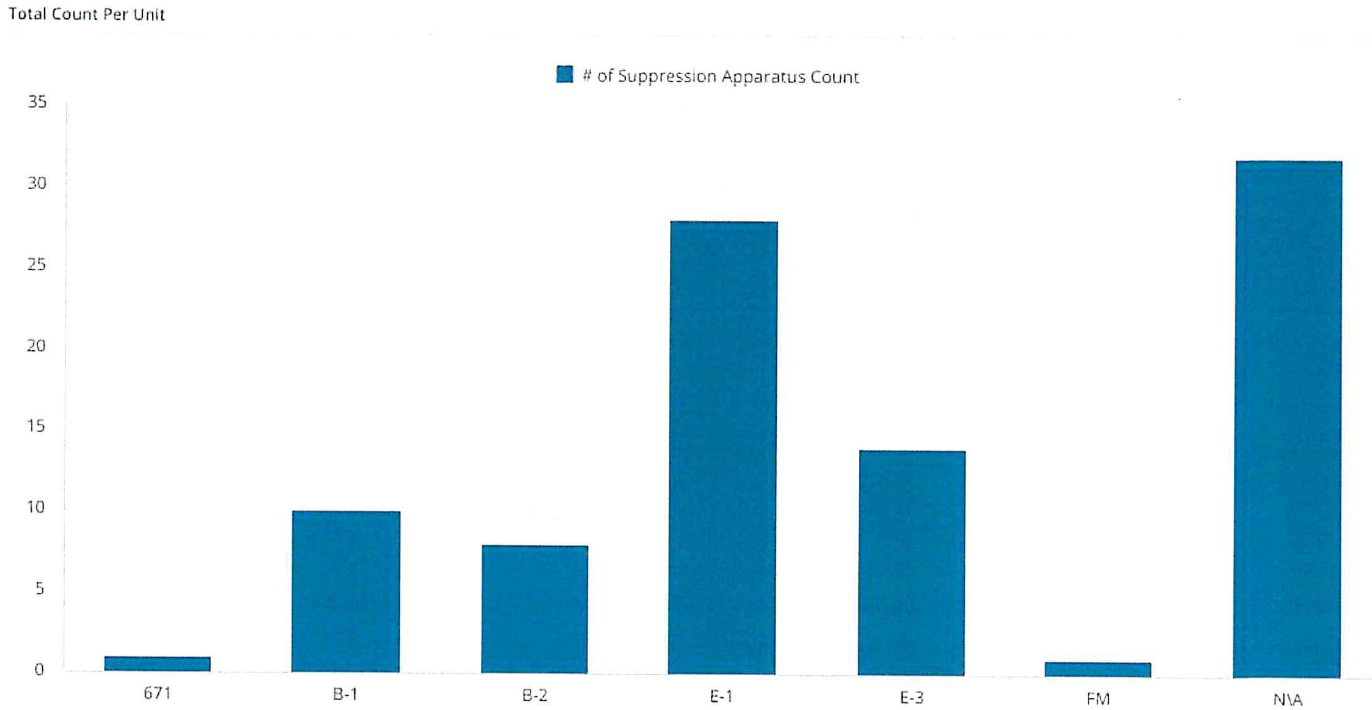


Incident Count by Shift

Incident Count by Shift



Total Count Per Unit



Count of Incidents by Type

Incident Type	Count of Incidents
Alarm system activation, no fire - unintentional	2
Animal problem, other	3
Animal rescue	1
Authorized controlled burning	1
Brush or brush-and-grass mixture fire	1
Cooking fire, confined to container	1
Emergency medical service incident, other	1
False alarm or false call, other	6
Fire in mobile home used as fixed residence	1
Fire, other	1
Gas leak (natural gas or LPG)	3
Good intent call, other	1
Grass fire	1
Hazardous condition, other	1
Malicious, mischievous false call, other	2
Medical assist, assist EMS crew	9
Mobile property (vehicle) fire, other	1
Motor vehicle accident with no injuries.	10
No incident found on arrival at dispatch address	1
Outside rubbish fire, other	1
Outside rubbish, trash or waste fire	1
Service Call, other	1
Steam, other gas mistaken for smoke, other	1
Trash or rubbish fire, contained	1
Unauthorized burning	3
Count of Incidents	55