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MERCEDES CITY COMMISSION  
REGULAR MEETING  
JUNE 16, 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 MISD Student Athletes
7. **Consent Agenda**
  - a. Approval of Minutes for Meeting(s) held May, 28, 2026 and June 2, 2026
8. **Management Items:** Present, discuss, consider and possibly take action regarding:
  - a. Discussion and Possible Action related to naming of street in honor of Dr. Hector P. Garcia
  - b. Consideration and possible action to appoint members to the Charter Review Commission pursuant to City Charter Section 9.09
9. **Ordinances/Resolutions**
  - a. First Reading of Ordinance 2026-15 Establishing the Capital Improvements Advisory Committee
  - 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 2026C (Drinking 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 2026-16)
  - c. Consideration and approval of a Resolution 2026-32 approving the Principal Forgiveness Agreement Drinking Water State Revolving Fund in the amount of \$7,234,647 and an Escrow Agreement relating thereto; and other matters in connection therewith (Resolution 2026-22)
10. **Bids/Contracts**
  - a. Discussion and Possible Action on the Cooperation Agreement between the County of Hidalgo and City of Mercedes for the Urban County Program Fiscal Years 2027-2029

**11. Monthly Departmental Reports**

- a. City Sec/HR, Planning, IT, Library, Recreation Center, Fire, Public Works

**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. Discussion regarding Project T2 - Section 551.087
- d. Consultation with Attorney regarding contracts for the Municipal Court Judge, City Prosecutor, City Manager, City Attorney, and Border Affairs - Section 551.071

**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
- d. Possible Action pertaining to executive session item D

**14. Adjournment**

Notice is hereby given that the City Commissioners of the City of Mercedes, Texas will meet in a Regular Meeting on Tuesday, June 16, 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 JUNE, 2026.

ATTEST:

  
\_\_\_\_\_  
Joselynn Castillo, City Secretary

Time of Posting: 6:30 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.**

**MERCEDES CITY COMMISSION  
JOINT MEETING  
MAY 28, 2026 – 6:00 PM  
DEVELOPMENT CORPORATION OF MERCEDES, INC.  
320 S. OHIO AVE., MERCEDES, TX 78570**

**MEMBERS PRESENT:**

**MEMBERS ABSENT:**

**STAFF PRESENT:**

Alberto Perez, City Manager  
Joselynn Castillo, City Secretary  
Martie Garcia Vela, City Attorney  
Meredith Hernandez, Interim 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 called the meeting to order at 6:19 P.M.

Marcos Garcia, DCM Board President called the meeting to order at 6:19 P.M.

**2. Establish Quorum**

Four members of the Commission were present, which constitutes a quorum.

Commissioner Martinez arrived during the Executive Session.

Four members of the Development Corporation of Mercedes were present, which constitutes a quorum.

**3. Invocation**

Roel Villanueva, DCM Board member, said the invocation.

**4. Pledge of Allegiance**

Lou Huerta, DCM Secretary led in the pledge of allegiance.

**5. Open Forum**

No one signed up for open forum.

**6. Management Items:** Present, discuss, consider and possibly take action regarding:

a. Discussion and Action on FY 26-27 Marketing Budget

No action was taken on the DCM Marketing Budget for FY 26-27.

**7. 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 Armando Garcia motioned to go into executive session. Mayor Pro-Tem Saldana seconded the motion. Upon a called vote, the motion passed unanimously. The meeting went into executive session at 6:39 P.M.

Marcos Garcia, DCM Board President, called the meeting into executive session at 6:39 P.M.

- a. Section 551.087: Economic development negotiations with Project A. Gonzalez, Project R. Lozano, Project N. Dossier, Project R30, Project Blue, Project J. San Miguel, Project A. Rosas, Project OG, Project Travel Center, Project Anchor, Project American Legion, Project Hinojosa, Project Trevino, Project Sanchez, Project Bert Ogden, Project Kamel, Project M30, Project Food, Project M. Rivera, Project PE, Project Petro, Project More, Project ZIWA, Project Gomez, Project Stay, Project ASHTI, Project Arts, Project QSR, Project 150, Project M2, Project Cruz, Project RGVLS, Project G. Schwarz, Project Coffee, Project Carwash, Project Rios and Project UT
- b. Section 551.072: Acquisition and Sale of Real Estate- BIXBY S735.5' - W862.43' IRR TR -S OF HWY 83 LOT 5 & AN IRR TR E202.58' -S665.51" LOT 6 17.338 AC GR 17.118 AC NET and MERCEDES LIGHT INDUSTRIAL PARK PH 1 Lot 8 BLK 1
- c. Section 551.071: pending legal issues, and on any regular agenda item requiring confidential, attorney-client advice necessitated by the deliberation or discussion of said item as needed.

**8. Open Session**

- a. Possible Action pertaining to executive session item A  
No Action was taken on executive session item A.
- b. Possible Action pertaining to executive session item B  
No Action was taken on executive session item B.
- c. Possible Action pertaining to executive session item C  
No Action was taken on executive session item C.

**9. Adjournment**

Mayor Montoya adjourned the meeting at 7:24 P.M.

[MIN\_SIGNATURES]

**MERCEDES CITY COMMISSION  
REGULAR MEETING  
JUNE 2, 2026 – 6:30 PM  
MERCEDES CITY HALL – COMMISSION CHAMBERS  
400 S. OHIO AVE., MERCEDES, TX 78570**

**MEMBERS PRESENT:** Mayor Oscar Montoya  
Commissioner Joe Martinez  
Mayor Pro-Tem Ruben Saldana  
Commissioner Rolando Garcia

**MEMBERS ABSENT:** Commissioner Armando Garcia

**STAFF PRESENT:** Alberto Perez, City Manager  
Joselynn Castillo, City Secretary  
Martie Garcia Vela, City Attorney  
Meredith Hernandez, Interim 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 called the meeting to order at 6:32 p.m. and welcomed those in attendance.

**2. Establish Quorum**

Mayor Montoya, Commissioner Martinez, and Commissioner Rolando Garcia were present, constituting a quorum. Mayor Pro-Tem Saldana arrived during the Proclamation item.

**3. Invocation**

Commissioner Rolando Garcia led the invocation.

**4. Pledge of Allegiance**

Commissioner Martinez led in the Pledge of Allegiance.

**5. Open Forum**

There were no residents signed up to speak during Open Forum.

**6. Presentation**

- a. Proclamation in recognition of the Mercedes UIL Academic Students  
Mayor Montoya emphasized the importance of academic achievement and read a proclamation recognizing Zachary Sanchez for his accomplishments in UIL writing. Mr. Sanchez briefly spoke about his journey and the efforts that led to his success. He also

acknowledged the support of his journalism teacher, Ms. Escamilla.

## **7. Consent Agenda**

### **a. Approval of Minutes for Meeting(s) held May 20, 2026**

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

## **8. Bids/Contracts**

### **a. Consideration and Action on the Preventative Maintenance Proposals for AC for the Dome, City Hall and Fire Department**

Mr. Perez stated that the item is a preventative maintenance agreement. Ms. Kristine Longoria noted that the company currently services the AC units at the Dome and is requesting to extend its services to include City Hall and the Fire Department. Commissioner Martinez made a motion to approve, which was seconded by Commissioner Rolando Garcia. Upon a called vote, the motion passed unanimously.

### **b. Discussion and Possible Action on the Compensation Study Agreement between the City of Mercedes and Dr. Marcos Garza**

Mr. Perez stated that the item was a follow-up to the previous meeting's presentation regarding a proposed contract for a one-year compensation study at \$5,500 per month to review employee salaries. Ms. Kristine Longoria added that Dr. Garza would begin Phase 1 at no cost to study employees. In response to questions regarding the total cost for the year, Mr. Perez explained that the study aims to develop a compensation structure that considers employee tenure and workload, and to remain competitive in order to reduce employee turnover. The scope of work includes a compensation study, pay structure development, an initial compensation framework, and a leadership review session, as well as the development of a training and development program. After discussion, Commissioner Martinez made a motion to instruct the City Manager to solicit RFQs for the compensation study. Commissioner Rolando Garcia seconded the motion. Upon a called vote, the motion passed 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. Commissioner Rolando Garcia seconded the motion. Upon a called vote, the motion passed unanimously. The meeting entered Executive Session at 6:58 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 Economic Development Projects - Section 551.087

## **10. Open Session**

Mayor Montoya reconvened the meeting at 8:05 p.m.

a. Possible Action pertaining to executive session item A  
No action taken on item A.

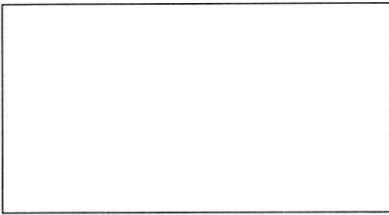
b. Possible Action pertaining to executive session item B  
No action taken on item B.

c. Possible Action pertaining to executive session item C  
No action taken on item C.

**11. Adjournment**

Commissioner Martinez made a motion to adjourn. Commissioner Rolando Garcia seconded the motion. Upon a called vote, the motion passed unanimously. The meeting adjourned at 8:06 p.m.

[MIN\_SIGNATURES]



**Agenda Item Request**

**Deadline for submission: Wednesday at 2 o'clock on the week prior to the Council Meeting.**

Requestor Name: \_\_\_\_\_ Co-Requestor: \_\_\_\_\_

Telephone No. (for clarifications) \_\_\_\_\_

Meeting Date: \_\_\_\_\_

Agenda Topic: \_\_\_\_\_

Request (please be specific)

Attachments: Yes \_\_\_\_\_ No \_\_\_\_\_

Notes such as changes to meeting dates, cancelation of request, etc. (Please Initial)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Co-signature

## **Dr. Hector P. Garcia Street Renaming Committee Report**

### **I. Purpose of Report**

The purpose of this report is to provide the City of Mercedes Commission with information and findings relating to the Dr. Hector P. Garcia Street Renaming Proposal, as authorized by the City Commission on April 7, 2026.

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### **II. Presented By**

Dr. Hector P. Garcia Street Renaming Committee

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### **III. Purpose of Committee**

The Dr. Hector P. Garcia Street Renaming Committee was established by the City Commission on April 7, 2026, to explore potential options relating to the renaming or memorial designation of a street in honor of Dr. Hector P. Garcia.

The committee met on multiple occasions to discuss potential street options, evaluate impacts and feasibility, and gather public input through a community survey. The results and findings of those efforts are summarized within this report.

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### **IV. Committee Membership**

The following individuals served on the committee:

- Dr. Ruben Saldana – Mayor Pro Tem
  - Skyler Howell – Citizen Representative
  - Marisol Vidales – Library Director, Historic Preservation Officer, and Communications
  - Joselynn Castillo – City Secretary
  - Denisse Hernandez – Planning Director
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### **V. Meeting Dates**

The Dr. Hector P. Garcia Street Renaming Committee met on the following dates:

- April 20, 2026 at 10:00 AM
- April 27, 2026 at 10:00 AM
- May 11, 2026 at 10:00 AM
- May 27, 2026 at 10:00 AM

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## VI. Summary of Public Survey

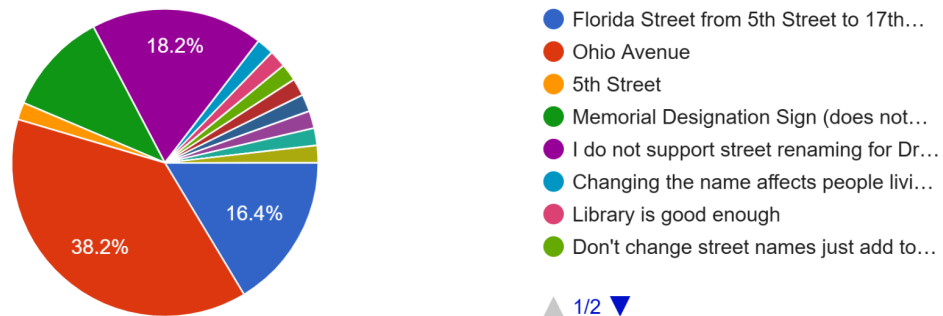
To assist in gathering community input, the committee developed and distributed a public survey regarding the potential renaming or memorial designation of a street in honor of Dr. Hector P. Garcia.

The survey was promoted through social media platforms and local media coverage, including Channel 5 News.

*The results of the survey are as follows:*

Please select an option below

55 responses



The survey received a total of 55 responses.

Of the 55 responses received:

- 40 respondents expressed support for a street renaming or memorial designation in some capacity.
- 15 respondents expressed opposition or alternative viewpoints regarding the initiative.

This represents approximately 72% support among survey participants.

### **A. Breakdown of Responses Opposing or Questioning the Initiative**

Among the 15 responses not supporting a street renaming:

- 10 respondents selected the general opposition option
- 1 respondent expressed concern regarding impacts to residents living on affected streets
- 1 respondent stated that the existing library designation was sufficient recognition
- 1 respondent selected “none”
- 1 respondent suggested honoring a different individual
- 1 respondent commented to prioritize street and infrastructure improvements

### **B. Preferred Street Options**

Among the street options presented in the survey:

- Ohio Street received the highest level of support, with 21 responses (38.2%)
- Florida Street received the second highest level of support, with 9 responses (16.4%)

Additional responses included:

- 6 votes supporting a ceremonial or memorial designation
- 1 vote for W. 5th Street
- 1 vote for Mile 1 East
- 1 vote suggesting Francis, Garza, and Matthews Streets
- 1 vote recommending a future subdivision street

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## **VII. Potential Options Considered**

Based on committee discussions and public survey feedback, the committee identified the following options for consideration by the City Commission:

### **1. Ohio Street**

*(Possible Memorial Designation)*

**Potential Benefits:**

- High-profile corridor providing significant public visibility
- Includes several prominent civic and community landmarks, including:
  - Dr. Hector P. Garcia Memorial Library
  - Mercedes City Hall
  - Mercedes Police Department
  - Historic City Hall
  - American Legion
  - American Rio Grande Land and Irrigation Company building
  - Borderland Hardware
  - H-E-B
- Received the highest level of public support within the survey
- Provides opportunities for future community engagement activities, including unveiling ceremonies and commemorative events

**Impact Analysis:**

- (71 homes, 15 businesses, 10 public entities, and 35 new road signs)

***Committee Notation***

A memorial designation is an honorary naming designation placed upon a roadway or intersection to recognize a deceased individual, military service member, or historically significant figure. Importantly, a memorial designation does not change the official legal street name or property addresses.

Utilizing a memorial designation may help avoid many of the logistical challenges associated with a formal street renaming for both the City and residents.

Additionally, a memorial designation may significantly reduce implementation costs while also allowing for a more targeted and flexible recognition area.

**2. Florida Street**

*(Possible Memorial Designation)*

**Potential Benefits:**

- Connects Dr. Hector P. Garcia’s legacy to Mercedes High School, where he graduated in 1932
- Lower overall impact on homes and businesses compared to other options

- Includes approximately:
  - 5 intersections
  - 13 street signs
  - 28 residential properties, in addition to Mercedes High School
- Provides opportunities for future community engagement activities, including unveiling ceremonies and commemorative events

**Impact Analysis:**

- (5 intersections, 13 signs, 28 homes, Mercedes High School)

***Committee Notation***

A memorial designation is an honorary naming designation placed upon a roadway or intersection to recognize a deceased individual, military service member, or historically significant figure. Importantly, a memorial designation does not change the official legal street name or property addresses.

Utilizing a memorial designation may help avoid many of the logistical challenges associated with a formal street renaming for both the City and residents.

Additionally, a memorial designation may significantly reduce implementation costs while also allowing for a more targeted and flexible recognition area.

**3. No Street Renaming or Memorial Designation**

**Considerations:**

- Avoids potential confusion regarding street locations and addressing
- Avoids potential costs associated with signage, addressing updates, and implementation logistics
- Dr. Hector P. Garcia would continue to remain recognized through the Dr. Hector P. Garcia Memorial Library

**Impact Analysis:**

- none

## **VIII. Conclusion**

The Dr. Hector P. Garcia Street Renaming Committee appreciates the opportunity provided by the City Commission to explore potential options relating to the recognition of Dr. Hector P. Garcia within the City of Mercedes.

Through committee discussions, public engagement efforts, and survey feedback, the committee gathered information intended to assist the City Commission in evaluating potential paths forward regarding this initiative. The committee believes the public input process provided valuable community perspective while also helping identify considerations relating to visibility, historical significance, logistical impacts, and community support.

Dr. Hector P. Garcia's legacy as a civil rights leader, physician, veteran, and Mercedes High School graduate continues to represent an important part of both local and national history. The committee respectfully submits this report to the City Commission for consideration and any future direction the Commission may deem appropriate.

## Dr. Hector P. Garcia Street Renaming

### Option 1: Florida Street from 5<sup>th</sup> Street South to City Limit

#### Pros:

1. Lesser impact on homes/businesses. (5 intersections, 13 signs, 28 homes plus MHS)
2. Connects Dr. HPG to Mercedes High School by naming street

#### Cons:

1. Still affects a moderate amount of homes and intersections.

### Option 2: Ohio Street

#### Pros:

1. High profile street that will provide a high level of visibility.
2. Includes prominent city entities, including Dr. Hector P. Garcia Memorial Library, City Hall, Mercedes Police Department, Historic City Hall, American Legion, Historic Hidalgo/Cameron County Irrigation District Building, Borderland Hardware, HEB.

#### Cons:

1. High impact option. Affects 95 homes & business, including 71 homes, 15 businesses, and 10 public entities
2. Would require 35 new road signs

### Option 3: Texas Street

#### Pros:

1. Highest Profile street

#### Cons:

1. Highest impact option, affecting a high level of businesses and homes (numbers pending)
2. Would require 40 new city signs and multiple state interstate signs that could run from \$50,000 to \$100,000 to update with with Dr. HPG.

### Option 4: 5<sup>th</sup> Street

#### Pros:

1. Lowest impact option, minimal disruption to business and residences.

#### Cons:

1. Low visibility, limited in scope.
2. Disjoints 5<sup>th</sup> Street.

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**DATE:** June 16, 2026  
**FROM:** Denisse Hernandez, Planning Director  
**ITEM:** **Discussion and possible action to First Reading of Ordinance 2026-15  
Establishing the Capital Improvements Advisory Committee**

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**BACKGROUND INFORMATION:**

**Ordinance No. 2026-15** formally establishes a **Capital Improvements Advisory Committee (CIAC)** for the City of Mercedes. This committee is created to strictly comply with Chapter 395 of the Texas Local Government Code, which mandates an advisory board to oversee the planning, implementation, and administration of municipal impact fees driven by city growth.

Key Components of the Ordinance

1. Purpose and Authority (Section I)

- **Compliance:** The sole purpose of the chapter is to fulfill the statutory requirements of Chapter 395 of the Texas Local Government Code concerning impact fees.
- **Legal Standing:** The ordinance is enacted under the authority of the Texas Constitution, the City Charter, and Chapters 395, 42, and 51–54 of the Texas Local Government Code.

2. Committee Composition & Membership Requirements (Section II)

- **Size & Compensation:** The CIAC will consist of **not less than five (5) members** appointed by a majority vote of the City Commission. Members serve indefinite terms without financial compensation and can be replaced at any time.
- **Development Industry Representation:** In compliance with state law, **at least 50% of the committee** must be representatives from the real estate, development, or building industries who are not otherwise government employees or officials.
- **Residency:** All other members must reside within the Mercedes city limits. If impact fees are applied to the extraterritorial jurisdiction (ETJ), at least one representative must be from the ETJ.
- **Leadership & Staff Roles:** The committee will select its own Chairperson. The **City Manager** and **Planning Director** are designated as *ex officio* members; they possess the same participation rights as standard members but **cannot vote**, make motions, or count

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toward the total member count.

### 3. Procedural & Operational Rules (Section III)

- **Advisory Status:** The CIAC functions strictly in an advisory capacity to the City Commission.
- **Quorum & Voting:** A quorum requires **four (4) members**. Voting by proxy is prohibited. Members can participate and vote in person or via a two-way speakerphone.
- **Standards of Conduct:** Committee members are legally subject to the exact same conflict-of-interest, nepotism, public-meetings (Open Meetings Act), and public-records transparency standards as the City Commission itself.
- **Reporting Schedule:** The CIAC is required to submit formal statutory progress and advisory reports to the City Commission twice a year, specifically in **September and March**.
- **Financial Controls:** The CIAC has no independent budget authority; no expenditures can be made without prior written authorization from the City Manager.

#### **BOARD REVIEW/CITIZEN FEEDBACK:**

#### **ALTERNATIVES/OPTIONS:**

#### **FISCAL IMPACT:** (Total Costs)

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

**Finance Review by:** Not Applicable

#### **LEGAL REVIEW:**

#### **ATTACHMENTS:**

1. ORDINANCE NO CAPITAL IMPROVEMENTS ADVISORY COMMITTEE

**STAFF RECOMMENDATION:** Staff recommends APPROVAL of Ordinance No. 2026-15 to formally establish the Capital Improvements Advisory Committee (CIAC). This action is the mandatory first legal step under Texas Local Government Code Chapter 395, allowing the City of Mercedes to move forward with the development, implementation, and collection of impact fees for future infrastructure growth.

**ORDINANCE NO. 2026-15**

**AN ORDINANCE OF THE CITY OF MERCEDES, TEXAS, ESTABLISHING A CAPITAL IMPROVEMENTS ADVISORY COMMITTEE (CIAC); DEFINING ITS PURPOSE, AUTHORITY, MEMBERSHIP, AND PROCEDURAL RULES PURSUANT TO CHAPTER 395 OF THE TEXAS LOCAL GOVERNMENT CODE CONCERNING IMPACT FEES; AND DECLARING PROVISIONS TO PROTECT THE PUBLIC HEALTH, SAFETY, AND WELFARE.**

**WHEREAS**, the City of Mercedes is experiencing ongoing growth and development, which necessitates the careful planning, funding, and construction of new public infrastructure and capital improvements; and

**WHEREAS**, the City Commission of the City of Mercedes is authorized by the Constitution and laws of the State of Texas, including Chapters 395, 42, and 51 through 54 of the Texas Local Government Code, as well as the City Charter, to adopt and administer impact fees to assist in funding these necessary capital improvements; and

**WHEREAS**, Chapter 395 of the Texas Local Government Code mandates that a political subdivision considering or imposing impact fees must appoint a Capital Improvements Advisory Committee (CIAC) to advise the governing body regarding land use assumptions, capital improvement plans, and the imposition of such fees; and

**WHEREAS**, the City Commission desires to formally establish this Committee, define its membership criteria, and establish procedural rules to ensure its operations strictly comply with state law; and

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

**SECTION I. PURPOSE AND AUTHORITY.**

- (a) The purpose of this chapter is to comply with Chapter 395 of the Texas Local Government Code regarding the adoption and administration of impact fees.
- (b) This chapter is adopted pursuant to the authority granted by the Constitution and laws of the State of Texas, including Chapters 395, 42, and 51 through 54 of the Texas Local Government Code and the City Charter of the City of Mercedes.

**SECTION II. CREATED.**

- (a) The CIAC is composed of not less than five members, who shall be appointed by a majority vote of the city commission for indefinite terms, who may be replaced at any time by a majority vote of the city commission, and who shall serve without compensation.
- (b) If the impact fees is to be applied in the extraterritorial jurisdiction, the membership must include a representative from that area.
- (c) Not less than 50 percent of the membership of the CIAC must be representatives of the real estate, development, or building industries who are not employees or officials of a political subdivision or governmental entity (other than being a member of this CIAC).
- (d) All other members of the CIAC must reside inside Mercedes city limits.

- (e) One member of the CIAC shall be selected by the CIAC membership to serve as the CIAC Chairman.
- (f) The city manager and planning director have ex officio status. Neither the city manager nor the planning director may vote, make motions, or be counted as one of the seven members. However, in all other respects they have the same rights as the seven members.
- (g) The city shall make available to the CIAC any professional reports with respect to developing and implementing the capital improvements plan.

**SECTION III. PROCEDURAL RULES.**

- (a) This section constitutes the procedural rules required under V.T.C.A., Local Government Code § 395.058(e). The CIAC shall follow these rules in carrying out its duties.
- (b) The CIAC serves in an advisory capacity and shall have only the authority granted to it by those provisions of state law or city ordinance which mention the CIAC by name.
- (c) The CIAC shall not hold any meeting during any period when it is out of compliance with section 314-20(c) or (d).
- (d) A quorum shall consist of four members. Voting by proxy is not allowed. Each member attending a CIAC meeting in person or by two-way speakerphone shall be eligible to vote in the absence of a conflict of interest.
- (e) The CIAC and each of its members shall be subject to the same conflict-of-interest, nepotism, public-meetings, public-records, and other due-process standards as the city commission.
- (f) The CIAC shall select from its membership a secretary and at least one vice-chair. A CIAC meeting may be called by any CIAC officer or by the city manager.
- (g) Whenever the CIAC submits a report, advice, or comments to the city commission, that submission may take the form of one majority report, seven minority reports, or any combination or variant thereof. The preferred format is one majority report.
- (h) In September and March of each year, the CIAC shall submit a report under V.T.C.A., Local Government Code § 395.058(c)(4).
- (i) No expenditure shall be made by the CIAC without the prior written authorization from the city manager.
- (j) After holding a public hearing advertised at least 72 hours in advance in a newspaper of general circulation, a supermajority vote of the CIAC may adopt and enforce the CIAC rules as previously promulgated by ordinance of the city commission, for the purpose of more efficiently carrying out its duties.

**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 16TH DAY OF JUNE IN THE YEAR OF OUR LORD, 2026.**

**1st Reading: June 16, 2026**

**2nd Reading: July 7, 2026**

**CITY OF MERCEDES:**

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**Oscar D. Montoya, Mayor**

**ATTEST:**

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**Joselynn Castillo**  
**City Secretary**

**APPROVED AS TO FORM:**

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**Martie Garcia Vela**  
**City Attorney**

**An Ordinance authorizing the issuance of “City Of Mercedes, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation Series 2026C (Drinking 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 \$12,000,000 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 (1<sup>st</sup>) 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 \$11,780,000 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 ELEVEN MILLION SEVEN HUNDRED EIGHTY THOUSAND AND NO/100 DOLLARS (\$11,780,000), to be designated and bear the title of “CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026C (DRINKING 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 June 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:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2027	220,000	
2028	255,000	
2029	265,000	
2030	275,000	
2031	285,000	
2032	295,000	
2033	300,000	
2034	310,000	
2035	325,000	
2036	335,000	
2037	345,000	
2038	355,000	
2039	370,000	
2040	380,000	
2041	390,000	
2042	405,000	
2043	420,000	
2044	435,000	
2045	445,000	
2046	460,000	
2047	475,000	
2048	495,000	
2049	510,000	
2050	525,000	
2051	545,000	
2052	560,000	
2053	580,000	
2054	600,000	
2055	620,000	

The Certificates shall bear interest on the unpaid principal amounts from the Closing Date (anticipated to occur on July 21, 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 February 15, 2027 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 *Holder*s) 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. 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 August 15, 2036, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

B. 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.

C. 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.

D. 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.

E. 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 \$ 11,780,000 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.

*[The remainder of this page intentionally left blank.]*

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 2026C  
(DRINKING WATER STATE REVOLVING FUND)

Certificate Date:                      Interest Rate:                      Stated Maturity:                      CUSIP No.  
June 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 July 21, 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 February 15, 2027.

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 \$11,780,000 (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 and after February 15, 2037 may be redeemed prior to their Stated Maturity, at the option of the City, on August 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 §  
THE STATE OF TEXAS § REGISTER NO. \_\_\_\_\_  
§

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:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
-------------------------------------	-----------------------------------	-------------------------------

(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 July 21, 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 February 15, 2027.

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 \$11,780,000 “CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026C (DRINKING 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 *Holder*s 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 February 15, 2027, 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, 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 *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.

Z. 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) CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A”, dated February 1, 2026, in the original principal amount of \$13,755,000;

(2) CITY OF MERCEDES, TEXAS COMBINATION TAX AND SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026B”, dated February 1, 2026, in the original principal amount of \$105,000;

(3) Upon issuance, the 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.

AA. 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 2026C (DRINKING 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 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 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 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 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 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 \$ \_\_\_\_\_.00 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 DRINKING 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 City. 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 yield 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 City 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' Drinking Water State Revolving Fund Program Rules, the City 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. If the financial assistance 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 approved in the TWDB's resolution.

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 City.;

C. The commitment of the TWDB to purchase the Certificates is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371.

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 City 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 City 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 City 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 City 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 City shall submit a final accounting and disposition of any unused funds. In determining "remaining unused funds", the City 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 City on money in the Construction Fund.

H. The City 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 City when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The City 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 City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project.

L. Prior to the Closing Date, the City 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.

M. Prior to the Closing Date, and if not previously provided with the application, the City 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 must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.

N. Prior to the Closing Date, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB. The Escrow Agreement is authorized herein pursuant to Section 41 and attached hereto, in substantially final form, as Exhibit B.

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

P. The TWDB retains the option to purchase the Certificates in separate lots or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Certificates as approved by the Executive Administrator.

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

R. The City 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.

S. The City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code §1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

T. The City will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

U. Prior to the Closing Date, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

V. The City'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 City when rendering this opinion.

W. 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 City when rendering this opinion.

X. The City 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.

Y. 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.

Z. The City 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.

AA. The City 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.

BB. The City 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.

CC. The closing transcript of the City shall contain a “No Arbitrage Certificate” or similar “Federal Tax Certificate” setting forth the City’s reasonable expectations regarding the use, expenditure and investment of the proceeds of the Certificates.

DD. The City 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”).

EE. 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.

FF. Neither the City 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 City by the TWDB.

GG. The City's federal tax certificate shall provide that the weighted average maturity of the Certificates purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

HH. The City 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.

II. 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 City, 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 City 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.

JJ. The City 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 City 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.

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

LL. The City 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 §371.4 and related State Revolving Fund Policy Guidelines.

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

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

OO. Prior to or on the Closing Date, the City 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;

PP. Prior to the Closing Date, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Certificates.

QQ. Prior to the Closing Date, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.

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.

*[The remainder of this page intentionally left blank.]*

PASSED, APPROVED, AND ADOPTED on the 16th day of June, 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
Exhibit B .....	Escrow Agreement
Exhibit C .....	DTC Letter of Representations
Exhibit D .....	Description of Annual Financial Information
Exhibit E.....	General Policies and Procedures Concerning Compliance with the Rule

**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

**A Resolution approving the Principal Forgiveness Agreement Drinking Water State Revolving Fund in the amount of \$7,234,647 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 Drinking 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 Drinking 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 16th day of June, 2026.

CITY OF MERCEDES, TEXAS

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Secretary

(CITY SEAL)

**EXHIBIT A**

**PRINCIPAL FORGIVENESS AGREEMENT  
DRINKING WATER STATE REVOLVING FUND**

SEE TAB NO. \_\_

**EXHIBIT B**

ESCROW AGREEMENT

SEE TAB NO. \_\_



# HIDALGO COUNTY URBAN COUNTY PROGRAM

May 29, 2026

Honorable Mayor  
PO Box 837  
Mercedes, TX 78570

Certificate Receipt # 9589 0710 5270 2672 2834 05

RE: URBAN COUNTY PARTICIPATION DECISION LETTER FOR FISCAL YEARS 2024-2026

Dear Mayor,

Pursuant to the HUD CPD-26-08 Notice regarding instructions for Urban County qualification, the County of Hidalgo is proceeding to re-qualify to receive Urban County designation as defined by the U.S. Department of Housing and Urban Development for the **fiscal years 2027-2029**. The process begins with the transmittal of this letter. As part of the process, the County of Hidalgo hereby notifies your City of the following:

1. The County of Hidalgo possesses the essential powers to carry out community development and housing assistance activities within your City without the consent of the governing body of your City.
  - a. The City may continue participating with the Urban County as a Unit of General Local Government (UGLG) by renewing the Cooperation Agreement for the upcoming qualification period.
  - b. The City may opt out of being a participating UGLG with the Urban County by terminating or not renewing the Cooperation Agreement for the upcoming qualification period. After opting out, the City may be eligible to apply to the State's Small Cities Program for funding of Community Development Block Grant funds.
2. If the City continues as a participating UGLG of the Urban County, the Cooperation Agreement shall be for a **(3)- year period (2027-2029)** and will not be eligible for funding under the State's Small Cities Program.
  - a. In continuing participation with the Urban County, the City will automatically participate in the HOME Investment Partnership Program (HOME) and Emergency Solutions Grant Program (ESG) through the Urban County, and this does not preclude the City from applying to the State for HOME funds or ESG funds, if the State allows it.
3. If the City agrees to continue participation with the Urban County, the City agrees to execute a Cooperation Agreement allowing the County to use the City's population for the Urban County designation population requirements, and agrees to sign annual agreements for the administration of Urban County funds.

1916 TESORO STREET □ PHARR, TEXAS 78577 □ (956) 787-8127 FAX: (956) 318-2988  
E-mail: [ucp@co.hidalgo.tx.us](mailto:ucp@co.hidalgo.tx.us)

**Equal Housing Opportunity  
Equal Employment Opportunity Employer**



## HIDALGO COUNTY URBAN COUNTY PROGRAM

Please be advised that any UGLG that chooses to opt out participating with the Urban County must notify the County of Hidalgo and the U.S. Department of Housing and Urban Development. Please note that said notification must be made to the County of Hidalgo, to the attention of Joel Rivera, Urban County Program Director, 1916 Tesoro Street, Pharr, Texas 78577. Notification to the U.S. Department of Housing and Urban Development must be made to Valarie M. Reed-Sweed, CPD Director, H.F. Garcia Federal Bldg/US Courthouse, 615 E. Houston Street, Suite 347, San Antonio, TX 78205. This notification must be done in writing no later than **July 7, 2026**.

In accordance with HUD Notice CPD-26-08, in relevant part, the Notice has changed HUD's policy on "auto-renewal" of cooperation agreements effective FY 2027. The new policy limits automatic renewals. Because the previous Cooperation Agreement between the City and the County lacked a defined termination date, the City is hereby notified that the prospective cooperation agreement three (3) year term may only automatically renew for a maximum of one successive three-year qualification period (for a total lifecycle of six (6) fiscal years) before it must be formally reauthorized and re-executed. The City's governing body must take formal action to approve the Cooperation Agreement. Proof of approval must be submitted to the Urban County Program no later than **June 22, 2026, at 5:00 P.M.** Please submit one set of the originally executed Cooperation Agreement (in blue ink) along with the City Secretary's Excerpts/Minutes.

If you have any questions, please do not hesitate to call Steven de la Garza, Urban County Deputy Director, or me at (956) 787-8127.

Respectfully submitted,

Joel Rivera, PhD.  
Urban County Director

cc: Administration file

1916 TESORO STREET □ PHARR, TEXAS 78577 □ (956) 787-8127 FAX: (956) 318-2988  
E-mail: [ucp@co.hidalgo.tx.us](mailto:ucp@co.hidalgo.tx.us)

**Equal Housing Opportunity  
Equal Employment Opportunity Employer**

STATE OF TEXAS           §  
  §  
COUNTY OF HIDALGO    §

**COOPERATION AGREEMENT**

**THIS AGREEMENT**, made and entered into by and between the County of Hidalgo, a political subdivision of the State of Texas, hereafter referred to as “County” and the **City of Mercedes** , a municipal corporation under the laws of the State of Texas, hereafter sometimes referred to as the "City".

**WITNESSETH**

**WHEREAS**, The City has elected to continue participating with the Urban County as a Unit of General Local Government (UGLG), and have its population included as a portion of that population of the County in the County's "Urban County" application to the U.S. Department of Housing and Urban Development for the thirty-seven, thirty-eight, and thirty-nine year's funding for the Community Development Block Grant Program, said application being hereinafter sometimes referred to as the "Grant Application"; and

**WHEREAS**, the County is willing to include all of the City's population in the Grant Application; and

**WHEREAS**, the 93rd Session of the Congress passed and the President of the United States signed into law, the Housing and Community Development Act of 1974 for the specific purpose of developing viable communities; and

**WHEREAS**, Hidalgo County desires to continue the designation as an "Urban County" by the Department of Housing and Urban Development in order to receive a formula share of program funds provided said County has an appropriate population under the enabling legislation in its unincorporated areas and its included UGLG(s) with which it has entered cooperation agreements; and

**WHEREAS**, the Hidalgo County Judge is authorized to execute this Agreement on the County’s behalf; and

**WHEREAS**, the Mayor of the City is authorized to execute this Agreement on behalf of the City; and

**WHEREAS**, Article III, Section 64 of the Texas Constitution authorizes Texas counties to enter into cooperation agreements with local governments for essential Community Development and Housing Assistance activities.

**NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:** That the County and the City do mutually agree as follows:

### **SECTION I**

The City agrees to allow the County to include the City's population for a formula share of entitlement program funds through the Department of Housing and Urban Development's Community Development Block Grant Program, the HOME Investment Partnership Program and Emergency Solutions Grants (ESG) Programs and other funding as may be authorized by HUD and included in the County's Consolidated Plan Strategy. The City and County agree to include the same in the Grant Application.

By executing this agreement, the City understands that it may not apply for grants under the Small Cities or State CDBG Programs from appropriations for the same fiscal years during the period in which it is participating in the County's CDBG Program; and it may not participate in a HOME consortium except through the County, regardless of whether the County receives a HOME formula allocation. The County or the City may apply for HOME and ESG funds from the State, as permissible.

### **SECTION II**

The County and the City agree to cooperate and undertake, or assist in the undertaking of essential community development and housing assistance activities, community renewal and lower income housing assistance activities, specifically urban renewal and public housing activities pursuant to this Agreement, including the Consolidation Plan. Such activities include but are not limited to those activities included in the Annual One Year Action Plan contained in the Consolidated Plan Strategy as required under 24 CFR Part 570 and approved by the Department of Housing and Urban Development which is on file at the Urban County Program office and which may be amended in the future.

### **SECTION III**

The City and County agree to take all actions deemed necessary by the county, in its sole discretion, to assure compliance with the Hidalgo County's certification as an urban county required by Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, that the grant will be conducted and administered in conformity with; Title VI of the Civil Rights Act of 1964, and the implementing regulations at 24 CFR part 1; the Fair Housing Act and the implementing regulations at 24 CFR part 100 and will comply with the obligation to affirmatively further fair housing; 24 CFR § 91.225(a) and Affirmatively Furthering Fair Housing Definitions and Certifications (86 FR 30779, June 10, 2021, to be codified at 24 CFR 5.152, available at [www.federalregister.gov/documents/2021/06/10/2021-12114/restoring-affirmatively-furthering-fair-housing-definitions-and-certification](http://www.federalregister.gov/documents/2021/06/10/2021-12114/restoring-affirmatively-furthering-fair-housing-definitions-and-certification); and comply with section 109 of Title I of the Housing Community Development Act of 1974 and implementing regulations at 24 CFR part

6 which incorporates Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR part 8, Title II of the Americans with Disabilities Act, and the implementing regulations at 28 CFR part 35 and the Age Discrimination Act of 1975 and implementing regulations at 24 CFR part 146 and Section 3 of the Housing and Urban Development Act of 1968 and/or meet any and all other requirements of the CDBG, HOME, ESG Programs and other applicable laws (e.g. National Environmental Policy Act, Uniform Relocation and Real Property Policies Act of 1970 and implementing regulations at 49 CFR Part 24; Section 104(d) of the Housing and Community Development Act of 1974 and implementing regulations at 24 CFR Part 42).

Furthermore, the City and County agree that Urban County funding in no event will be used for activities in, or in support of, any cooperating UGLG that impedes the County's actions to comply with the County's action to comply with its fair housing certification, civil rights obligations, and duty to affirmatively further fair housing.

It is further understood by both parties that noncompliance by the City may constitute noncompliance by the grantee (i.e., the entire urban county) which may provide cause for funding sanctions or other remedial actions by the Department of Housing and Urban Development.

#### SECTION IV

The City agrees to give the County authority to carry out activities which will be funded from the Annual Action Plan and the Consolidated Plan Strategy funding which includes Community Development Block Grant, HOME, and ESG Program funds from Federal **Fiscal Years 2027, 2028, and 2029** appropriations and from any program income generated from the expenditure of such funds, including such additional time as may be required for the expenditure of any such funds granted to the participating unit of local government. The City agrees to inform the County of any income generated by the expenditure of Consolidated Plan Strategy Program funds received by the City.

It is expressly understood by City that such program income must be paid to the County unless the City has been authorized by prior written agreement with County to retain such program income and that the City must use such funds only for eligible activities in accordance with all applicable Program guidelines and requirements. It is further understood by City that the County has full responsibility for monitoring and reporting to the Department of Housing and Urban Development on the use of any such program income and that in the event of close-out, City's change of status or the discontinued use of Program funds for approved activities, any program income that is on hand or received subsequent to the close-out or change of status shall be paid to County.

#### SECTION V

The County and City have adopted and are enforcing a policy which prohibits the use of excessive force by law enforcement agencies within its jurisdiction against individuals engaged in non-violent civil rights demonstrations; and a policy of enforcing applicable state and local laws against physically barring entrance to or exit from a facility or location which is the subject of non-violent

civil rights demonstrations within its jurisdiction.

## SECTION VI

The City agrees to notify the County on a timely basis of any modification or change in the use of any real property acquired with any federal funds from the Urban County Program from any fiscal year from that planned at the time of acquisition or improvement including disposition. The City agrees to reimburse the County in an amount equal to the current fair market value (less any portion thereof attributable to expenditures of non-federal funds) of property acquired or improved with federal funds from the Urban County Program that is sold or transferred for a use which does not qualify under the Program regulations of any program included in the Consolidated Plan Strategy. Provisions will be established by the County for treatment of this cooperation and/or subrecipient agreement between the County and City.

## SECTION VII

All activities to be carried out with annual CDBG, HOME, and ESG funds and other Consolidated Plan Strategy Programs funds, should the Grant Application be approved, will be authorized and shall remain in effect for a three (3) year program period of Federal **Fiscal Years 2027 , 2028, and 2029** , and until funds granted and program income received during the three-year period are expended and the funded activities completed. Neither the County nor the City may terminate, withdraw or be removed from the program during the three-year program period.

This Agreement will renew automatically for participation for on successive three-year Urban County qualification period (Federal Fiscal years 2030, 2031, 2032), unless the City or the County provide written notice to the other party that it elects not to participate in the new qualification period. The terminating party shall send a copy to the HUD field office by the date specified on the HUD Exchange Urban Counties website. The County will notify the City in writing of the City's right to make this election. A copy of the County's notification must be sent to the HUD field office by the date specified on the HUD Exchange Urban Counties website.

## SECTION VIII

The County has final responsibility for selecting CDBG, HOME and ESG activities and submitting the Consolidated Plan to HUD. In addition, nothing contained in this Agreement shall deprive any municipality or other unit of government of any powers of zoning, development control, or other lawful authority, which it presently possesses.

## SECTION IX

County or City may not sell, trade or otherwise transfer all or any portion of such funds to a metropolitan city, urban county, unit of general local government, or insular area that directly or indirectly receives CDBG funds in exchange for any other funds, credits or non-Federal considerations, but must use the funds for activities eligible under Title I of the Housing and

Community Development Act of 1974, as amended.

#### **SECTION X**

This agreement shall remain in full force and effect until all CDBG Program funds including the CDBG, HOME Investment Partnership Act, ESG and program income are expended and the funded activities completed and closed out by HUD. This applies to the three-year qualification period and the second three-year qualification period for an auto-renewal of the Agreement. The County and City may not terminate or withdraw from this agreement while the agreement remains in effect.

#### **SECTION XI**

Further, the City and County agree to enter into a legally binding subrecipient agreement for each fiscal year hereafter as long as they are participating in the Urban County Program. Pursuant to 24 CFR 570.501(b), the City is subject to the same requirements applicable to subrecipients, including the requirements of a written agreement as described in 24 CFR 570.503.

#### **SECTION XII**

Should the U.S. Department of Housing and Urban Development reject or refuse to accept this Agreement for any reason, the County may terminate this Agreement by giving written notice of same to the City. The County shall not be liable for any cause, action or damage arising from HUD's rejection of the application. Should the U.S. Department of Housing and Urban Development, for any reason terminate funding to the County during any time of the three-year period of qualification, the County shall not be held liable for any obligations or expenses incurred by the City.

#### **SECTION XIII**

This agreement contains the entire agreement among the parties hereto, and each party acknowledges that no other party has made (either directly or through any agent or representative) any representations or agreements in connection with this agreement not specifically set forth herein. This agreement may be modified or amended only by an agreement in writing executed by County and City.

The County and the City agree to adopt amendments(s) to this Agreement as may be required by HUD to meet any new Urban County Qualification requirement(s), when applicable. Failure by either the County or the City to adopt any such amendment, and to submit such amendment to HUD, will void the Agreement for such qualification period.

#### **SECTION XIV**

**UCP-contract-55**

5

**City of Mercedes**

It is expressly understood and agreed that, in the execution of this agreement, neither the City nor County waive, nor shall be deemed hereby to waive, any immunity or defense that would otherwise be available to it against claims arising in the exercising of governmental powers and functions.

**SECTION XV**

The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the terms of this Agreement.

**SECTION XVI**

Each party hereto is entering into this Agreement for the purpose of providing for governmental services or functions and will pay for such services out of current revenues available to the paying party as herein provided.

**SECTION XVII**

The execution and performance of this Agreement by COUNTY and the CITY have been duly authorized by all necessary laws, resolutions or corporate action, and this Agreement constitutes the valid and enforceable obligations of the COUNTY and the CITY in accordance with its terms.

**IN WITNESS WHEREOF**, this agreement has been executed in triplicate originals, each to have the force and effect of an original on the dates set forth herein below.

**COUNTY OF HIDALGO**

ATTESTED BY:

\_\_\_\_\_  
Arturo Guajardo, Jr., County Clerk

\_\_\_\_\_  
Date

\_\_\_\_\_  
Richard F. Cortez, County Judge

\_\_\_\_\_  
Date

**CITY OF MERCEDES**

ATTESTED BY:

\_\_\_\_\_  
City Secretary

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Date

**CERTIFICATE OF COUNTY LEGAL COUNSEL**

I have examined the foregoing Agreement, and as legal counsel to the County named therein, I certify that State and local laws authorize the terms and provisions of the Agreement with participating UGLG, and that the Agreement provides full legal authority for the County to undertake or assist in the undertaking of essential community development and housing assistance activities in incorporated areas as authorized by Texas State statutes.

APPROVED AS TO FORM:

Hidalgo County District Attorney's Office  
Toribio "Terry" Palacios

By: \_\_\_\_\_  
Victor M. Garza, Chief Administrative Attorney

Date: \_\_\_\_\_

APPROVED BY:  
COMMISSIONERS' COURT  
ON: \_\_\_\_\_

# City of Mercedes Performance Report

May 1, 2026 - May 31, 2026 All departments

General Overview: Requests received, opened, and closed in this period.

<b>30 request(s) received</b> Total number of new requests received during this reporting period.	<b>1 total request(s)</b> Total number of requests in the portal at the beginning of the reporting period.	<b>17 request(s) closed</b> Total number of requests closed during this reporting period.
<b>14 request(s) open</b> Total number of open requests by the end of this reporting period.	<b>0 request(s) overdue</b> Total number of requests that became overdue in this reporting period.	<b>10 request(s) paused</b> Total number of requests that were paused by the end of this reporting period.

Response and Fulfillment: How fast your agency responds to and fulfills requests

<b>3 day(s) to respond</b> Median response time in days in this reporting period.	<b>3 day(s) to respond</b> Average response time in days in this reporting period.	<b>4 fulfilled outside 10 days</b> Number of requests closed beyond 10 days of request submission during this reporting period.
<b>13 fulfilled within 10 days</b> Total number of requests closed within 10 days of request submission during this reporting period.	<b>7 day(s) to fulfillment</b> Median number of days taken to fulfill all requests in this reporting period.	<b>7 day(s) to fulfillment</b> Average number of days taken to fulfill all requests in this reporting period.

Staff Time: How much time staff has spent working on requests

<p><b>3.0 hour(s) spent</b> Total number of hours staff spent on requests in this reporting period.</p>	<p><b>1.0 median hour(s) spent</b> Median number of hours staff spent on each request.</p>	<p><b>1.0 average hour(s) spent</b> Average number of hours staff spent on each request.</p>
---	--	--

Staff Cost: How much money is spent fulfilling record requests

<p><b>\$45.00 dollars spent</b> Total amount of money spent (from staff costs) fulfilling requests in this reporting period.</p>	<p><b>\$15.0 median dollars spent</b> Median amount of money spent (from staff costs) on each request.</p>	<p><b>\$15.0 average dollars spent</b> Average amount of money spent (from staff costs) on each request.</p>
--	--	--

Cost Recovery: Payments received from requesters via NextRequest

<p><b>17 total invoices</b> Total number of requests with invoices.</p>	<p><b>\$0.00 dollars received</b> Total amount of money received from all requests with invoices in this reporting period.</p>	<p><b>\$0 median dollars earned</b> Median amount of money received from each request with invoices in this reporting period.</p>
<p><b>\$0 average dollars earned</b> Average amount of money received from each request with invoices in this reporting period.</p>		

Requests by Department

This table breaks down how many requests were received and closed by each department, as well as median fulfillment speed for each department in this reporting period.

Department	New	Closed	Median	Average
City Secretary	4	1	1	1
Finance	4	2	3	3
Fire/EMS	4	3	8	8
Human Resources	0	0	0	0
IT	0	0	0	0
Library	0	0	0	0
Parks	0	0	0	0
Planning	8	6	6	7
Police Department	12	5	3	6
Public Works	0	0	0	0
Not Assigned	0	0	0	0

### Message Templates Report

This table includes all message templates used within this reporting period

Message Template	Times Used
------------------	------------

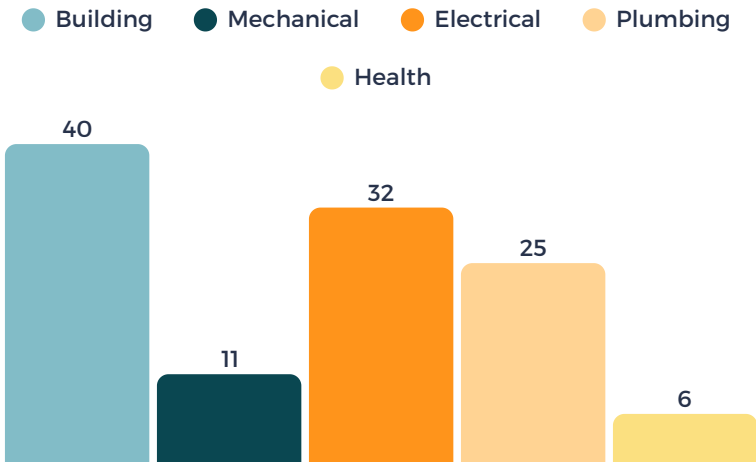
### Closure Response Report

This table includes all closure responses and totals used in this reporting period.

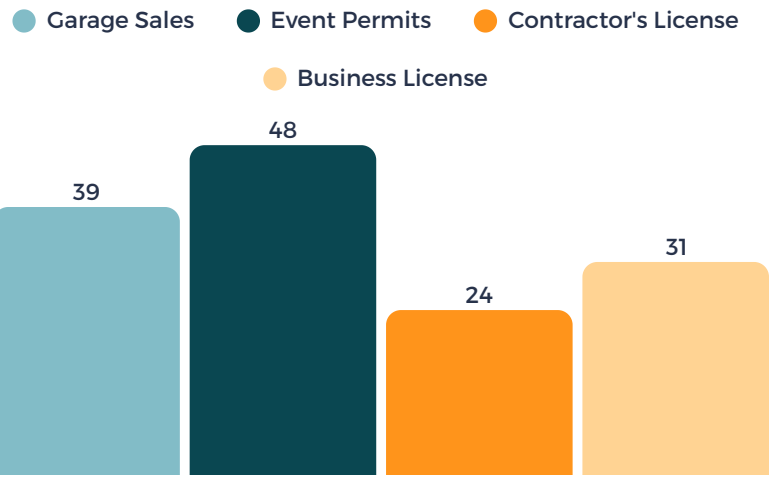
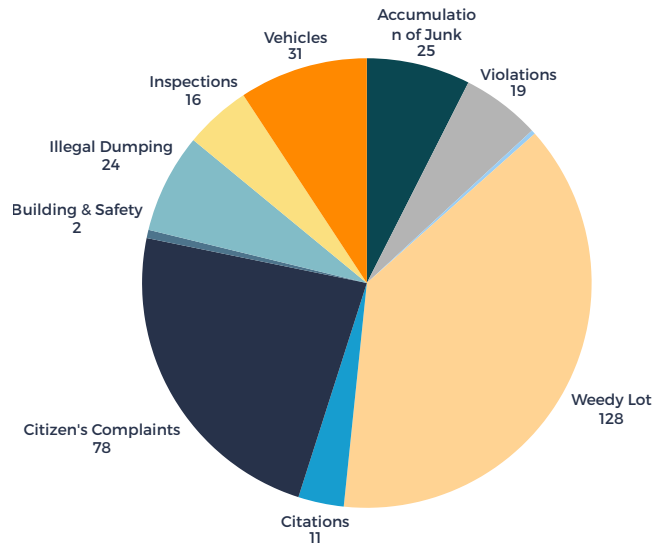
Closure Response	Times Used
Fulfilled	15
No Records: Does Not Exist	2
No Records: Other Agency	1
Request Withdrawn	1

## Department Activity (May 2026)

### Permits Issued

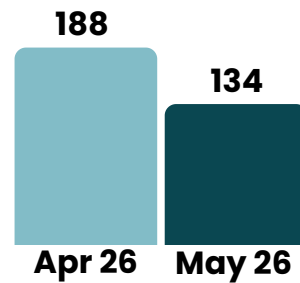


### Code Enforcement Activity (May 2026)

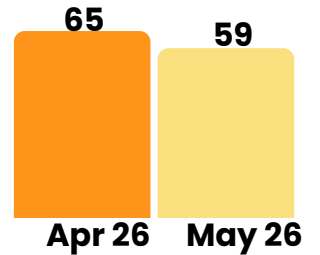


\*includes both new and renewal licenses

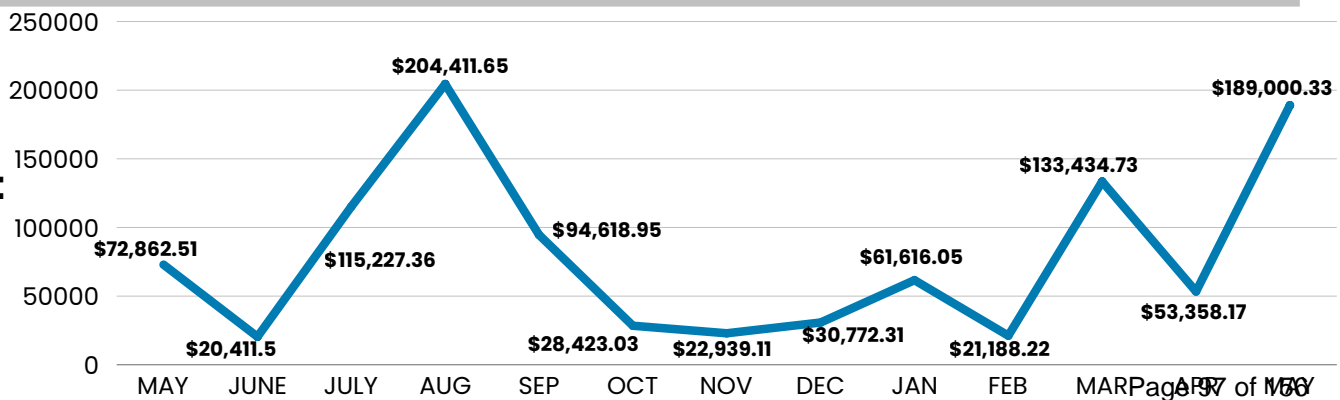
### Building Inspections



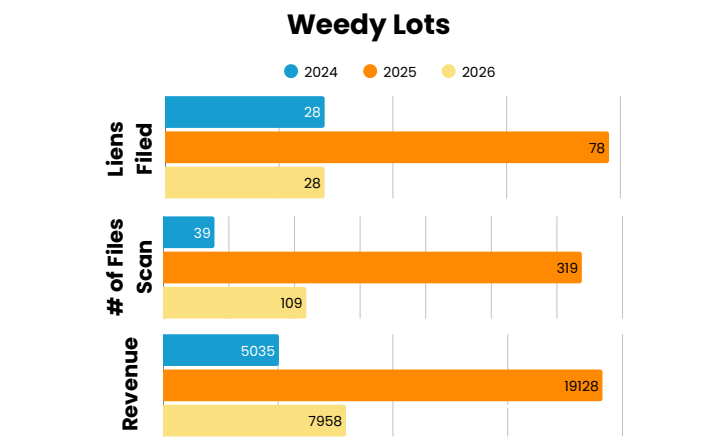
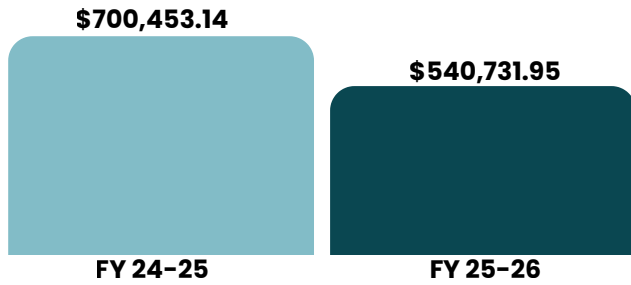
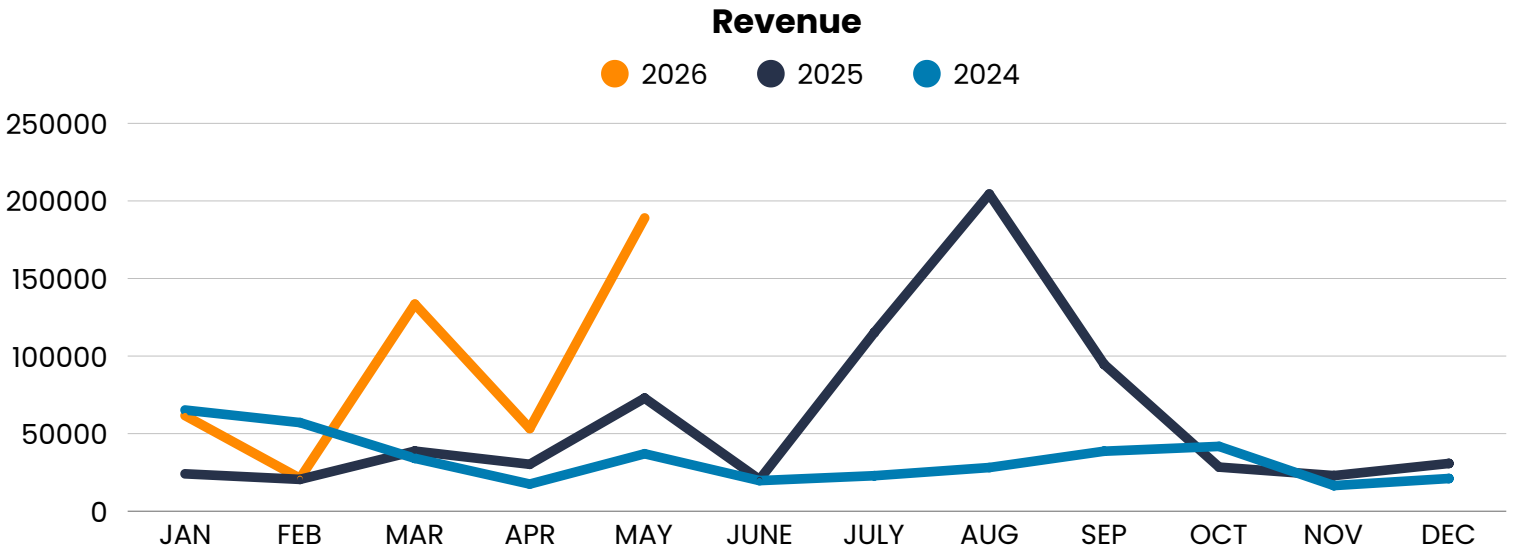
### Plan Reviews



### Department Revenue



## Activity (FY 24-25 VS YTD)

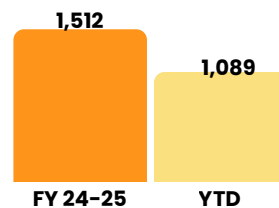


### Permits Issued

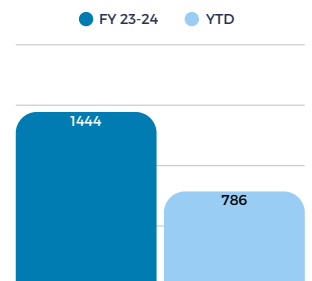
	FY 24-25	YTD
New Residential Construction	61	49
Commercial Construction	18	7
Other Permits	1,365	773

Other Permits: Repairs, Remodel, Re-roof, Driveway, Carport, Fences, ROW, Irrigation, Mechanical, Electrical, Plumbing, Meter reset, Moving a Building, Solar Panel, Storage Shed

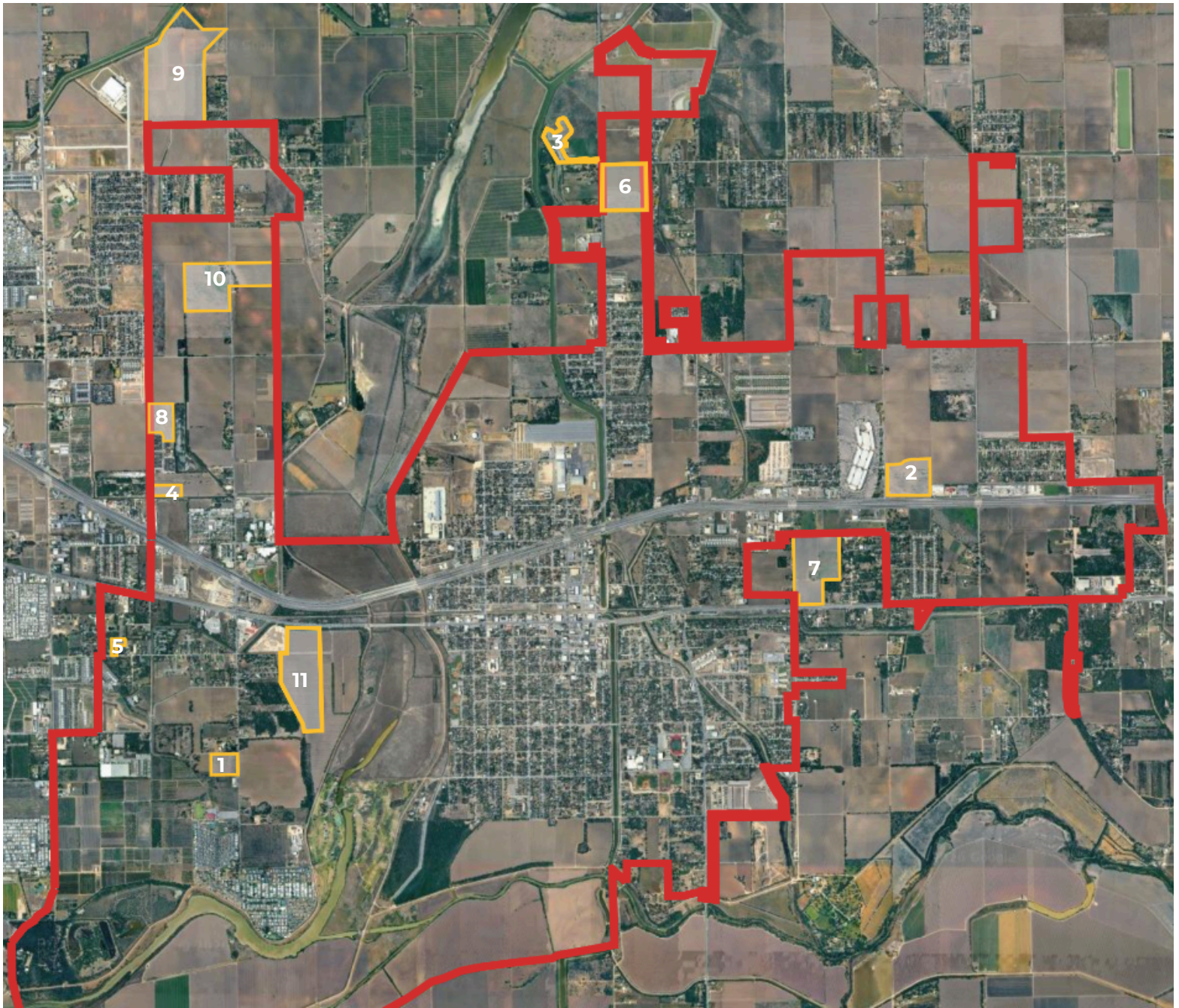
### Building Inspections



### Total of Permits Issued



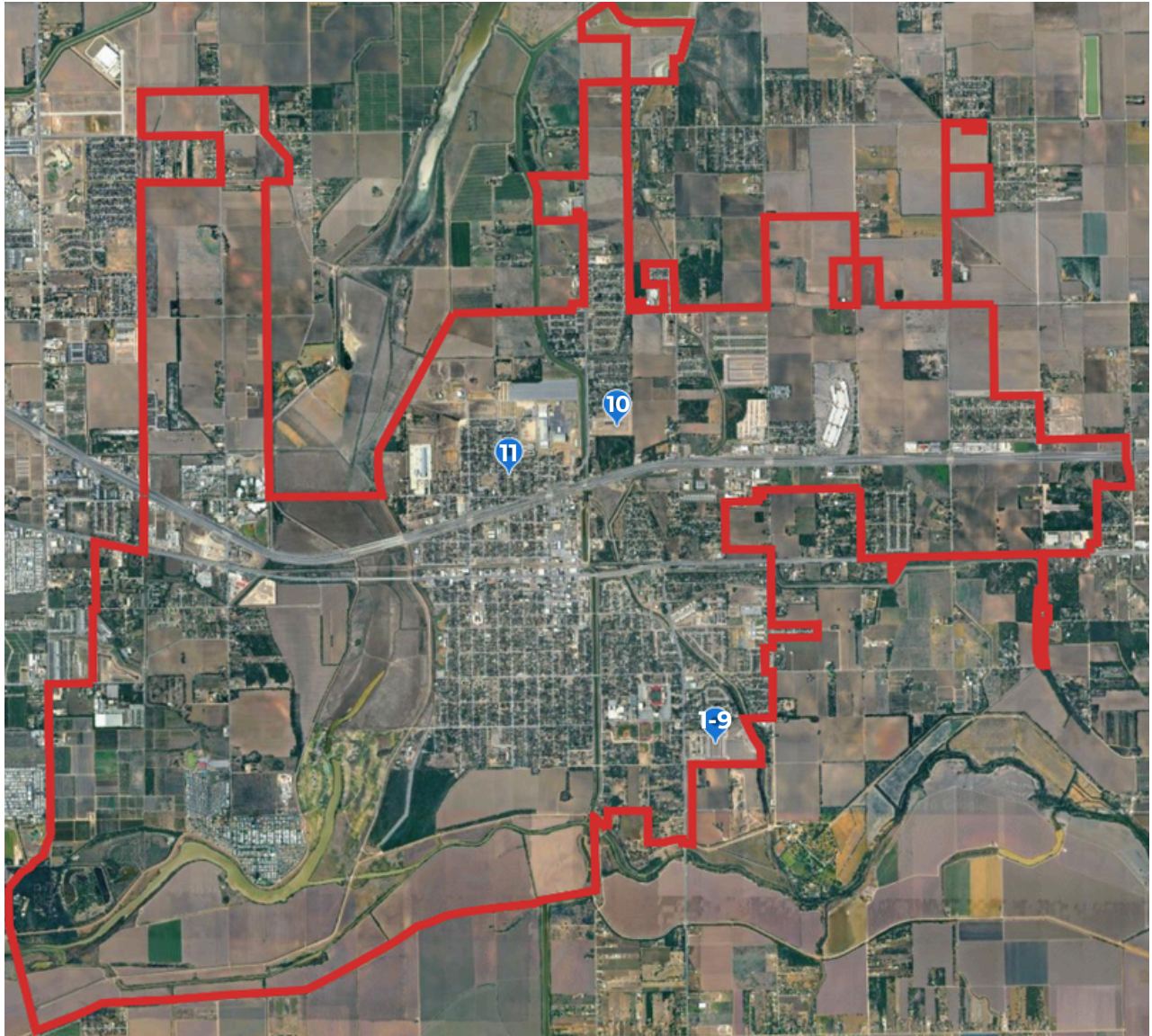
# SUBDIVISIONS



# SUBDIVISIONS

	Subdivision	Location	Acres	Number of lots	Status	Type
1	Palladium Energy	Mile 2 West Road and North of Camino De Verdad Rd	10.56	2	Obtain Final Approval, Awaiting County Filing	Light Industrial
2	Shops at Mercedes	Hwy 83 Frontage next to the Outlets	30	7	Under Construction	Commercial
3	Los Prados Ph 2	2 Mile N of Exp 83 on FM 49. NW corner of Fm 491/Mile 9 North	16.238	84	Under Construction	Single Family
4	Redstone Heights	Mile 2 1/2 and north of Expressway 83	5.544	26	Under Construction	Single Family
5	Camino Heights	S Mile 2 1/2 W and Camino Real Viejo	2.93	22	Pre-Construction	Single Family
6	Rodeo Estates	Mile 8 and Fm 491	40.00	209	Obtain Preliminary Approval	Single Family & Commercial
7	Tranquil Estates	Mile 1 E and Bus 83	51.07	246	Waiting for Revised Plans	Single Family
8	Villa Del Lago	Mile 2 ½ West and South of Mile 8 N	14.83	42	Under Construction	Multi-Family
9	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
10	San Jacinto Estates No. 16	Mile 8 N and Mile 2 W	81.73	319	Obtain Preliminary Approval, TIRZ Process	Single Family
11	Mercedes Mobile Home Park	Mile 2 W & Bus 83	61.756	405	Under Review	Manufacture Homes

# NEW RESIDENTIAL CONSTRUCTION

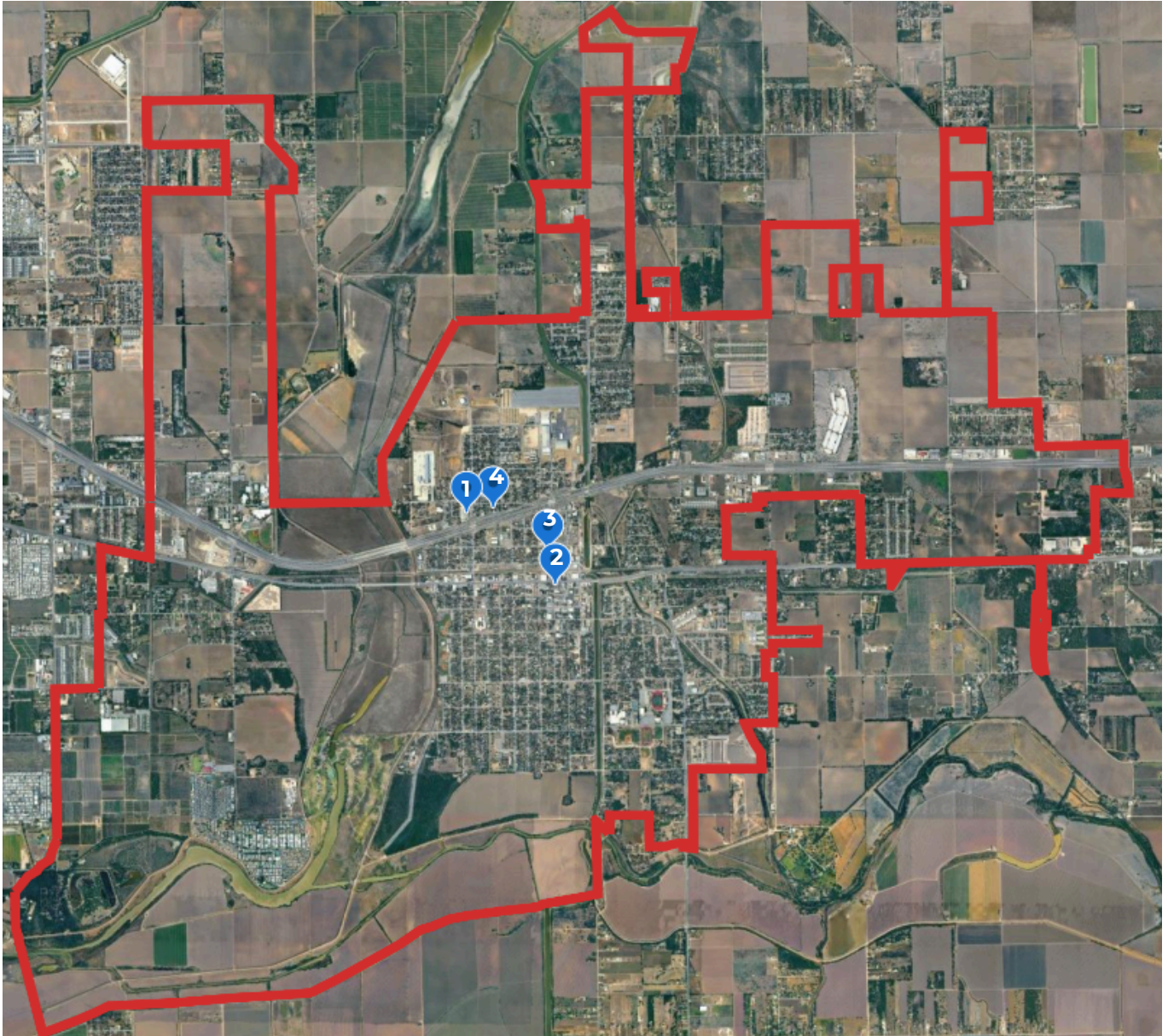


	Project Address	Type	Sq Ft	Subdivision
1	1510 Amanda St	Single-Family	2,465	Hacienda Olivia Ph 2
2	1505 Amanda St	Single-Family	2,465	Hacienda Olivia Ph 2
3	1506 Amanda St	Single-Family	2,557	Hacienda Olivia Ph 2
4	1518 Abigail St	Single-Family	1,721	Hacienda Olivia Ph 2
5	1517 Abigail St	Single-Family	2,141	Hacienda Olivia Ph 2
6	1614 Amanda St	Single-Family	2,141	Hacienda Olivia Ph 2
7	1513 Abigail St	Single-Family	2,141	Hacienda Olivia Ph 2

# NEW RESIDENTIAL CONSTRUCTION

	Project Address	Type	Sq Ft	Subdivision
8	1509 Abigail St	Single-Family	2,141	Hacienda Olivia Ph 2
9	1601 Abigail St	Single-Family	2,141	Hacienda Olivia Ph 2
10	201 E Royal Palm Dr	Multi-Family	4,212	Summer Breeze
11	633 Silver Ave	Single-Family	1,680	Colonia Garza

# NEW COMMERCIAL CONSTRUCTION/BUSINESSES



	Business	Project Address	Type of Business	Status
1	Lucky 1 Collectibles & More	601 N Vermont Ave Ste 105	Collectibles/ Gift Shop	Business License Issued
2	South Texas Academy of Music STXAM LLC	224 S Texas Ave	Performing Arts Music Education	Business License Issued
3	Good Vibes Nutrition	136 N texas Ave Ste B	Nutrition Shop	Business License Issued
4	El Angel Eventos y Mas #2	810 W Expressway 83	Party Supplies	Business License Issued

# Health & Code Enforcement

## Health & Code Enforcement Inspections, May

	May 2026
Code Compliance Inspections	315
Citations Issued	11
Health Inspections	8

## Health Inspections Results, May 2026

Business Name	Business Type	Address	Pass/Fail
Tacos el Sapo	Restaurant	340 W 10 <sup>th</sup> St	Pass with conditions
Go Loco	Convenience Store	8001 E Exp 83	Pass
Gateway Travel Plaza	Convenience Store	8001 E Exp 83	Pass
Creative Kids Daycare	Daycare	1200 Rio Rico Rd	Pass

# Customer tickets overview

Date Filter is from 2026/05/01 until 2026/05/31 Ticket Status is not Merged

Total Tickets

# 77

Total Ticket Duration (hours)

# 2,001.01

Average Ticket Duration (hours)

# 26.33

## 6

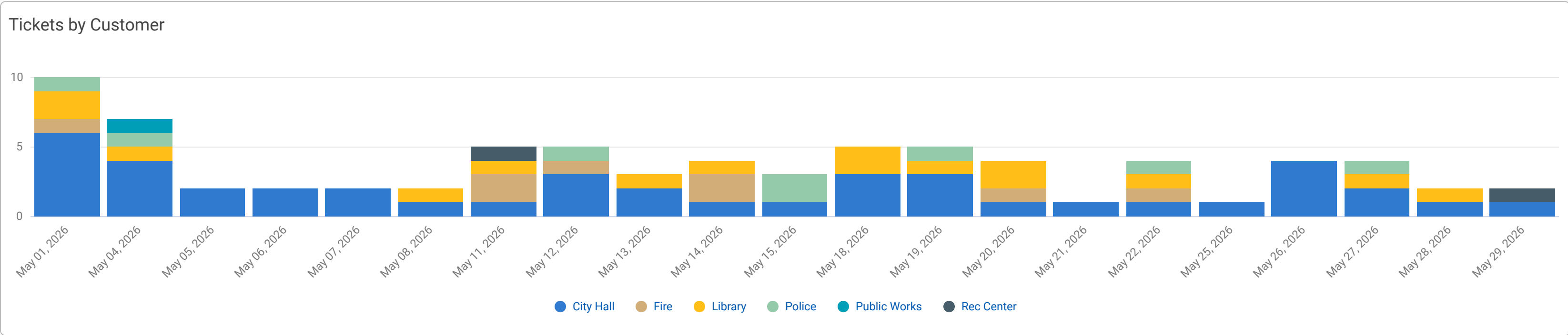
Number of Customers

## 77

Ticket Volume Per Customer

### Ticket SLA Category

No SLA Date  
100.00%



### Customer Overview

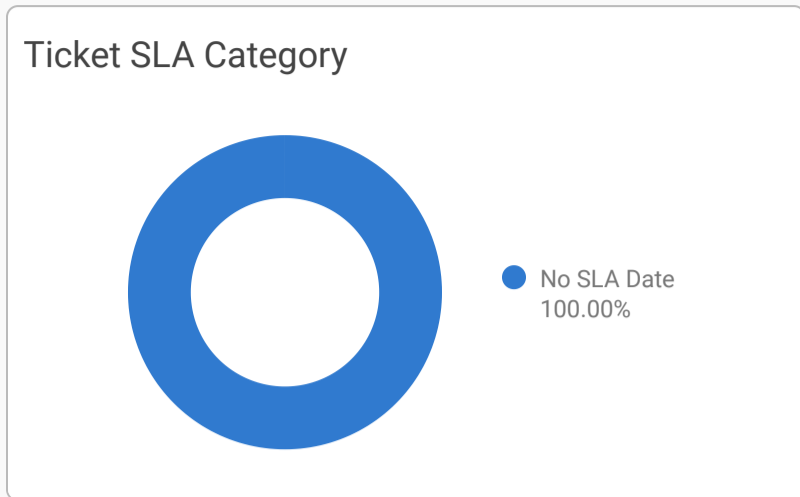
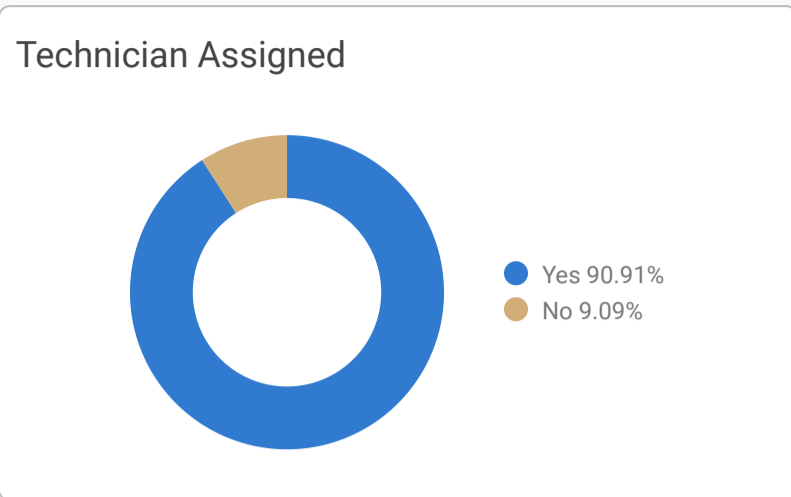
Site name	Number of tickets <span>▼</span>	Total Ticket Duration (hours)	Average Ticket Duration (hours)	Average First Response Time (hours)	Number of alerts	Exceeded SLA
City Hall	43	664.14	15.45	11.51	0	0
Library	15	376.53	25.10	25.09	0	0
Police	8	0.54	0.07	0.07	0	0
Fire	8	927.66	132.52	92.91	0	0
Rec Center	2	31.66	15.83	15.83	0	0
Public Works	1	0.46	0.46	0.46	0	0

# Ticketing summary

Date Filter is from 2026/05/01 until 2026/05/31 Ticket Status is not Merged

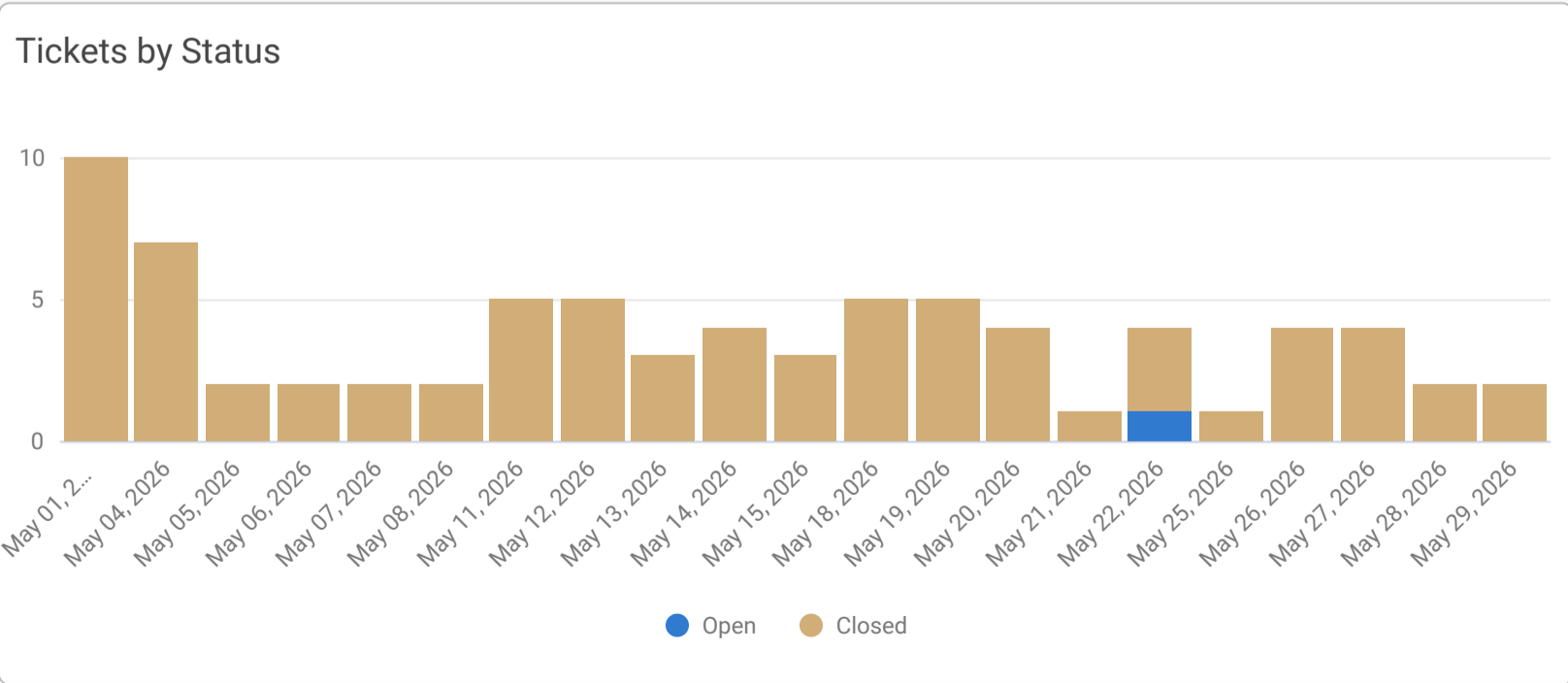
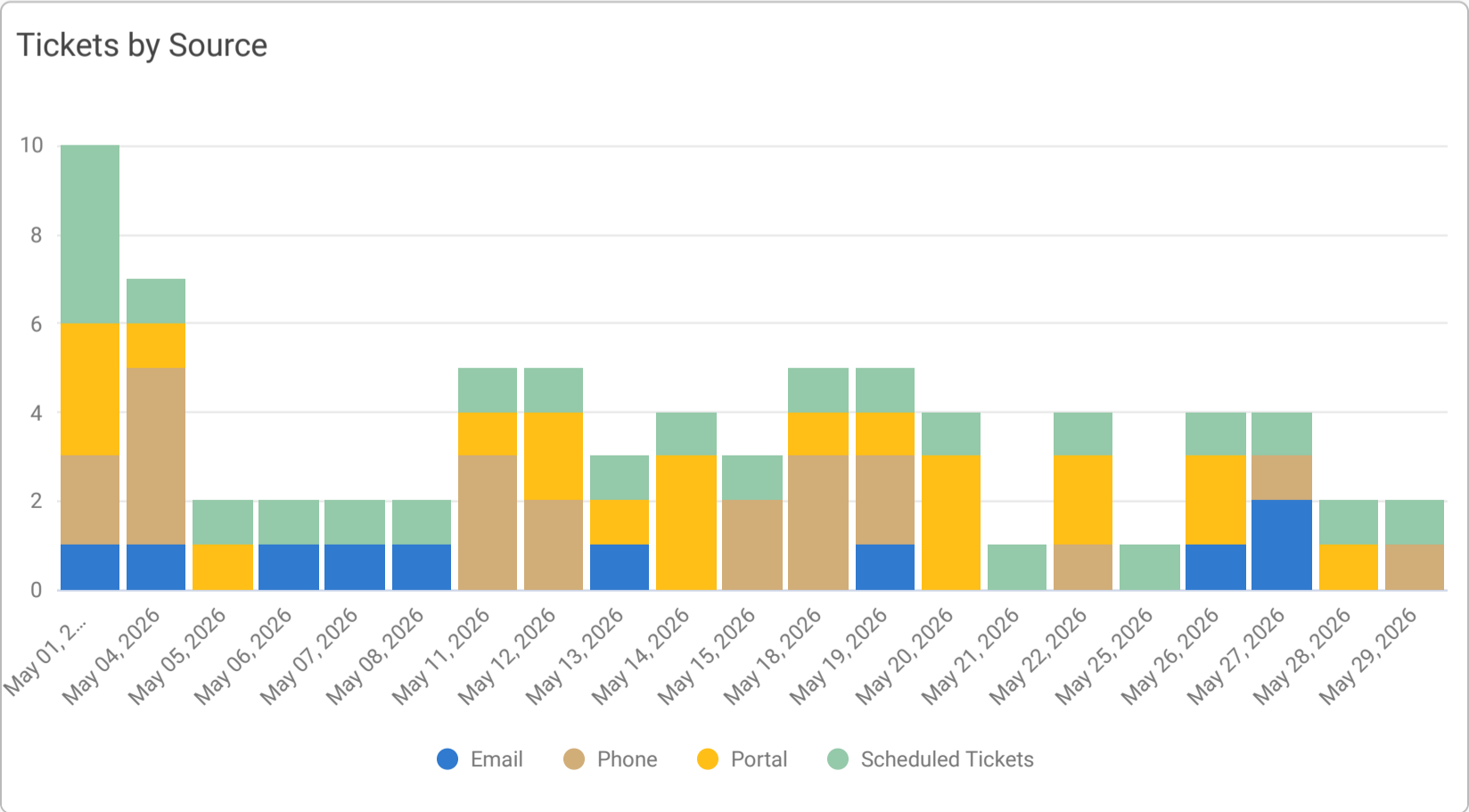
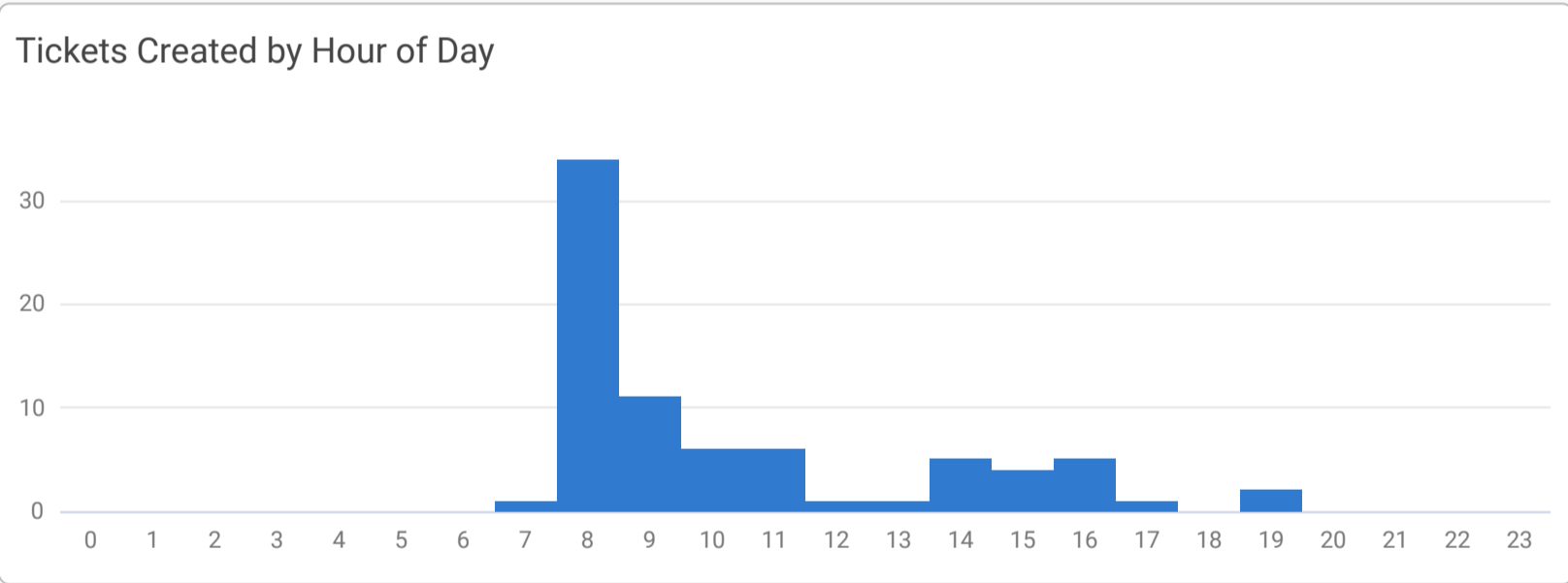
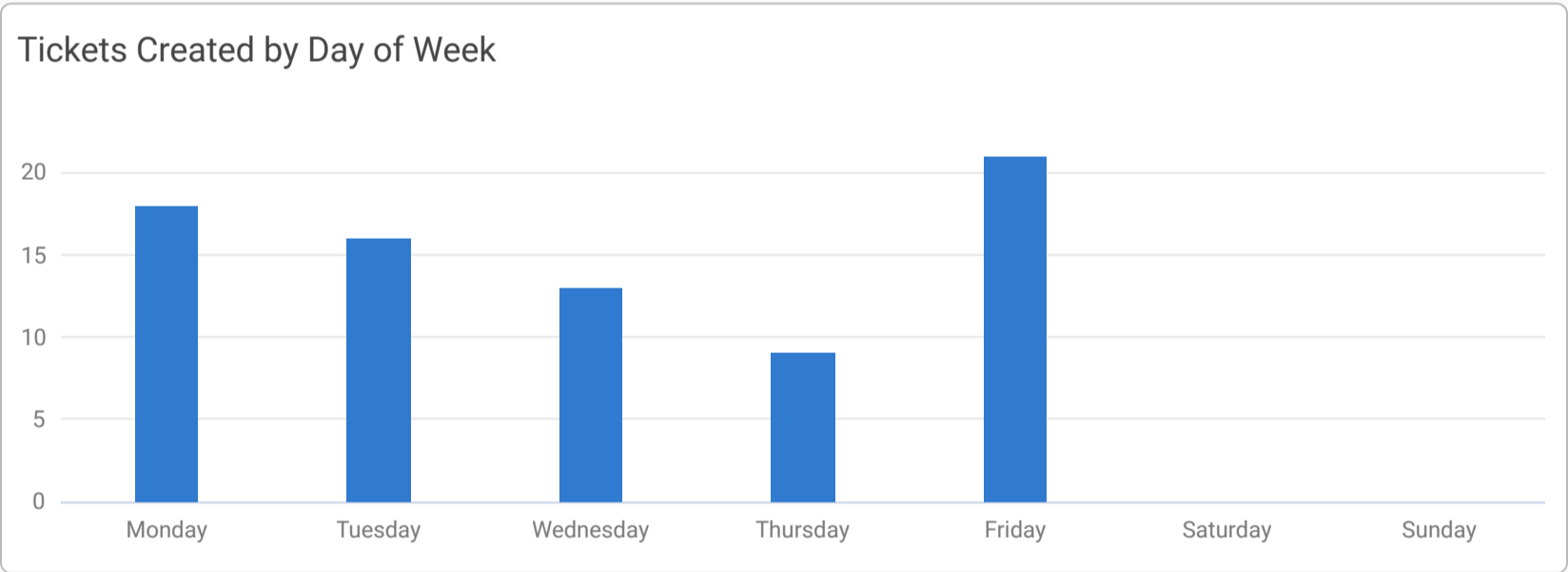
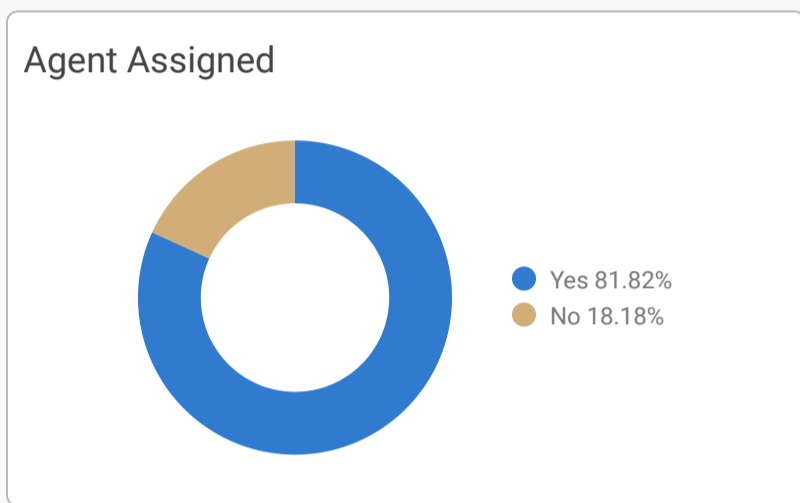
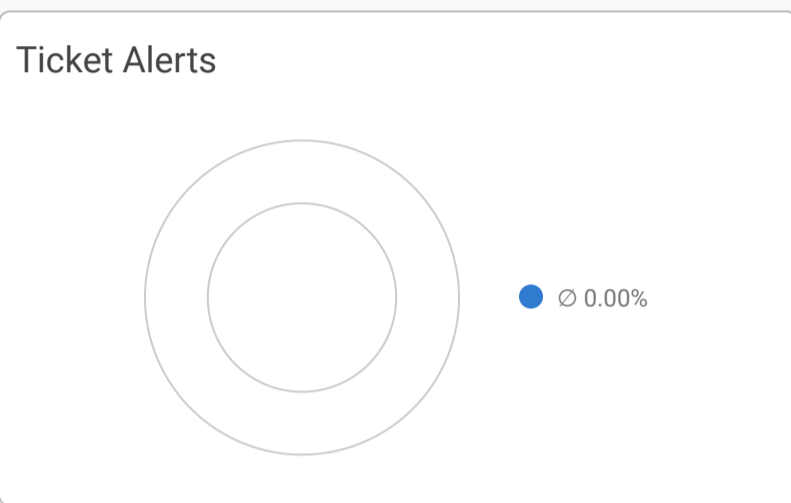
Total Tickets	Total Duration (hours)	Average Duration (hours)
77	2,001.01	26.33

Total Time Entry Duration (hours)
3.16



### AI Auto-Tags

Tag Name	Number of Tags
1 Security / Security Alerts and Threats	21
2 Network / Onboarding - Offboarding User	10
3 Hardware / Printing Device	7
4 Application / Access & Permissions	6
5 Application / Application usability & setup	5
6 Hardware / Equipment orders and installations	5
7 Network / Internet and Phone Connectivity Issues	5
8 System / Windows / Login - Password Reset	5
9 Application / Email Management, Delivery and Settings	3
10 Hardware / Damaged - Faulty	3
11 Network / Configuration Change	2
12 Printer / Printing Usage & Setup	2
13 Scanner / Scanning Usage & Setup	1
14 Hardware / New Hardware - Retire Hardware	1
15 Maintenance / Backup and Service Maintenance	1



# Technician overview

Date Filter is from 2026/05/01 until 2026/05/31 Ticket Status is not Merged

Number of tickets

## 77

Total Ticket Duration (hours)

## 2,001.01

Average Ticket Duration (hours)

## 26.33

### 19.49

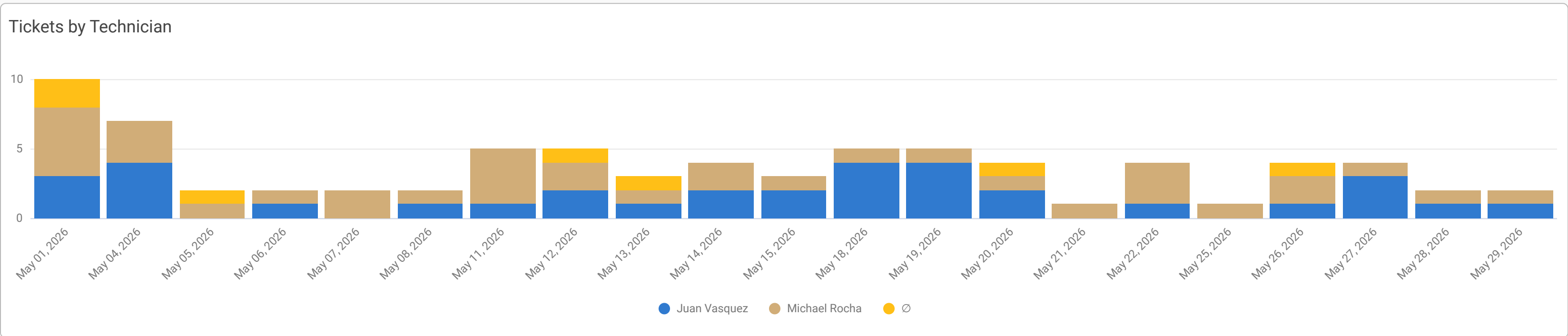
Average First Response Time (h...

### 26.33

Average Resolution Time (hours)

### Ticket SLA Category

No SLA Date  
100.00%



### Technician Overview

	Technician name	Number of tickets <span>▼</span>	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	Michael Rocha	36	726.69	20.19	15.66	0	0	0	0
2	Juan Vasquez	34	1,219.22	36.95	26.33	0	0	0	0
3	∅	7	55.10	7.87	7.87	0	0	0	0



Occupancy 1 Day ⌵

Traffic

**In 7,300** ↓ 7% from last month **Out 7,220** ↓ 7% from last month



Net Cumulative Occupancy

**Peak 81** ↑ 25% from last month



All Users Add comparison

Custom May 1 - May 31, 2026

Reports snapshot

Active users <b>6.2K</b>	New users <b>5.1K</b>	Average engagement time per active user <b>52s</b>	Event count <b>49K</b>
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Top pages/screens

PAGE TITLE AND SCREEN CLASS	VIEWS	ACTIVE USERS	EVENT COUNT	BOUNCE RATE
Home   City of Mercedes	5.6K	2.9K	17K	45.4%
Job Opportunities   City of Mercedes	1.1K	644	3.7K	23.2%
Employment Application - City of Mercedes	991	115	3.5K	15.2%
Not Found 404   City of Mercedes	738	519	2.2K	75.4%
Utility Connections   City of Mercedes	489	307	1.4K	26.7%
Agendas and Minutes   City of Mercedes	380	126	897	25.4%
Bids and Contracts   City of Mercedes	367	280	1K	62.7%

[View pages and screens](#)

Active users by First user source / medium

FIRST USER SOURCE / ME...	ACTIVE USERS
(direct) / (none)	3K
google / organic	2.8K
bing / organic	256
m.facebook.com / referral	57
yahoo / organic	56
lm.facebook.com / referral	28
duckduckgo / organic	20

Sessions by Session source / medium

SESSION SOURCE / MEDIUM	SESSIONS
google / organic	5.3K
(direct) / (none)	3.7K
bing / organic	391
yahoo / organic	77
m.facebook.com / referral	60
lm.facebook.com / referral	32
duckduckgo / organic	30



Active users by City

CITY	ACTIVE USERS
Dallas	1K
Singapore	715
Mercedes	619
Austin	481
Columbus	429
Weslaco	354
McAllen	220

[View cities](#)

Active users by Audience name

AUDIENCE NAME	ACTIVE USERS
All Users	6.2K

[View audiences](#)

# Memo

**To:** Alberto Perez, City Manager  
**From:** Marisol Vidales, Library Director & Historic Preservation Officer  
**CC:** Jonas Gonzalez, Assistant City Manager  
**Date:** June 08, 2026  
**Re:** Library Department Monthly Report

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Attached you will find the Library Department's monthly statistical report, please let me know if you have any questions regarding the information. Also, Library Staff participated in the following meetings, training, and events during the month of May 2026.

## Trainings

- Small Library, Big Impact Webinar Part 1 (5/05) – Frank Rivas
- Small Library, Big Impact Webinar Part 2 (5/07) – Frank Rivas
- How to Channel Your Inner Archaeologist This Summer (5/08) – Frank Rivas
- Library Grant Writing in 2026 & Beyond: Current Trends & AI Innovations (5/11) – Frank Rivas
- How to Use Media & Information Literacy Events to Engage Teens & Communities (5/12) – Frank Rivas
- Connect & Collect Mystery Webinar (5/12) – Frank Rivas
- Summer Library Program Meetup (5/13) – Frank Rivas
- Summer Library Program Meetup (5/15) – Frank Rivas
- Where is AI in 2026 & Where is it going? (5/21) – Frank Rivas
- Family Place & Chat (5/28) – Frank Rivas
- Measuring Trust: How to Collect Meaningful and Actionable Data (5/28) – Frank Rivas

## Events/Programming

### Adult Programming

- Crochet Club (5/05 – 5 adults; 5/19 – 9 adults) – Frank Rivas

- Delta Independent Living (5/06 – 21 adults) – Frank Rivas
- Book Club – Crying in H Mart and Canvas Bag decoration (5/20 – 10 adults) – Michelle Muniz
- Adult Craft – Acrylic Bookmarks (5/26 – 6 adults) – Frank Rivas

### Children Programming

- Thinking Money For Kids (5/07 – 2 children & 1 adults) – Briana Carrillo
- Pokémon Club (5/11 – 2 children & 3 adults) – Isaiah Ramirez
- RedRover Reader (5/20 – 7 children & 4 adults) – Frank Rivas
- Hand in Nature (5/21 - @ 5:30 1 child)

### Toddler Programming

- Toddler Time (5/15 – 7 toddlers & 6 adults) – Frank Rivas

### General Programming

- May the 4<sup>th</sup> be With You Movie Event (5/04 – 3 attendees) – Frank Rivas

### Outreach

- Digital Equity Presentation at MHM McAllen Family Forum (5/01 – 62 General Attendance) – Isaiah Ramirez & Frank Rivas

### Events

- History Harvest event (5/29 – 9 attendance with 6 interviews)

### Café

- 156 visits, 91 items sold, \$399.21 in gross sales (2/02 – 2/06)
- 191 visits, 83 items sold, \$389.18 in gross sales (2/09 – 2/13)
- 119 visits, 61 items sold, \$290.18 in gross sales (2/15 – 2/21)
- 125 visits, 63 items were sold, \$278.44 in gross sales (2/23 – 2/27)
  - Total net sales \$1,307.86 and 338 items sold

### Marketing

- Created 54 social media posts for the library, 40 for the City, 2 for Friends, and 2 for HCLS

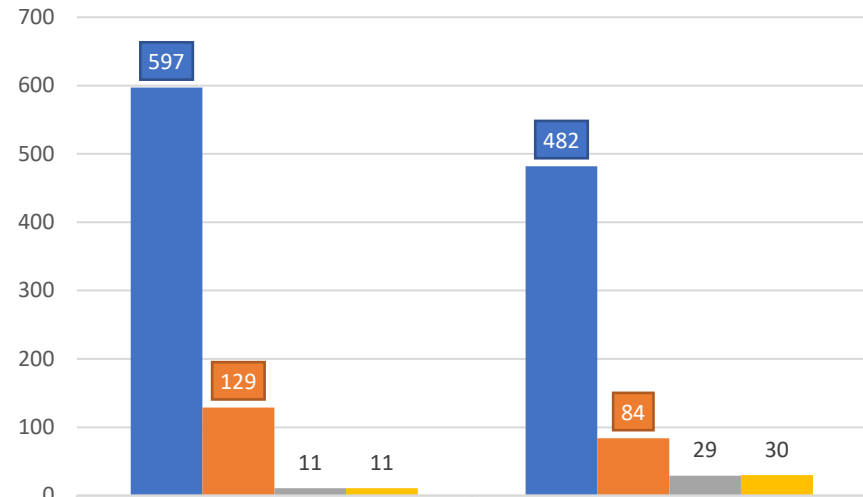
- Designed 49 original flyers
- Updated the website 38 times
- Adult Book Display: May Flowers
- Adult Shelving Display: Books Featuring Animals (Fiction) & Mental Health Month (Nonfiction)
- Teen Book Display: Asian American & Pacific Islander Heritage Month
- Children Book Display: Read. Plant. Grow.; New Books; Blooms Make Life Brighter
- Insignia Shelves: Latino Books Month

### **Highlight of the Month**

We were able to keep Isaiah Ramirez, formally a seasonal part-time Digital Navigator, as a full-time library aide. Isaiah has been essential in the creation of the Pokemon Club program and has fully taken over Hand in Nature. He comes up with effective and creative ideas for daily operations and overall library services.

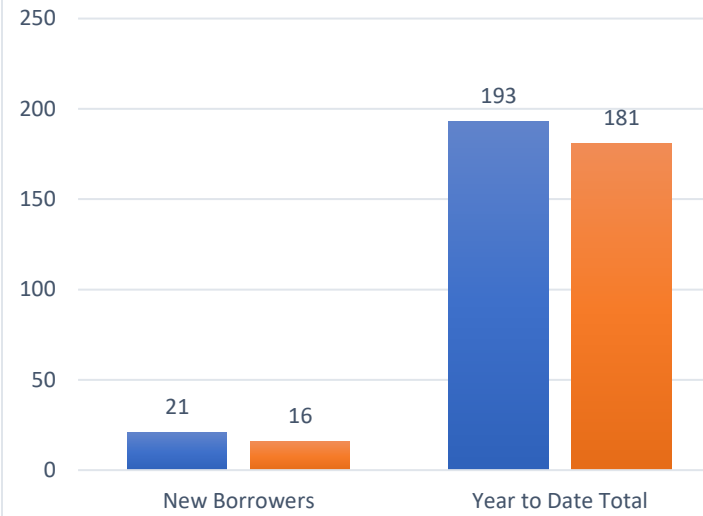
Our Adult programming had a good month, we had 10 attendees for Book Club, with a high participation from attendees. The Adult Craft and Crochet Club had a great turnout as well, with a total of 20 people in attendance for all three programs.

**May Library Circulation Comparison (2026 vs. 2025)**

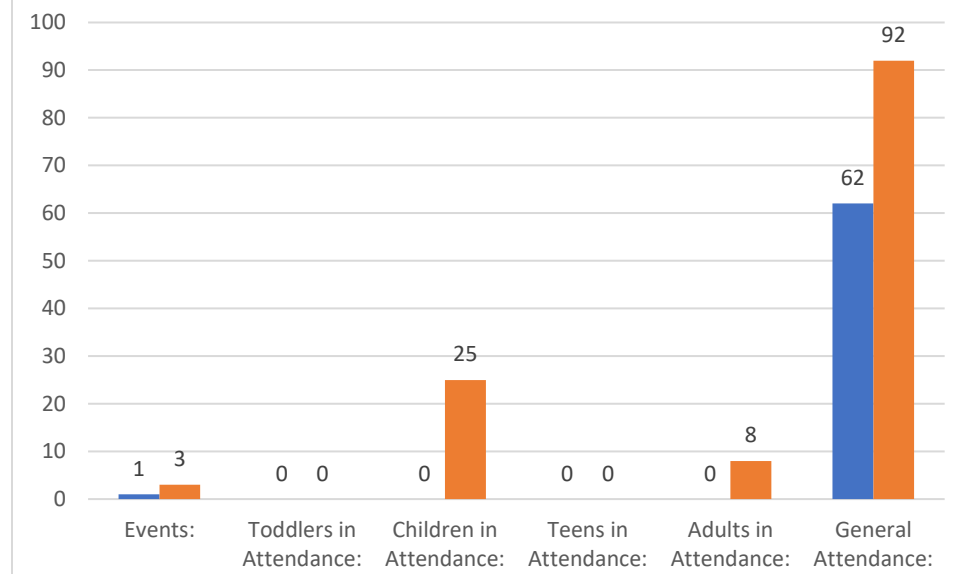


■ Check-Outs & Renewals:	597	482
■ In-House Book Circulation:	129	84
■ In-House Magazine Circulation:	11	29
■ In-House Newspaper Circulation:	11	30

**May Library New Borrowers Comparison (2026 YTD vs. 2025 YTD)**

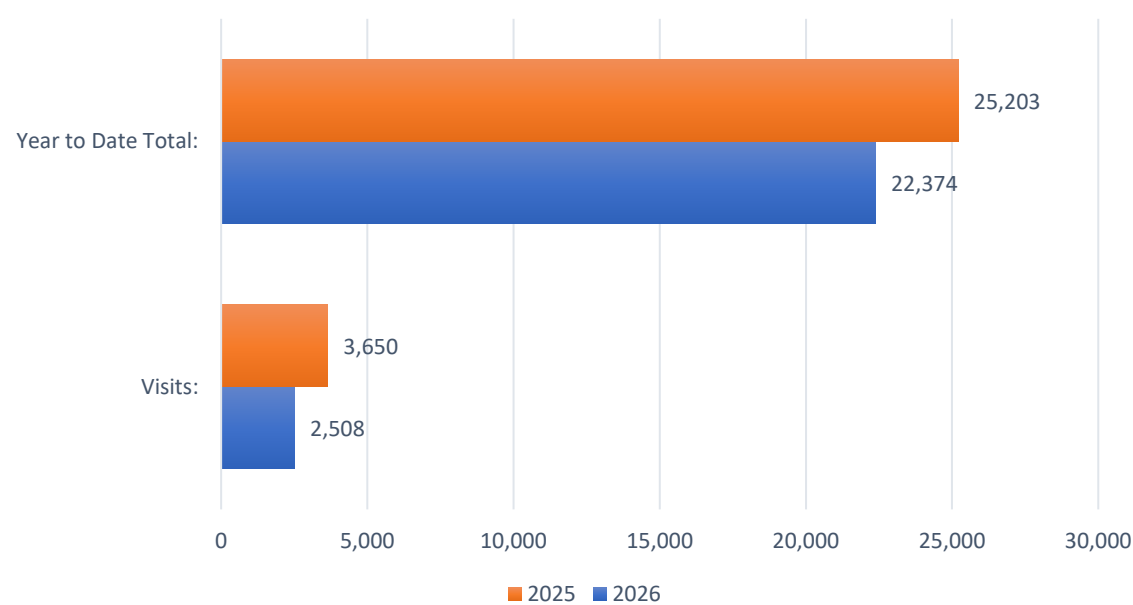


**MAY LIBRARY OUTREACH COMPARISON (2026 VS. 2025)**

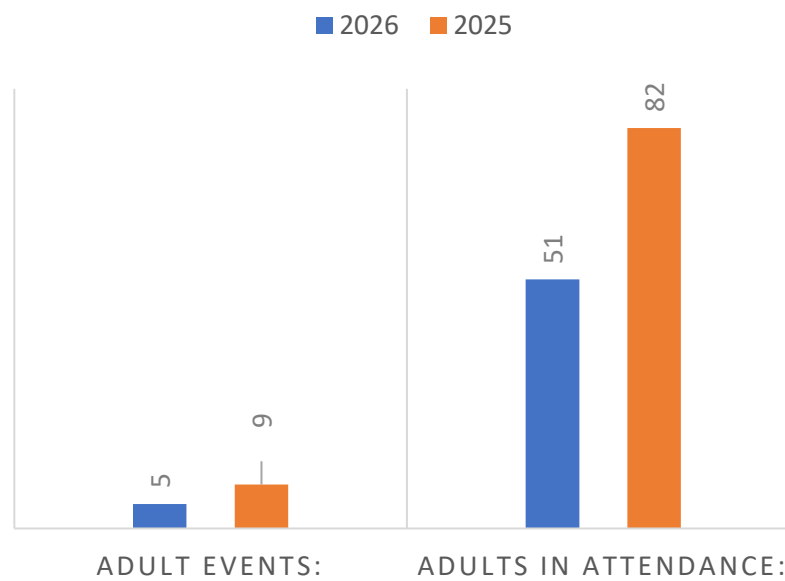


# May Library Comparison 2026 vs 2025

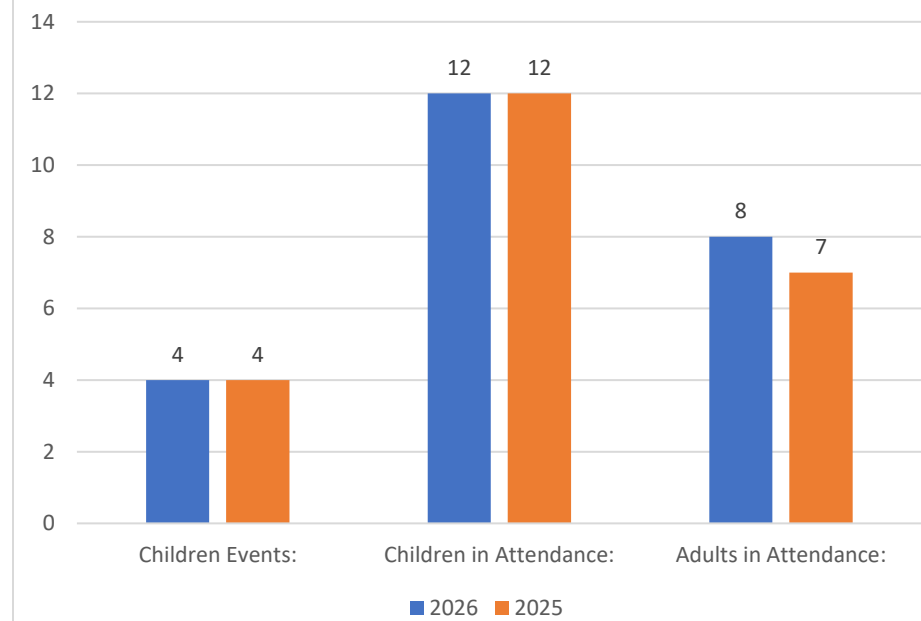
**May Library Visits Comparison (2026 YTD vs. 2025 YTD)**



**MAY LIBRARY ADULT PROGRAMMING COMPARISON (2026 VS. 2025)**



**May Library Children's Programming Comparison (2026 vs. 2025)**



**Dr. Hector P. Garcia Memorial Library Statistical Report**

**May-26**

<b>Circulation</b>	<b>2026</b>	<b>2025</b>
Check-Outs & Renewals:	597	482
Year to Date Total:	4,047	3,314
In-House Book Circulation:	129	84
Year to Date Total:	1,050	686
In-House Magazine Circulation:	11	29
Year to Date Total:	105	184
In-House Newspaper Circulation:	11	30
Year to Date Total:	123	190
New Borrowers:	21	16
Year to Date Total:	193	181

<b>Book &amp; Media Donations</b>	<b>2026</b>	<b>2025</b>
Donations Received:	10	2
Year to Date Total:	165	73
Donations Selected:	9	2
Year to Date Total:	21	33

<b>Computer Sessions</b>	<b>2026</b>	<b>2025</b>
Adult Lab Sessions:	253	414
Year to Date Total:	3,523	4,927
Juvenile Lab Sessions:	34	114
Year to Date Total:	451	771
WiFi:	1,953	1,658
Year to Date Total:	14,712	14,064

<b>Assistance</b>	<b>2026</b>	<b>2025</b>
Reference:	108	200
Year to Date Total:	1,300	1,696
Directional:	262	298
Year to Date Total:	2,282	2,224

<b>Meeting Room Sessions</b>	<b>2026</b>	<b>2025</b>
Sessions:	43	73
Year to Date Total:	365	501

<b>Digital Resources</b>	<b>2026</b>	<b>2025</b>
cloudLibrary Checkouts:	274	140
Year to Date Total:	2,272	1,210
NewsStand Checkouts:	335	309
Year to Date Total:	3,062	2,429
Biblio+ Views:	152	105
Year to Date Total:	725	847

<b>Library Service</b>	<b>2026</b>	<b>2025</b>
Fax Assistance:	61	52
Year to Date Total:	454	435
Copy Assistance:	93	44
Year to Date Total:	643	643
Scan Assistance:	6	3
Year to Date Total:	133	47
Print Outs:	3,037	1,914
Year to Date Total:	15,861	12,360
3-D Printing:	1	0
Year to Date Total:	27	0
Notary:	1	0
Year to Date Total:	44	0

<b>Technical Services</b>	<b>2026</b>	<b>2025</b>
New Items Added:	126	132
Year to Date Total:	1,020	1,316
Items Processed:	81	76
Year to Date Total:	568	644
Items Withdrawn:	14	0
Year to Date Total:	4,126	229
Items Recataloged:	53	64
Year to Date Total:	415	309
Items Repaired:	2	2
Year to Date Total:	30	20

<b>Interlibrary Loans (ILL's)</b>	<b>2026</b>	<b>2025</b>
Items Requested:	24	78
Year to Date Total:	221	374
Items Sent:	13	59
Year to Date Total:	126	267

## Dr. Hector P. Garcia Memorial Library Statistical Report

May-26

Adult Programming	2026	2025
Adult Events:	5	9
Year to Date Total:	56	73
Adults in Attendance:	51	82
Year to Date Total:	472	662

Teen Programming	2026	2025
Teen Events:	0	2
Year to Date Total:	2	10
Teens in Attendance:	0	10
Year to Date Total:	4	50

Children's Programming	2026	2025
Children Events:	4	4
Year to Date Total:	45	32
Children in Attendance:	12	12
Year to Date Total:	207	181
Adults in Attendance:	8	7
Year to Date Total:	127	75

Toddler Programming	2026	2025
Toddler Events:	1	0
Year to Date Total:	5	0
Toddler in Attendance:	7	0
Year to Date Total:	28	0
Adults in Attendance:	6	0
Year to Date Total:	24	0

Family Place	2026	2025
Early Learning Space Total:	123	0
Year to Date Total:	738	196
Workshop Toddler in Attendance:	0	0
Year to Date Total:	55	0
Workshop Adults in Attendance:	0	0
Year to Date Total:	43	0

General Programming	2026	2025
Events:	2	2
Year to Date Total:	12	15
Total General Programming Attendance:	12	650
Year to Date Total:	1275	4433

Outreach Programming	2026	2025
Events:	1	3
Year to Date Total:	18	20
Toddlers in Attendance:	0	0
Year to Date Total:	73	0
Children in Attendance:	0	25
Year to Date Total:	2,350	125
Teens in Attendance:	0	0
Year to Date Total:	34	0
Adults in Attendance:	0	8
Year to Date Total:	833	74
General Attendance:	62	92
Year to Date Total:	239	721

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:	4	0
Books Read:	0	0
Year to Date Total:	16	0
Challenges Completed:	0	0
Year to Date Total:	4	0
Badges Earned:	0	0
Year to Date Total:	64	0

Volunteer Hours	2026	2025
Total:	208.50	205.75
Year to Date Total:	1,904.00	1,610.50

**Dr. Hector P. Garcia Memorial Library Statistical Report**

**May-26**

<b>Curbside Services</b>	<b>2026</b>	<b>2025</b>
Curbside Café:	1	0
Year to Date Total:	7	1
Curbside Circulation:	0	0
Year to Date Total:	1	1
Curbside Other Services:	0	0
Year to Date Total:	1	2

<b>Library Visits</b>	<b>2026</b>	<b>2025</b>
Visits:	2,508	3,650
Year to Date Total:	23,516	21,553

<b>Café Visits</b>	<b>2026</b>	<b>2025</b>
Visits:	509	311
Year to Date Total:	4,215	2,410

<b>Café Sales</b>	<b>2026</b>	<b>2025</b>
Net Sales:	\$ 1,295.91	\$ 1,832.86
Year to Date Total:	\$ 11,228.82	\$ 11,201.81
Sales Tax:	\$ 106.96	\$ 151.32
Year to Date Total:	\$ 922.67	\$ 923.91

<b>Social Media</b>	<b>2026</b>	<b>2025</b>
Library Posts:	54	141
Year to Date Total:	706	831
Library DMs:	0	4
Year to Date Total:	11	29
City Posts:	40	53
Year to Date Total:	206	401
City DMs:	0	17
Year to Date Total:	19	113
Videos Created:	10	0
Year to Date Total:	64	5
Website Updates:	38	2
Year to Date Total:	202	29
HCLS Posts:	2	3
Year to Date Total:	4	26
Flyers	49	13
Year to Date Total:	465	154
Facebook Followers:	0	0
Year to Date Total:	1978	0
Instagram Followers:	0	0
Year to Date Total:	236	0

<b>Digital Assistance</b>	<b>2026</b>	<b>2025</b>
Walk-Ins:	93	0
Year to Date Total:	957	0
Appointment:	0	0
Year to Date Total:	22	0
Telephone:	3	0
Year to Date Total:	27	0
Outreach:	0	0
Year to Date Total:	12	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:	0	0
Year to Date Total:	74	0
Classes:	0	0
Year to Date Total:	6	0
Attendance:	0	0
Year to Date Total:	77	0

# Mercedes Fire Department

May 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

# May 2026

## Mercedes Fire Incidents

Count of Total Fire Incidents

Count of Incidents

64

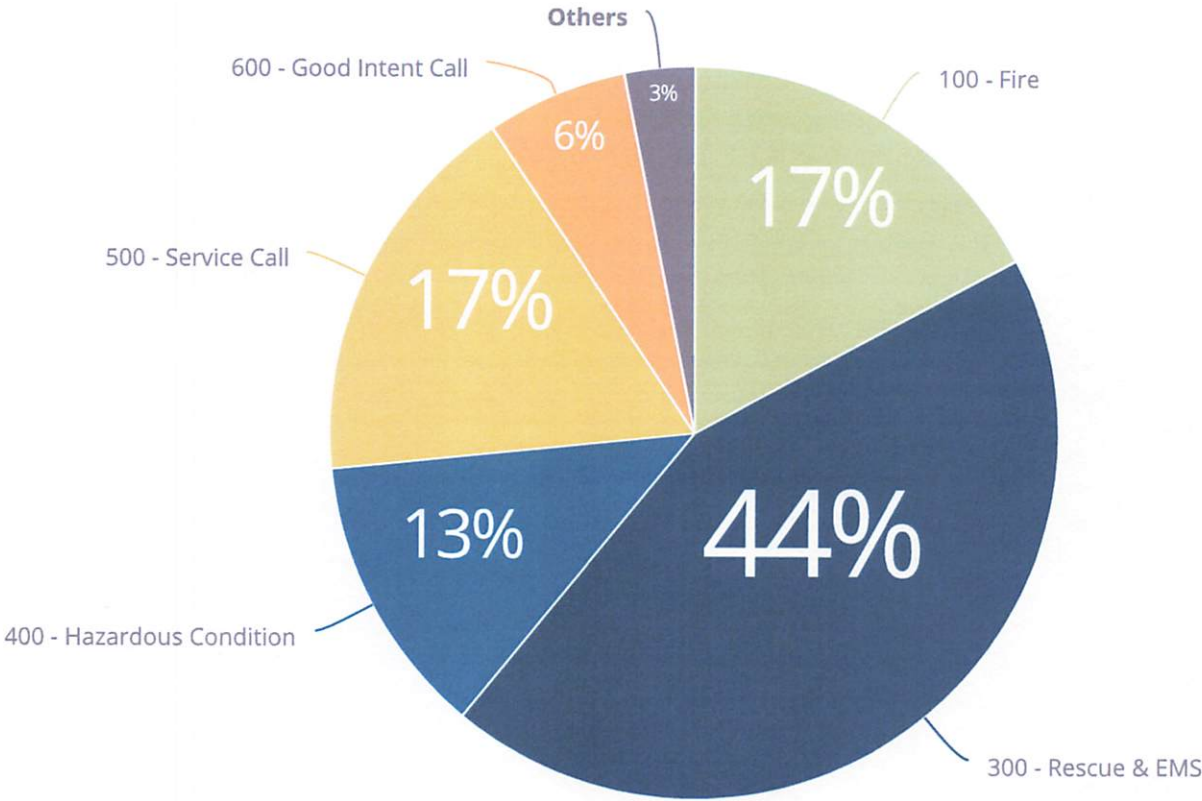
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Average Dispatch to Arrival Time

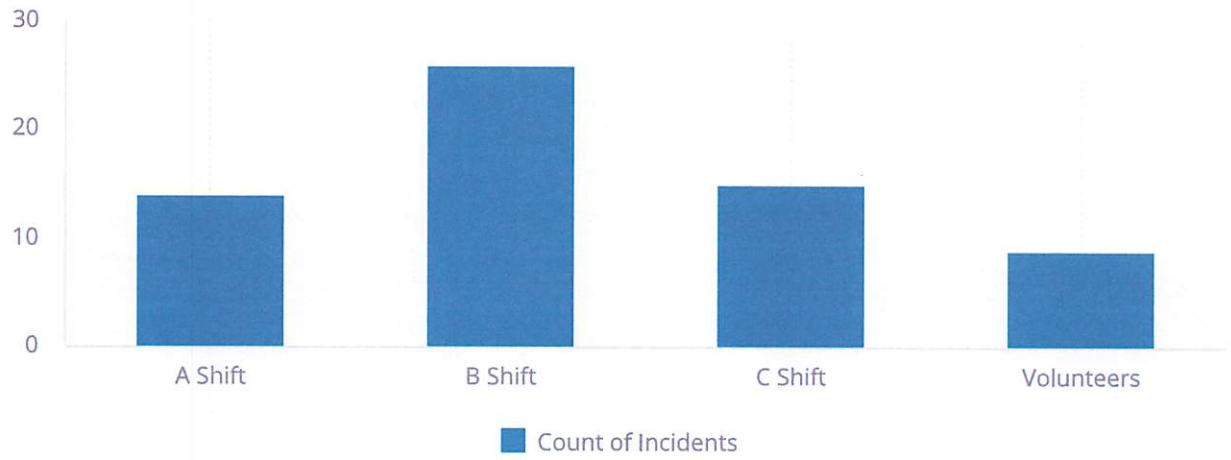
Average Response Time Alarm To Arrival

7m:56s

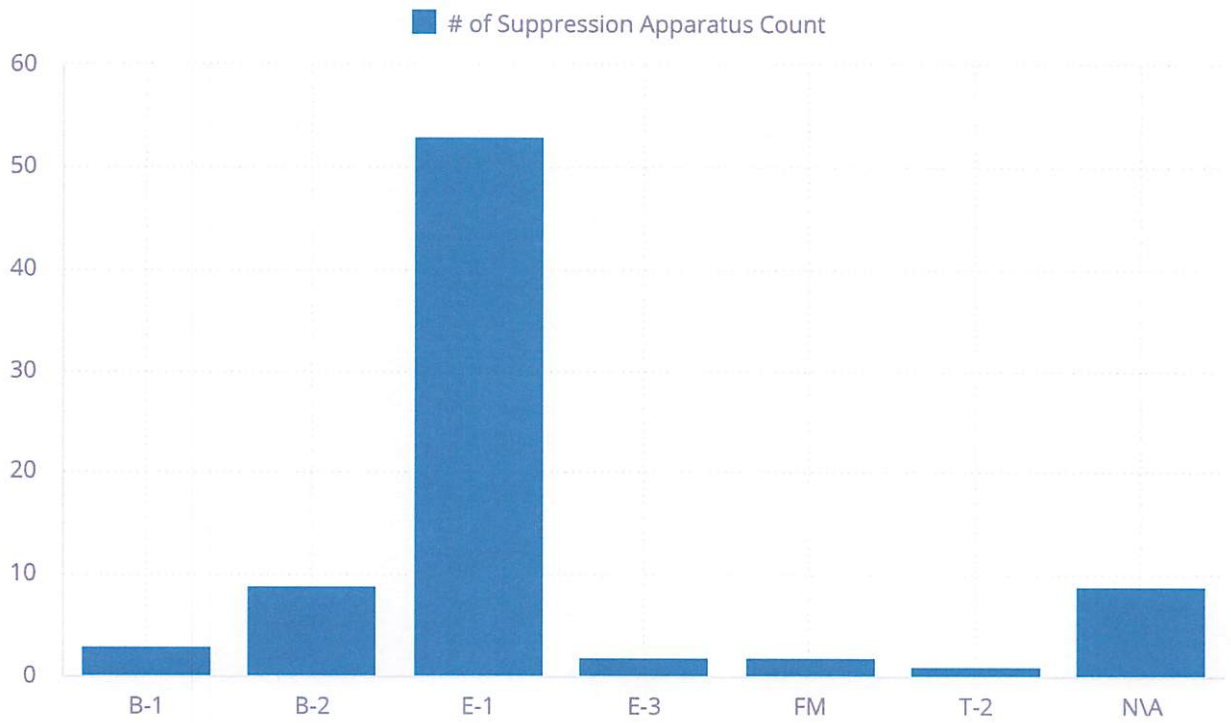
Percentage of Incident Type Group



Incident Count by Shift



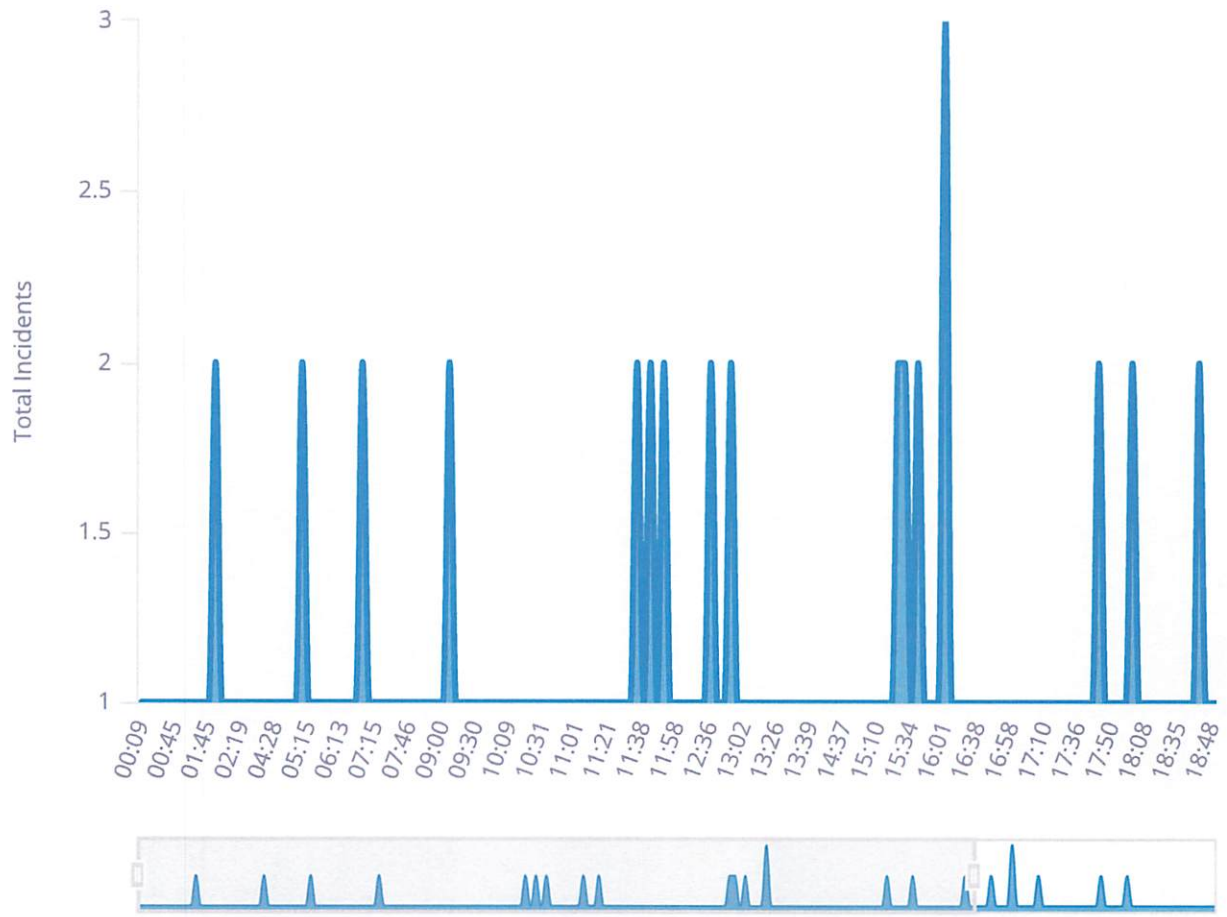
Total Count Per Unit



Count of Incidents by Type

Incident Type	Count of Incidents
Alarm system sounded due to malfunction	1
Animal problem, other	8
Arcing, shorted electrical equipment	1
Brush or brush-and-grass mixture fire	1
Building fire	2
Dispatched & canceled en route	2
Dumpster or other outside trash receptacle fire	2
Fire, other	1
Fires in structure other than in a building	1
Gas leak (natural gas or LPG)	5
Good intent call, other	2
Grass fire	1
Medical assist, assist EMS crew	15
Mobile property (vehicle) fire, other	1
Motor vehicle accident with injuries	5
Motor vehicle accident with no injuries.	7
Passenger vehicle fire	1
Power line down	2
Public service assistance, other	2
Rescue, EMS incident, other	1
Service Call, other	1
Special type of incident, other	1
Trash or rubbish fire, contained	1
<b>Count of Incidents</b>	<b>64</b>

Call Volume by Hour



Aggregation of Total Incidents by Shift

Shift	Total Incidents	
	05/2026	
A Shift	77	
B Shift	69	
C Shift	89	
Volunteers	1	

Aggregation of Total Incidents by Unit Contribution

Unit	Contribution to Total Incidents	
	05/2026	Grand Total
E-1	0.42%	0.42%
MED-1	1.27%	1.27%
MED-2	60.17%	60.17%
MED-3	0.42%	0.42%
MED-4	37.71%	37.71%
Grand Total	100.00%	100.00%

# PUBLIC WORKS RECAP APRIL/MAY 2026

PUBLIC WORKS DIRECTOR: TOMAS VILLAGOMEZ III

# STRIKE TEAM

TOUGH TIMES DON'T LAST, TOUGH TEAMS DO.

WORKING TOGETHER TO MAKE THE CITY SHINE

Incoming rain has the strike team clearing out the inlets and storm drains.

W.O.#456566



Strike team worked their way around town and helped eliminate overgrown grass and clear the pathway to the inlets for prevention of flooding.

W.O.#488696



It might look like a small patch, but it makes a big difference when the rain water needs to flow.

W.O.#448625



W.O.#500446 Random items get thrown in random places.



WORK ORDER#473558

AS RESIDENTS TRIM THE TREES AND GET READY FOR HURRICANE SEASON, WE SEE A LOT OF PILES OF BRUSH AND TRASH THROWN ON EMPTY LOTS. STRIKE TEAM HELPS OUT TO DISPOSE OF IT PROPERLY AND GIVE A BETTER APPEARANCE TO THE AREA.



W.O.#491940 Illegal dumping at an elderly home. Strike team helped her out.



Tough projects are the foundation of a better city.

**THE UTILITY AND STREET TEAMS  
HAD UNEXPECTED PROJECTS  
REQUIRED**

**THAT  
ALL**

**HANDS ON DECK!**

**LET'S TAKE A LOOK!**

# STREETS CREW

“The strength of the team is each individual member.

The strength of each member is the team. “

\*Phil Jackson

# Street Repair

## 14TH ST AND CAPISSALLO



Multiple water breaks in this area required for a full patch to be done. Page 133 of 156





# **STREETS CREW AT WORK**

10th st & Rio Rico

**SECURING  
AND SEALING  
THE  
MANHOLE  
AND  
PATCHING  
THE STREET**



# CITIZEN COLLECTION STATION

W.O.#473657



Unwanted items are disposed at the C.C.S.



A good cleaning every now and then is done to clear the area.

# CURB SCRAPING

## W.O.#145452

MILE 2 WEST



# 10th STREET BRIDGE

THE BRIDGE UNDERWENT CRITICAL STABILIZATION AND REPAIR.

THIS WAS COMPLETED TO ENSURE PUBLIC SAFETY.

IT HAS BEEN PROACTIVELY REINFORCED TO WITHSTAND INCREASED TRAFFIC VOLUME.



# UTILITIES CREW

GET TOUGH: WE DON'T WORK UNDER PRESSURE, WORK OVER PRESSURE

# INFRASTRUCTURE FIRST N. MERCEDES- INDIAN HILLS AREA

OVER THE YEARS AND AS THE CITY IS GROWING THE MAIN INFRASTRUCTURE NEEDS TO BE UPDATED AND REPLACED FROM TIME TO TIME.

WITH AN UNEXPECTED SEWER BACKUP ISSUE THE CITY WAS ABLE TO GET TO THE ROOT OF THE CLOGGED SEWER LINE AND MANHOLE THAT NEEDED A COMPLETE OVERHAUL.







CLEARING OUT THE BLOCKAGE WAS THE BIGGEST SEWAGE JOB TO DATE.  
ADDITIONAL VACTOR TRUCKS AND PUMPS HELPED TACKLE THE JOB.



SEE THE THICK SLUDGE AND SEWAGE THAT WAS NOT GOING ANYWHERE.



A MANHOLE NEEDED TO BE COMPLETED CLEARED OUT AND REPLACED.



RIGHT OFF OF NORTH BASELINE. FINDING THE HIDDEN MANHOLE THAT WAS COVERED BY THE STREET WAS A CHALLENGE THAT NO ONE SAW COMING.

# TWO LONG WEEKS OF HARD WORK



IN ORDER FOR THE SEWER LINE TO BE FULLY CLEANED OUT, IT WAS A SLOW PROCESS.

AROUND THE CLOCK CREWS TO MONITOR THE VACTOR TRUCKS AND HAULING OF SLUDGE.

THE IMMEDIATE REPLACEMENT OF THE 23FT MANHOLE THAT WAS CRACKED HALF WAY DOWN. VIRGIL CARRILLO AND HIS UTILITY CREW DID AN OUTSTANDING JOB.

# UTILITIES WORK ORDERS DIDN'T STOP AS THEY TACKLED THE SEWER AND MANHOLE PROBLEM.

CALLS AND EMAILS STILL CAME IN FOR WATER AND SEWER LINE LOCATES, POSSIBLE WATER BREAKS AT THE WATER METER, OR IN AN ALLEY AND NOT TO MENTION MORE SEWER ISSUES BEHIND A HOUSE THAT WAS A SURPRISE TO EVERYONE.





W.O.#473129

**LOCATING  
WATER AND  
SEWER LINES  
FOR NEW  
DEVELOPMENT  
THROUGHOUT  
THE CITY.**

# Water Break Repair Crew#1



W.O.#488245

NOTICE THE CRACK IN  
THE MAIN WATER LINE



# W.O.#502335 134 PALMETTO

THIS SEWER LINE WAS COMPACTED  
AND CLOGGED WITH THE  
FOLLOWING:

**WIPES**

**CLOTH MATERIAL**

**&**

**OTHER OBJECTS**

REQUIRED A SEWER LINE  
REPLACEMENT

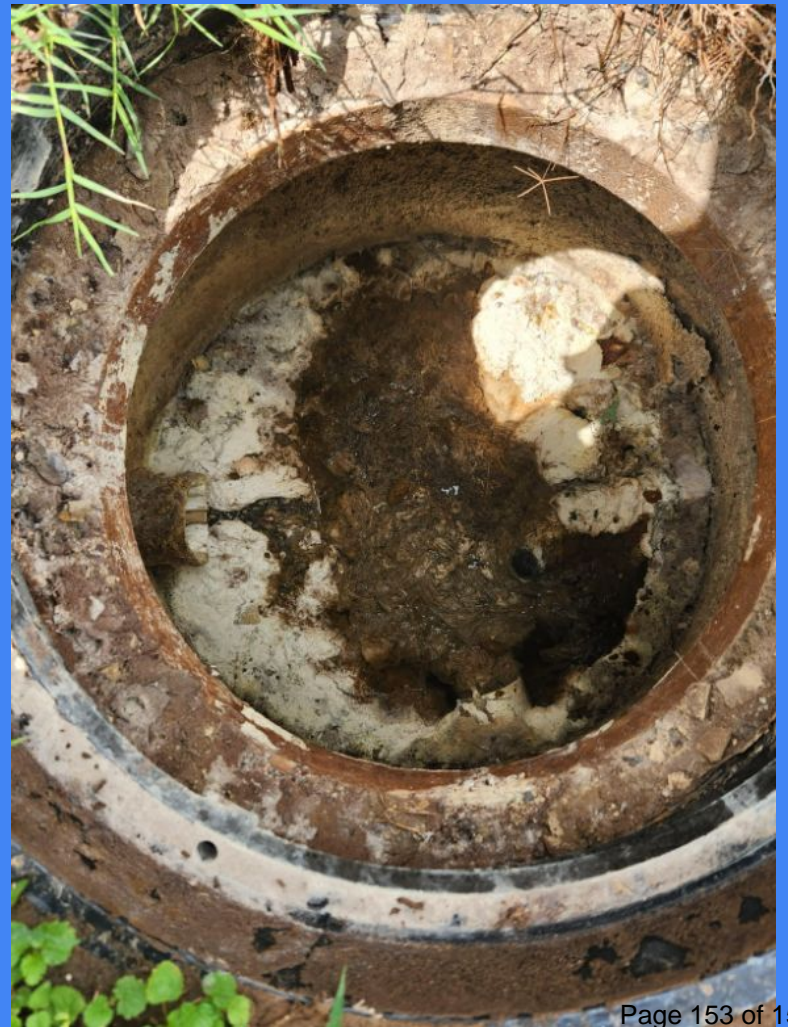


THESE PICTURES SHOW PART OF THE WORK THE UTILITY CREW HAD TO GO THROUGH TO REPLACED THE COMPACTED AND DAMAGED SEWER LINE.



# DAWSON STREET MANHOLES

THIS MANHOLE WAS FULL  
OF TOILET PAPER AND WIPES.  
IT CAUSED A BACKUP FOR  
MULTIPLE RESIDENTS



# LIFT STATION AT COLLIER PARK

AS WE NAVIGATE THROUGH  
HURRICANE SEASON, LIFT  
STATIONS AND DRAIN INLETS  
ARE ALWAYS BEING MONITORED

**ONE WEEK OF TRASH BUILT UP**

We need everyone to do their part to  
prevent flooding.



ONE PERSON CAN  
MAKE A DIFFERENCE,  
AND EVERYONE  
SHOULD TRY.

\*JOHN F. KENNEDY

**Public Works:  
Always in Action,  
Always for the City.**