CERTIFICATION AND FINANCING PROPOSAL

WATER INFRASTRUCTURE IMPROVEMENTS FOR IRRIGATION DISTRICTS IN THE LOWER RIO GRANDE VALLEY, TEXAS

"Water Resiliency Fund (WRF) Call for Projects #1"

Presented: August 24, 2026

CONTENTS

Acronyms and Abbreviations

AF	Acre-foot / acre-feet
AFS	Audited financial statements
AG	Attorney General
BOR	Bureau of Reclamation
CCID2	Cameron County Irrigation District No. 2
CCID6	Cameron County Irrigation District No. 6
DLID	Delta Lake Irrigation District
DIDHC1	Donna Irrigation District Hidalgo County No. 1
DMI	Domestic, municipal and industrial
DS	Debt service
DSCR	Debt service coverage ratio
DSR	Debt service reserve
EID	Engelman Irrigation District
FY	Fiscal year
IBWC	International Boundary and Water Commission
ID	Irrigation district
GDP	Gross domestic product
HCCWCID	Hidalgo County Consolidated Water Control District #3/Santa Cruz Water District #15 (HC Consolidated WCID)
HCID1	Hidalgo County Irrigation District No. 1
HCID2	Hidalgo County Irrigation District No. 2
HCID6	Hidalgo County Irrigation District No. 6
HIDCC1	Harlingen Irrigation District Cameron County No. 1
HCCID9	Hidalgo & Cameron County Irrigation District No. 9
IBWC	International Boundary and Water Commission
ID	Irrigation district
KM	Kilometer
KYC	Know your customer
LFIDCC3	La Feria Irrigation District Cameron County No. 3
LRGV	Lower Rio Grande Valley
NADBank	North American Development Bank
NADS	Net available for debt service
NEPA	National Environmental Policy Act
O&M	Operation and maintenance
OMR	Operation and maintenance reserve
TCEQ	Texas Commission on Environmental Quality
TWDB	Texas Water Development Board
UFS	Unaudited financial statements
WRF	Water Resiliency Fund
PRS	Performance Risk Scoring
PRMS	Performance Risk Monitoring System
UID	United Irrigation District
USBR	United States Bureau of Reclamation

WCID	Water Control and Improvement District
WSIG	Water Supply and Infrastructure Grants

EXECUTIVE SUMMARY

WATER INFRASTRUCTURE IMPROVEMENTS FOR IRRIGATION DISTRICTS IN THE LOWER RIO GRANDE VALLEY, TEXAS

NADBank established the Water Resiliency Fund (WRF), offering low-interest rate loans and grants, to address critical financing gaps for infrastructure projects that strengthen the resilience of water resources essential for the long-term well-being of communities in the U.S.-Mexico border region. The initial Call for Projects under the program was launched on November 3, 2025. This first round focused on urgent water conservation and efficiency investments related to infrastructure operated by irrigation or other special districts (IDs)[1] in the Lower Rio Grande Valley (LRGV) of Texas, specifically in Cameron, Hidalgo, Starr, and Willacy counties; where persistent drought conditions have significantly reduced river flows, impacting agriculture water deliveries throughout the region and threatening the reliability of supplies to municipal users.

IDs are political subdivisions of the State of Texas responsible for the planning, implementation, operation, and long-term maintenance of water infrastructure within its jurisdiction. IDs generally function as the wholesale water provider, diverting surface water from the Rio Grande, under state-issued water rights, through canals and pipelines to municipalities, water utilities, industrial users and agricultural irrigators.

Texas water law prioritizes domestic, municipal, and industrial (DMI) users when allocating water supplies from the Rio Grande. However, critically low reservoir levels as well as high water losses from seepage and evaporation experienced in open-canal delivery systems continue to threaten water-supply reliability to communities, let alone agriculture users. Additionally, aged and deteriorated pumps, pipelines, and river diversion facilities contribute to further water losses and operational inefficiencies throughout the delivery system, reducing water availability and increasing the cost of service – costs that are ultimately borne by the end user.

While regional planning efforts are exploring alternative water supplies, such as groundwater desalination, the most economical and immediate opportunity to strengthen reliability is to reduce conveyance losses within the surface water delivery systems owned and operated by the irrigation districts. To address these challenges, LRGV IDs have continuously worked to implement improvements, such as canal lining, canal-to-pipeline conversions, along with modernizing pump stations and related system upgrades to directly reduce these losses, improve delivery system efficiency, and enhance the reliability of water supplies for both municipal and agricultural users. However, limited access to affordable financing has constrained the pace and scale of implementation. NADBank's WRF will help

[1] The proposal includes one Water Control and Improvement Districts (WCID). While Irrigation Districts (IDs) and WCIDs are distinct forms of political subdivisions under Texas law, governed respectively by Chapters 58 and 51 of the Texas Water Code, for the purposes of the proposal they are collectively referred to as "irrigation districts" because of substantial overlap in characteristics, operations, and regulatory framework under Chapter 49 of the Texas Water Code.

overcome these financial barriers and accelerate the delivery of critical projects that might otherwise be delayed.

The proposed Water Infrastructure Improvements for Irrigation Districts in the Lower Rio Grande Valley (LRGV), Texas, while presented herein as a single and comprehensive proposal for consideration by NADBank's Board of Directors, is comprised of 12 independent projects for certification and financing from the WRF for canal lining, pipeline conversion, and other infrastructure investments to generate water savings (the "Project"). Upon approval, NADBank will enter into individual agreements with each of the 12 irrigation districts for the implementation of their respective infrastructure improvements. The Project represents an aggregate infrastructure investment of nearly US$143.89 million and is expected to generate a combined total water saving of about 43,700 acre-feet per year.

This proposal presents an overarching evaluation of compliance with the certification criteria of the 12 independent projects, which share similarities in terms of project types, utilization of conventional design standards, and construction activities primarily located within existing rights-of-way and operational facilities. The planned improvements also exhibit consistent existing environmental conditions and target common objectives centered on improving water management, conserving regional water resources, and strengthening water-supply resilience. As a result, the anticipated environmental and public-benefit outcomes are substantially similar across all individual district projects.

NADBank has been coordinating closely with Texas Water Development Board (TWDB) to co-fund eligible projects through its House Bill 500 Water Supply and Infrastructure Grants (WSIG). In response to the Bank's efforts, TWDB has reserved $100 million in grant funds to match the WRF investments on a 50/50 basis for canal lining and canal-to-pipe conversion projects, in particular. This strategic alignment further enhances the financial feasibility of several projects.

The comprehensive funding approach includes direct financial contributions from the ID, secured funding from other sources, such as U.S. Bureau of Reclamation and proposed TWDB grant fund allocations, as described above, along with recommended amounts to be funded by NADBank's WRF grants (WRF Grant) and/or low-interest rate loans (WRF Loan). The proposed allocation for TWDB funds is subject to its Board approval, which is expected to be submitted for its consideration in September 2026.

The technical, environmental, and financial due diligence conducted for the Project confirms that each participating irrigation district's project satisfies the requirements for Board certification and financing consideration. Additionally, the projects will comply with specific program requirements such as conditional grant awards, a binding rate covenant, a minimum debt service coverage ratio (DSCR) of 1.25x, and the implementation of a results matrix supported by Key Performance Indicators (KPIs) for each ID.

Table 1 highlights key facts regarding the project's eligibility, objective and outcomes as well as the financing proposed by NADBank.

Table 1
PROJECT PROFILE

Project Eligibility

Type (Sector):	Water
Location:	Lower Rio Grande Valley (LRGV), Texas
Sponsor:	Twelve irrigation districts (IDs) of the Lower Rio Grande Valley

Project Summary

Objective:	Water delivery system infrastructure improvements for irrigation districts in the Lower Rio Grande Valley (LRGV), Texas, including 12 independent projects for certification and financing from the WRF for canal lining, pipeline conversion, and other infrastructure investments to generate water savings (the "Project"). Proposed works will help to improve system resilience, strengthen water security, and ensure reliable long-term water delivery.
Expected Outcomes:	The Project is expected to generate environmental and human health benefits related to the following outcomes: ▪ Water savings of approximately 43,700 acre-feet/year ▪ Estimated population directly benefited from upstream delivery system improvements of 130,000 people[2]
Population to Benefit:	130,000
NADBank Additionality:	Low-interest rate loan and grant financial packages to an underserved sector
Project Cost:	US$143.89 million

Financing Summary

WRF Grant Amount:	US$34.78 million
Grant Recipient:	Nine IDs (CCID6, DIDHC1, DLID, LFIDCC3, HIDCC1, HCCWCID, CCID2, HCCID9, and EID)
WRF Loan Amount:	Up to US$36.59 million

[2] Direct beneficiaries are calculated based on the anticipated water savings for downstream domestic, municipal and industrial (DMI) users served by each specific water savings investment, consider specific water consumption rates of the specific communities served by the proposed new or improved infrastructure.

Loan Type:	Revenue Notes
Borrower(s):	Five IDs (HCID1, CCID6, UID, HCID6, and HIDCC1)
Percentage of Project Financed by NADBank:	Up to 50% of the total Project Cost in accordance with the WRF Guidelines

CERTIFICATION AND FINANCING PROPOSAL

WATER INFRASTRUCTURE IMPROVEMENTS FOR IRRIGATION DISTRICTS IN THE LOWER RIO GRANDE VALLEY, TEXAS

1. CERTIFICATION CRITERIA

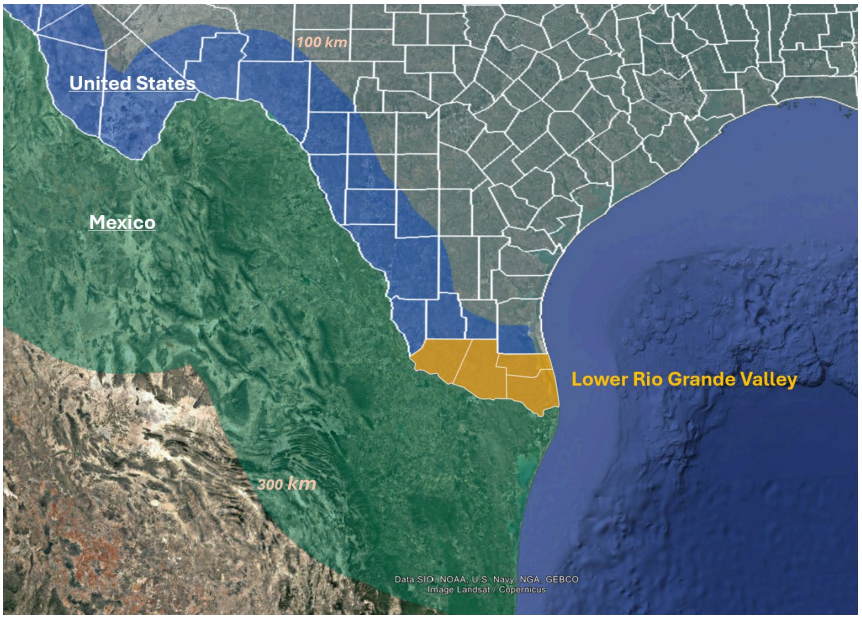
1.1. Technical Criteria

1.1.1. Project Description

Project Location

The Projects will be implemented in the counties of the Lower Rio Grande Valley area (LRGV), specifically within Cameron, Hidalgo, Starr and Willacy counties, all of which fall within the geographic jurisdiction of NADBank. Figure 1 shows the location of the Project area relative to the U.S.-Mexico border.

Figure 1
PROJECT LOCATION MAP



The four-county LRGV comprises a socioeconomically constrained region spanning approximately 4,300 square miles, characterized by comparatively low-income levels and high poverty rates, as presented in Table 2.

Table 2
SOCIOECONOMIC CHARACTERISTICS OF THE LRGV COUNTIES

County	Population*	Poverty Rate	Employed Population	Median Household Income (USD)
Cameron	433,946	26.4%	58%	$ 52,601
Hidalgo	921,549	24.4%	59%	54,338
Starr	66,319	40.7%	56.7%	37,639
Willacy	19,971	24.0%	55.4%	54,180
Total	**1,441,785**	–	–	–

* Source: United States Census Bureau.

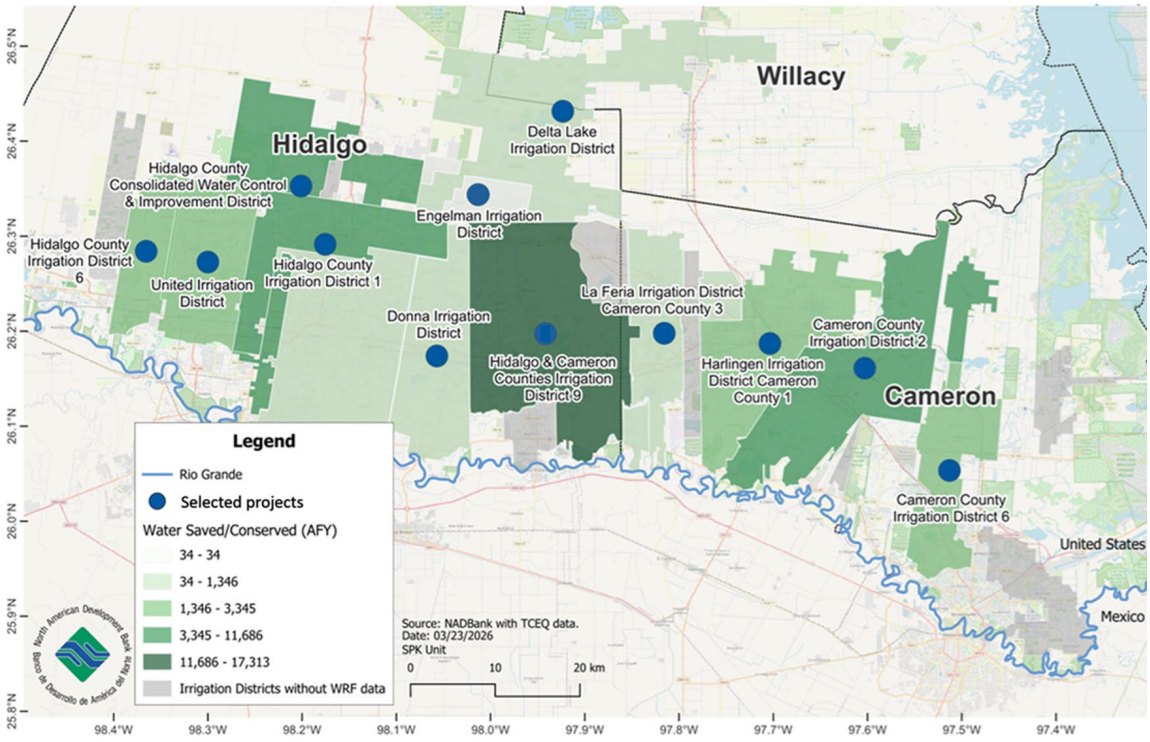
The LRGV population reported by the U.S. Census Bureau was approximately 1.4 million in 2025, which represents approximately 4.5% of the current population of Texas. The population in the LRGV is estimated to grow to approximately 1,580,000 residents in 2050.[3] The average employed population in the LRGV is 57%, lower than the 64.7% reported for Texas in 2024. The average household income is $49,690, significantly lower than the income in Texas, accounting for $78,476 for the same year.[4] Poverty rates remain elevated across the region, ranging from 24.0% to 40.7%, higher than the 13.4% reported in Texas.[5] Cameron and Starr counties experience the most acute distress, with poverty-related indicators among the highest in Texas.

Water services in the LRGV are provided by 25 irrigation districts,[6] which serve as the primary mechanism for distributing surface water from the Rio Grande River to agricultural, municipal, and industrial users. These districts operate as locally governed entities responsible for diverting, conveying, and allocating water through an extensive system of canals, pipelines, and control infrastructure. While agriculture remains a core function, irrigation districts also play a critical role in supplying raw water to municipalities, water supply corporations, industries, and other authorized users. Texas Water Code §58.121 expressly authorizes irrigation districts to contract with municipalities and other public entities for the delivery of untreated water. In many LRGV communities, municipal utilities rely on irrigation districts as their primary source of raw water, which is then treated and distributed to residential, commercial, and institutional customers.[7] As a result, irrigation

[3] Source: Texas Demographic Center. Texas Population Projections Download Tool
https://demographics.texas.gov/Projections/Download?rid=d14e84c25fd1402d96be21a357fc1062
[4] Source: United States Census Bureau. Quick facts.
https://www.census.gov/quickfacts/
[5] Source: United States Census Bureau.
https://www.census.gov/
[6] Source: Lower Rio Grande Valley Development Council. 2026 Rio Grande Regional Water Plan.
https://www.lrgvdc.org/downloads/regionm/2026_Region_M_IPP.pdf
[7] Source: Justia. 2025. 2025 Texas Statutes. Water Code. Tite 4 – General Law Districts.
https://law.justia.com/codes/texas/water-code/title-4/chapter-58/subchapter-d/section-58-121/

districts serve as a foundational component of the region's municipal water supply chain and help ensure long-term water security for growing urban populations. Figure 2 shows the 12 irrigation districts with projects proposed for certification and financing through the Water Resiliency Fund (WRF).

Figure 2
12 IRRIGATION DISTRICTS PROPOSED FOR WRF FINANCING



With increasing pressures from population growth, industrial development, and agricultural demand, securing reliable long-term water supplies has become a critical priority. Irrigation districts (IDs) play a central role in effective water resource management and strategic infrastructure investment, making them essential to regional water security. Water security itself is a fundamental pillar for sustaining economic stability and enhancing regional competitiveness. However, achieving it requires adequate financial resources to support infrastructure upgrades, ongoing maintenance, and system expansion.

In response to these needs, NADBank launched its WRF program in October 2025 to fund initiatives that promote water conservation and diversify supply sources, with the overarching objective of improving the efficient use of limited water resources. Through the WRF program, NADBank enables targeted investments that strengthen the reliability and efficiency of water systems. By supporting projects focused on conservation, reuse, and alternative supply development, the program helps reduce dependence on constrained traditional water sources. At the same time, it enhances the long-term resilience of communities by funding infrastructure improvements that reduce water losses, increase

operational efficiency, and extend asset lifespans—ultimately improving service reliability and ensuring more sustainable water management.

Project Scope

The Project consists of 12 independent projects for certification and financing from the WRF for canal lining, pipeline conversion, and other infrastructure investments to generate water savings. Upon approval, NADBank will enter into individual agreements with each of the 12 districts for the implementation of their respective infrastructure improvements.

In accordance with its WRF guidelines, NADBank evaluated a total of 22 applications. Based on the results of further due diligence and discussions with each District, some projects were combined or modified, resulting in the 12 district-level projects being submitted for certification and financing approval. The eligible projects and anticipated water savings for the proposed infrastructure improvements are summarized in Table 3.

Table 3
ELIGIBLE PROJECTS TO BE FUNDED

No.	Irrigation District	Project Scope	Anticipated Water Savings (acre-feet/year)
1	Cameron County Irrigation District No.2	Canal lining and pipeline improvements	13,624
2	Cameron County Irrigation District No.6	South Main Canal, Block 138 Canal, and 196 Canal – pipeline conversion	2,279
3	Delta Lake Irrigation District	▪ J22 Canal - pipeline conversion ▪ E-2 Canal – pipeline conversion and pump station rehabilitation ▪ M5 Canal - pipeline conversion and pump station rehabilitation	1,169
4	Donna Irrigation District (Hidalgo County No.1)	Lower East Main Canal - lining	1,346
5	Engelman Irrigation District	Main Canal - pipeline conversion	34
6	Harlingen Irrigation District (Cameron County No.1)	▪ Adams Garden Main Canal - pipeline conversion ▪ ABD Canal - pipeline conversion and pump station relocation	2,613
7	Hidalgo & Cameron Counties Irrigation District No.9	Canal F (Subset) - pipeline conversion	3,713
8	Hidalgo County Irrigation District No.1	▪ Main Canal Check 7 to SH 107- lining ▪ Main Canal Ware to Check 7- lining	5,712

No.	Irrigation District	Project Scope	Anticipated Water Savings (acre-feet/year)
9	Hidalgo County Irrigation District No.6	▪ 4B Canal - pipeline conversion and pump station upgrades ▪ Main Canal - lining and New River Pumping Plant improvements	2,074
10	Hidalgo County Consolidated Water Control & Improvement District	North R-Main Canal and N-Canal - lining	5,068
11	La Feria Irrigation District (Cameron County No.3)	Canal - pipeline conversion	2,721
12	United Irrigation District of Hidalgo County	Mission Main Canal and Bryan Canal - lining	3,345
Total			**43,698**

The projects included in this proposal were evaluated using a comprehensive set of criteria designed to identify water delivery infrastructure improvements that maximize water conservation benefits, provide meaningful community value, and demonstrate strong potential for timely implementation and delivery of results. The evaluation criteria included the following:

- ***Water Savings*:** Projects were evaluated based on their ability to increase the availability of water through conservation measures and improvements in water delivery efficiency. To ensure consistency and accuracy, NADBank engaged a third-party consultant to review and validate the water savings estimates and calculation methodologies submitted by applicants.

- ***Community Benefits*:** Projects were assessed based on the extent to which the anticipated water savings would benefit domestic water users, taking into consideration the project's location, primary purpose, and delivery destination, including municipal water supply and agricultural irrigation systems.

- ***Additional Environmental Benefits*:** Applications were further evaluated for potential environmental benefits associated with the proposed investments, including improvements in runoff management, water quality, habitat protection or restoration, and stormwater capture.

- ***Cost-effectiveness*:** Projects were evaluated based on the cost per acre-foot of water conserved, while also considering the expected useful life of the investment and the nature of the primary beneficiaries. Preference was given to projects expected to generate long-term conservation benefits for the community.

- ***Project Readiness*:** The level of readiness to proceed to construction was reviewed. Factors considered included the completion of design and engineering work,

acquisition of necessary land and easements, permitting status, and the availability of secured funding sources to complement WRF assistance.

Based on this evaluation framework, the preliminary financial review conducted for each district, and consideration of projects that appear well-positioned to leverage funding from TWDB alongside WRF resources, NADBank determined that the proposed activities would advance to the due diligence phase necessary to support project certification and financing approval under the program.

The final Project scope for each individual district may be adjusted based on the ultimate approval of TWDB funding by its Board and the final financing structure adopted by the project sponsor. Depending on funding decisions and market conditions at the time of bidding, the project may be scaled to match available financial resources, while ensuring that the project would still operate as intended and achieve meaningful water conservation benefits.

Project Milestones

NADBank issued a Call for Projects for the LRGV in November 2025 with an application deadline of February 10, 2026. On June 6, 2026, the irrigation districts were notified regarding the results of the evaluation process and advised that all or a portion of the project components submitted for funding were identified for the subsequent due diligence phase. Each project has its own level of progress and implementation timeline.

Following the publication of the Project for public comment, the project scope, key performance indicators (KPI) and proposed funding package for each district are expected to be submitted for the Board review process for project certification and financing approval. Subject to final approval by the NADBank Board of Directors and TWDB for funding allocations, in general terms, NADBank anticipates the initiation of construction for most projects in the first quarter 2027.

1.1.2. Technical Feasibility

Ensuring water availability in the LRGV is a priority. However, aging conveyance infrastructure, canal seepage, sediment accumulation, evaporation losses, and operational inefficiencies reduce the effectiveness of water distribution systems, further constraining the volume of water available for the community. Additionally, as drought conditions become more frequent and severe, improved water management strategies are essential to enhance system efficiency, reduce losses, and strengthen the resilience of water supplies across the LRGV.

Among the options to improving water delivery efficiency are the canal lining and conversion of open canals to pipelines, which are proven and technically feasible conservation measures, with an established record of implementation and water-saving benefits in the LRGV.

The proposed projects to be funded under the WRF generally involve traditional infrastructure improvements, such as canal lining, canal-to-pipeline conversions, flow

measurement enhancements, and system automation widely implemented throughout irrigation districts and water delivery systems. Because these technologies and improvement approaches have a long history of successful application, there is a high degree of confidence in their technical feasibility, constructability, and ability to achieve anticipated water savings.

The irrigation districts possess extensive experience implementing, operating, and maintaining the infrastructure proposed herein. These technologies are well-established, have a demonstrated record of performance in comparable irrigation and water management applications, and are successfully implemented by district personnel. Deployment of this infrastructure is not expected to introduce new operational complexities, specialized maintenance requirements, or additional burdens on Operations and Maintenance (O&M) resources. On the contrary, by leveraging proven technologies, the IDs can capitalize on existing expertise, maintenance practices, and support capabilities. This approach promotes operational consistency, and enhances system reliability, ultimately contributing to lower O&M costs and improved long-term efficient operations.

As part of its operations, NADBank will ensure that all projects are in full compliance with applicable technical, regulatory, permitting, and environmental requirements. This includes overseeing adherence to technical standards, applicable codes and specifications, and all relevant federal, state, and local regulations.

1.1.3. Land Acquisition and Right-of-Way Requirements

The IDs will implement the proposed projects within or aligned to aligned infrastructure and related rights of way. In case rights of way are required, each irrigation district must submit the corresponding supporting documentation to NADBank.

1.1.4. Project Operations

IDs and WCIDs are distinct forms of political subdivisions under Texas law, governed respectively by Chapters 58 and 51 of the Texas Water Code, and overlap in characteristics, operations, and regulatory framework under Chapter 49 of the Texas Water Code. The IDs are political subdivisions of the State of Texas, created under Title 4, Chapter 58 of the Texas Water Code[8] and are responsible for the planning, implementation, operation, and long-term maintenance of water infrastructure within its jurisdiction, including coordination with federal and state agencies. IDs generally function as wholesale water provider, diverting surface water from the Rio Grande, under state-issued water rights, through canals and pipelines to water utilities, industrial users and agricultural irrigators.[9] As mandated by the Texas Water Code, Chapter 58, IDs are governed by their own Board of Directors (BD) which consists of five directors.[10] The BD oversees water delivery, budgets, infrastructure

[8] Source: Texas Constitution and Statutes. Title 4, Chapter 58
https://statutes.capitol.texas.gov/?tab=1&code=WA&chapter=WA.58&artSec=
[9] Source Lower Rio Grande Development Council. 2026 Rio Grande Regional Plan Water
https://www.lrgvdc.org/downloads/regionm/2026_Region_M_IPP.pdf
[10] Source: Texas Constitution and Statutes. Title 4, Chapter 58
https://statutes.capitol.texas.gov/?tab=1&code=WA&chapter=WA.58&artSec=

investments, and water allocation policies, among others. As previously mentioned, given its purpose, water rights for DMI have the highest priority rights and are assured full allocation.

A WCID is a district created under the authority of Article III, Section 52, or Article XVI, Section 59 of the Texas Constitution, and governed by Chapter 51 of the Texas Water Code. A WCID is a public, quasi-municipal corporation and political subdivision of the State, empowered to develop, finance, construct, operate, and maintain water-related infrastructure and other authorized public improvements for the benefit of the territory and constituents within its legally defined boundaries. Each WCID is governed by a Board of Directors, which serves as the governing body of the district and exercises the powers conferred by Chapter 51.

IDs have a long-established history of successfully operating, maintaining, and managing water delivery infrastructure and associated operational assets. IDs have developed the institutional expertise, technical capabilities, and organizational resources necessary to support the reliable operation of irrigation systems, including canals, diversion structures, pumping facilities, and related infrastructure. Their personnel possess extensive practical experience in system operations, preventative maintenance, asset management, and infrastructure rehabilitation, enabling them to effectively address both routine operational requirements and long-term infrastructure needs. This established capacity reduces implementation and operational risks associated with infrastructure investments and provides confidence that proposed improvements can be effectively maintained over the long term. Overall, IDs are well positioned to successfully operate and maintain existing and future infrastructure investments, ensuring their continued functionality, and reliability for the benefit of the region's water users.

For the projects included in this proposal, the participating IDs will be responsible for managing construction and implementation activities, including oversight and coordination of project development, compliance with all applicable permit conditions, and adherence to approved project schedules and budgets. In some cases, the District may have the in-house capacity to construct the infrastructure, using their own skilled staff and equipment. The IDs will operate and perform maintenance activities for the improved infrastructure. Operational activities will include routine inspections of canals, structures, and pipelines, as applicable, as well as implementation of preventive and corrective maintenance actions to ensure long-term functionality and reliability.

The IDs will also ensure that project implementation is carried out in accordance with the WRF financing requirements, reporting obligations, and performance monitoring standards. For example, participating districts will be required to establish an operation and maintenance reserve fund and demonstrate a commitment to sound financial management practices. This includes conducting a rate study at least once every three years and maintaining established performance targets, such as an operational efficiency benchmark for grant recipients or a minimum DSCR for WRF loan recipients. In addition, financing agreement KPIs will require the annual submission of diversion, delivery, and efficiency reports to document and verify sustained water-savings improvements resulting from the WRF-funded investments. Collectively, these requirements will promote the adoption of ongoing best management practices and support the long-term financial and operational sustainability of the irrigation districts.

1.2. Environmental Criteria

1.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

The U.S.–Mexico border region has historically faced water scarcity and drought due to its semi-arid to arid climate and depends on a limited number of shared surface and groundwater resources. Prolonged droughts have persisted over the years in the Rio Grande watershed, which have led to hydrologic deficits affecting reservoirs, aquifers, and the region's economic stability and development. Some communities and irrigators that depend on groundwater aquifers are also experiencing declining water availability. The problem is further exacerbated by the fact that many communities and agricultural districts rely on a single water source, increasing their vulnerability to drought.

A similar situation exists in the LRGV that also recorded low water levels in reservoirs, and irrigation districts faced challenges to supply water. For example, the Falcon reservoir recorded 26% of capacity in 2026.[11] Irrigation districts in the LRGV play a central role in managing and distributing water resources, while they are increasingly operating under significant structural and operational constraints. These districts are responsible for diverting, storing, and delivering Rio Grande water through an extensive canal network that supports both agricultural production and municipal supply systems. However, reduced reservoir storage, inconsistent water inflows, and restrictions tied to binational water agreements have led to declining water allocations to many districts. Agricultural producers are the largest water users in the region and experience reduced irrigation reliability, reductions in planted acreage, and, in some cases, economic losses.

In addition to supply limitations, irrigation districts in the LRGV face aging infrastructure challenges, including canal inefficiencies, seepage losses, and the need for modernization of distribution systems. Looking at a 5-year average, water losses experienced within the district delivery system for the 12 IDs proposed for funding average about 36%, representing an estimated average loss of more than 13,000 acre-feet of water per district per year or a total of over 160,000 acre-feet per year.

Investment in much-needed infrastructure has been constrained by several factors, including inadequate planning, limited affordability and revenue-generation capacity, institutional constraints, aversion to debt and a shortage of grant funding. Limited financial resources and the high capital cost associated with system upgrades further constrain their ability to improve efficiency and resilience. At the same time, strengthening the irrigation districts through targeted investment and improved operational efficiency is essential to maintaining water delivery reliability and ensuring long-term efficient operations. The water conserved through these efficiency measures can help stretch limited Rio Grande supplies, increase system reliability during drought periods, and create greater flexibility to meet growing DMI

[11] Lower Rio Grande Valley Development Council. Water resources. https://waterdatafortexas.org/reservoirs/basin/rio-grande

water demand. Without sustained investment in water infrastructure, and coordinated regional management, water scarcity may become a binding constraint on economic growth, resulting in reduced output in key sectors, diminished investment attractiveness, and increased vulnerability to extended drought periods.

In order to address critical financing gaps for infrastructure projects that strengthen the resilience of water resources in the U.S.-Mexico border region, including the LRGV, NADBank presented its Water Resiliency Fund (WRF or the "Fund"). Under the Fund, the Bank evaluates initiatives that support water conservation and the diversification of supply sources, with the overarching goal of promoting a more efficient use of limited water resources and enhancing the capacity of the region to withstand droughts and other extreme climatic events.

B. Expected Environmental/Human Health Outcomes

Improvements to existing infrastructure will preserve water that would otherwise be lost during transport. Conserved water can then remain available for municipal, industrial, and agricultural use, particularly during drought conditions. The Project is expected to generate environmental and human health benefits related to the following Project outcomes:

- Water savings of approximately 43,700 acre-feet/year
- Aggregate population of approximately 130,000 people directly benefited by conserved water from upstream delivery system improvements[12]

C. Other Project Benefits

Given that irrigation districts act as wholesale providers of Rio Grande surface water to municipalities and industries, infrastructure improvements help ensure reliable delivery of high-priority DMI supplies. Improved conveyance systems also help IDs to fulfill their obligations to support regional drought-management objectives, while reducing the risk of interruptions caused by deteriorating infrastructure or operational constraints.

Additionally, some of the proposed projects will contribute to energy savings.

D. Transboundary Impacts

The proposed works do not include the development of new international conveyance structures or any infrastructure that would cause adverse downstream or transboundary impacts. No transboundary impacts are anticipated due to the implementation of the Project. Any project component that could have a negative transboundary impact will require appropriate mitigation or will be determined ineligible for financing.

[12] Direct beneficiaries are calculated based on the anticipated water savings for downstream domestic, municipal and industrial (DMI) users served by each specific water savings investment, consider specific water consumption rates of the specific communities served by the proposed new or improved infrastructure.

As appropriate, the IDs may coordinate with the International Boundary and Water Commission (IBWC) to assess permit requirements and the need for design review. Any required permits or other formal consultations with the IBWC will be completed before implementation begins.

1.2.2. Compliance with Applicable Environmental Laws and Regulations

The proposed projects will comply with all federal, state and municipal applicable environmental laws and regulations, including the National Environmental Policy Act (NEPA), where applicable.

A. Environmental Studies or Consultations

Proposed projects must be in compliance with applicable environmental regulations. For an irrigation district infrastructure project in the LRGV, the required agency consultations depend on the type of work (new canals, pump stations, pipelines, levees, drainage improvements, canal lining, reservoir construction, etc.), whether federal funding is involved, and whether wetlands or listed species may be affected. Unless a formal environmental authorization is required, as described in the following section, an ID may voluntarily consult with a local, State, or Federal agency to confirm the absense of sensitive environmental conditions.

Typically, project sponsors consult with the following agencies:

- U.S. Army Corps of Engineers
- U.S. Fish and Wildlife Service
- Texas Commission on Environmental Quality
- Texas Parks and Wildlife Department
- Texas Historical Commission
- Rio Grande Watermaster
- Local Floodplain Administrators
- International Boundary and Water Commission – U.S. Section

In cases where a consultation was made, the consultation and response documentation has been provided by the ID to NADBank.

B. Environmental Clearance and Permitting

Projects with funding contributions from the U.S. Bureau of Reclamation (USBR) must complete a formal environmental clearance process in compliance with NEPA. The project submitted by Cameron County Irrigation District No. 2 includes funding participation by USBR and the requirement for an environmental authorization is described in the related project application. The ID has provided the necessary documentation to demonstrate compliance with NEPA requirements overseen by USBR.

Access to Texas Water Development Board (TWDB) Water Supply and Infrastructure Grant program funds does not require formal environmental clearance authorization.

IDs must obtain authorizations from regulatory agencies as applicable, including the Texas Commission on Environmental Quality (TCEQ), the TWDB, International Boundary and Water Commission (IBWC), Texas Comptroller of Public Accounts (TCPA). As part of the WRF requirements, IDs must demonstrate that all necessary permits and authorizations were obtained.

As part of its due diligence, NADBank will review documentation and ensure all applicable permits, authorizations, and clearances be obtained and verified prior to the disbursement of project funds. Compliance with all relevant federal, state, and local regulatory requirements, including environmental approvals, rights of way, construction permits, and any other authorizations must be demonstrated as appropriate. No funds will be deployed until NADBank has determined that all required approvals have been secured and that the project is authorized to proceed in accordance with applicable laws, regulations, and permitting conditions.

C. Mitigation Measures

Environmental impacts associated with the proposed projects are expected to be temporary and localized, primarily related to construction activities for canals and piping. Anticipated impacts include short-term construction equipment operation. No significant long-term adverse environmental impacts are anticipated during Project operation.

Mitigation measures will be implemented in accordance with permit conditions and standard construction best management practices, including appropriate management of construction materials, and stabilization of disturbed areas after construction, as applicable. Environmental impacts associated with these projects will be addressed through project-specific design, environmental review, and permitting, as applicable, prior to construction.

D. Pending Environmental Tasks and Authorizations

As part of the WRF requirements, IDs must demonstrate that all necessary permits and authorizations were obtained.

1.2.3. Safeguards & Performance Risk (SPR) Due-diligence

A. Performance Risk Management System Scoring

In accordance with NADBank's Project Safeguards & Performance Risk (SPR) policy, approximately half of the proposed projects are classified as Category B - medium risk. This category applies to projects with limited environmental and community impacts and risks, generally site-specific, reversible, and can be mitigated through available measures applicable within the context of the project's operation. Potential impacts are less adverse than those of high-risk transactions.

The remaining half is classified as Category C – low risk. This category applies to projects with minimal or no adverse environmental and community impacts and risks.

B. SPR Due Diligence Conclusions

Based on the Project analysis to determine associated environmental and communities' risks, NADBank concluded that there do not appear to be any significant risks arising from the implementation of the Project. The Bank also concluded that the Sponsor has the necessary tools and resources to comply with the Project's environmental and communities risk identification, including applicable regulations and compliance reports.

C. Summary of Proposed Mitigation Measures

No additional mitigation measures are needed since the Sponsor provided the documentation to support compliance with applicable environmental and communities' requirements.

1.3. Financial Criteria

The total cost of the Project, including construction management costs, contingencies and applicable taxes is estimated at US$143.89 million. Table 4 presents a breakdown of the estimated Project costs and proposed sources of funding.

Table 4
PROJECT FINANCING PLAN
(USD millions)

Uses		Amount	%
Canal lining or piping improvements		$ 113.98	79
Pumping improvements		9.34	6
Engineering and other services		15.44	11
Contingencies		5.13	4
Total		$ 143.89	100
Sources	**Instrument**	**Amount**	**%**
Sponsor & Other	Contribution	$ 15.01	10
TWDB	Grant	57.51	40
NADBank	WRF loan	36.59	26
NADBank	WRF grant	34.78	24
Total		**$ 143.89**	**100**

The recommended funding structures for individual projects are tailored to the needs of each ID and to optimize the participation of TWDB funds for eligible project types. The standard financial analysis and risk-mitigation framework considered each district's debt/loan capacity and a WRF Loan is proposed for IDs that demonstrate the necessary financial conditions. IDs that did not meet such criteria are recommended exclusively for WRF Grants of up to 50% of the total project cost with a maximum of US$6 million per ID, where the award is conditional and reimbursement is a remedy for non-compliance with grant terms and

conditions. For IDs with limited borrowing capacity, a loan-grant combination is recommended to bridge the gap between affordable financing and the total funding required to implement needed improvements.

Subject to approval by the Texas Attorney General (AG), IDs confirmed by NADBank to have debt capacity will issue revenue notes (the "Notes"), which will be purchased by NADBank (the "Loan"). The approval of Texas AG ensures that the Notes comply with state law. Texas Water Code Section 49.153 allows the IDs to issue revenue notes without an election. Revenue notes issued under Texas Water Code Section 49.153 for a term longer than three years are also subject to approval by the Texas Commission on Environmental Quality (TCEQ), with a few exceptions, including those issued to NADBank. Revenue notes must be paid from the net revenue generated by the system, which is equal to gross revenue less reasonable operation and maintenance costs. The repayment of the Loan will be secured by an irrevocable first lien on and pledge of the net revenue generated by the system.

NADBank's due diligence confirms that each participating irrigation district's project satisfies the requirements for Board certification and financing consideration. This includes compliance with program requirements such as conditional grant awards, a binding rate covenant, a minimum DSCR of 1.25x, and the implementation of a results matrix supported by KPIs, as well as ensuring that the funding requested through the WRF funds does not exceed 50% of the total project cost for each ID. As shown in the above table, in aggregate, the investments made by the District through the WRF Loans (26%) and Grants (24%), represent about 50% of the total project costs, which do not exceed the 50% maximum established under the WRF Guidelines.

NADBank coordinated closely with the Texas Water Development Board for the WRF assessment, financial analysis, and funding allocation process. In the 89th Texas Legislative Session, TWDB received $1.038 billion in federal funding through House Bill 500 for "water supply and infrastructure projects in Texas". Through collaboration, TWDB proposed to allocate up to $100 million to the WRF specifically for canal lining and pipeline conversion projects with an objective to match TWDB funding on a one-to-one basis with NADBank's WRF low-interest rate loans and grants. However, since TWDB funds are exclusively for canal lining and pipeline conversion projects, a narrower eligibility set than NADBank's WRF, the final distribution resulted in the WRF funds portion of the overall investment being larger than the TWDB funding participation. TWDB's proposed allocation is subject to its Board approval, which is expected to be submitted for its consideration in September 2026.

The individual irrigation districts will commit to contributing additional funds, if needed, to cover any cost overruns to achieve project completion. In such cases, the Sponsor may pursue alternative funding sources or implementation strategies, including utilizing its own construction resources and capabilities to perform portions of the work.

2. PUBLIC ACCESS TO INFORMATION

2.1. Public Consultation

NADBank published the draft certification and financing proposal for a 30-day public comment period beginning August 24, 2026.

2.2. Outreach Activities

NADBank conducted a media search to identify public opinion on the Project. The following references to the Project were found:

- *Rio Grande Valley Guardian.* (March 4, 2026) *"NADBank receives 21 project proposals from RGV irrigation districts"* https://riograndeguardian.com/stories/nadbank-receives-21-project-proposals-from-rgv-irrigation-districts,60982

- *Texas Border Business.* (February 27, 2026) *"NADBank Water Resiliency Fund Draws 21 Project Requests from the RGV Totaling $225 Million"* https://texasborderbusiness.com/nadbank-water-resiliency-fund-draws-21-project-requests-from-the-rgv-totaling-225-million/

- *Rio Grande Valley Business Journal.* (November 21, 2025) *"How irrigation districts in the Rio Grande Valley could invest in water conservation during drought"* https://www.rgvbusinessjournal.com/news/21/11/2025/how-irrigation-districts-in-the-rio-grande-valley-could-invest-in-water-conservation-during-drought/

No opposition to the Project has been identified.