

INTERLOCAL COOPERATION AGREEMENT ESTABLISHING THE MEDINA COUNTY REGIONAL WATER ALLIANCE

This Interlocal Cooperation Agreement Establishing the Medina County Regional Water Alliance (“Agreement”) is made and agreed to by and among Yancey Water Supply Corporation (“Yancey WSC”), East Medina County Special Utility District (“East Medina County SUD”), the County of Medina (“Medina County”), the City of Hondo (“Hondo”), the City of Devine (“Devine”); the City of Castroville (“Castroville”), the City of LaCoste (“LaCoste”), the City of Natalia (“Natalia”), the City of Lytle (“Lytle”), Atascosa Rural Water Supply Corporation (“Atascosa Rural WSC”), Benton City Water Supply Corporation (“Benton City WSC”), West Medina Water Supply Corporation (“West Medina WSC”), and Medina County WCID No. 2 (Medina County WCID) (collectively, the “Members” and, individually, a “Member”), for the purpose of creating the Medina County Regional Water Alliance (the “Alliance”), and setting forth the Alliance’s mission and purpose.

RECITALS

WHEREAS, Subtitle C, Chapter 15, Section 15.002 of the Texas Water Code establishes that it is in the interest and to the benefit of the general public of the state to encourage and assist in the planning and construction of projects to develop and conserve the waters of the state, and to provide political subdivisions the maximum opportunity to finance projects through programs provided thereunder;

WHEREAS, each of the Members are “political subdivisions” as defined by Texas Water Code, Section 15.001(5);

WHEREAS, Texas Government Code, Section 791.011 authorizes such political subdivisions to contract or agree with each other to study the feasibility of the performance of governmental function or service or to provide a governmental function or service that each party is authorized to perform individually, including providing for the health and welfare of the public, planning, engineering, administrative functions, public funds investment, and water development;

WHEREAS, in recognition of the immediate need to secure affordable and sustainable sources of water supply of sufficient quality for use by the Members and their respective constituents and customers, the Members agree to cooperate and combine their individual efforts and interests by sharing information, expertise, funding, and other resources to establish the Alliance for the purpose of regional joint planning, management, funding, financing and development of long-term water supply projects to serve the Members’ respective constituents and customers;

WHEREAS, in furtherance thereof the Members desire to collaborate in the development of one or more projects to meet the existing water needs and growing water demands of Medina County and the Members’ respective service areas, constituents, and customers (the “Water Supply Projects”), such Water Supply Projects to include, but are

not limited to an aquifer storage and recovery project (“ASR Project”) and projects for new water supplies;

WHEREAS, this Agreement is intended to stimulate, encourage, and support development and conservation of water resources in and around Medina County, while meeting the existing water needs and growing water demands in Medina County, and the surrounding areas;

WHEREAS, the Members intend to request and receive funding and/or financing from the Texas Water Development Board (“TWDB”) in order to financially support certain regional Water Supply Projects; and

WHEREAS, the governing bodies of the Members have each respectively determined for themselves that they have the authority to carry out the purposes and perform the tasks contemplated by this Agreement, and accordingly have each approved and authorized the execution and performance of this Agreement;

NOW THEREFORE, in consideration of the promises and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Members agree as follows:

**ARTICLE I
BACKGROUND AND PURPOSE OF AGREEMENT**

- 1.1 **Purpose.** The purpose of this Agreement is to establish and create the Medina County Regional Water Alliance (the “Alliance”), which shall serve to facilitate and promote the cooperation, coordination, and joint efforts in the management and development of regional water resources and infrastructure within and around the Alliance Territory (defined under Section 1.3 of this Agreement), including but not limited to the collaboration and sharing of resources to advance regional water supply projects serving the Alliance Territory. By entering this Agreement, the Members demonstrate their collective desire to immediately pursue the design and development of one or more Water Supply Projects, including but not limited to the ASR Project, more particularly defined under Article VI of this Agreement.
- 1.2 **Formation.** The Members, as more particularly defined by Article II of this Agreement, hereby establish and form the Alliance for the purposes stated under Section 1.1 of this Agreement, and as provided throughout this Agreement.
- 1.3 **Alliance Territory.** The Alliance Territory shall comprise all of Medina County, Texas, and the jurisdictional boundaries or service areas of the Alliance Members recognized by a valid certificate of convenience and necessity (“CCN”) issued by the Texas Commission on Environmental Quality (“TCEQ”) or the Public Utility Commission of Texas (“PUCT”), if such boundaries or service areas extend beyond the jurisdictional boundaries of Medina County.

- 1.4 **Contracts.** The Members agree that, subject to the Annual Budget set forth and defined under Article V, the Alliance’s Board of Directors may enter contracts and render payment for goods, services, licenses, easements, real estate acquisitions, permits, fees, or other costs or investments deemed necessary or appropriate by the Board in carrying out the purpose of this Agreement, including but not limited to such contracts for engineering and legal services in accordance with the terms of this Agreement. Any such contracts may, but are not required to be entered into by and through the Administrator, as defined under Article IV of this Agreement, and in accordance with Article III of this Agreement. Any contracts exceeding the Annual Budget, or for goods or services to be paid in the following Fiscal Year (as defined by Section 5.1 of this Agreement), shall be deemed a Major Action requiring approval of the governing bodies of the Members.
- 1.5 **Good Faith.** None of the Members are under any legal obligation to enter into this Agreement. Each Member desires to enter into this Agreement in good faith for the purposes stated herein.
- 1.6 **Authorization.** The governing bodies of each Member have respectively determined for themselves that they have the authority to carry out the purposes and perform the tasks required of joining the Alliance and carrying out this Agreement, and accordingly represent that they each are authorized to enter and carry out this Agreement.

ARTICLE II MEMBERSHIP

- 2.1 **Initial Members.** The signatory Members of this Agreement shall constitute the Initial Members of the Alliance, and include the following:
- A. Yancey WSC, a non-profit water supply corporation, formed and operating in Medina County, Texas, under Chapter 67 of the Texas Water Code and Chapter 22 of the Texas Business Organizations Code;
 - B. East Medina County SUD, a special utility district formed and operating in Medina County, Texas under Chapter 65 of the Texas Water Code and Chapter 7203 of the Special District Local Laws Code;
 - C. Medina County, a corporate and political body created and operating pursuant to Article IX, Section 1, and Article XI, Section 1 of the Constitution of Texas; Title 3 of the Texas Local Government Code; and the applicable general laws of the State of Texas;
 - D. The City of Hondo, a home-rule city created and operating pursuant to Article XI, Section 5 of the Constitution of Texas; Section 5.004 of the Texas Local Government Code; and the applicable general laws of the State of Texas;

- E. The City of Devine, a type “A” general law city created and operating pursuant to article XI, Section 4 of the Constitution of Texas; Section 5.001 of the Texas Local Government Code; and the applicable general laws of the State of Texas;
 - F. The City of Castroville, a type “A” general law city created and operating pursuant to article XI, Section 4 of the Constitution of Texas; Section 5.001 of the Texas Local Government Code; and the applicable general laws of the State of Texas;
 - G. The City of LaCoste, a type “A” general law city created and operating pursuant to Article XI, Section 4 of the Constitution of Texas; Section 5.001 of the Texas Local Government Code; and the applicable general laws of the State of Texas;
 - H. The City of Lytle, a type “A” general law city created and operating pursuant to Article XI, Section 4 of the Constitution of Texas; Section 5.001 of the Texas Local Government Code; and the applicable general laws of the State of Texas;
 - I. The City of Natalia, a type “A” general law city created and operating pursuant to Article XI, Section 4 of the Constitution of Texas; Section 5.001 of the Texas Local Government Code; and the applicable general laws of the State of Texas;
 - J. Atascosa Rural WSC, a non-profit water supply corporation, formed and operating in Medina and Atascosa Counties, Texas, under Chapter 67 of the Texas Water Code and Chapter 22 of the Texas Business Organizations Code;
 - K. Benton City WSC, a non-profit water supply corporation, formed and operating in Medina, Frio, and Atascosa Counties, Texas, under Chapter 67 of the Texas Water Code and Chapter 22 of the Texas Business Organizations Code;
 - L. West Medina WSC, a non-profit water supply corporation, formed and operating in Medina County, Texas, under Chapter 67 of the Texas Water Code and Chapter 22 of the Texas Business Organizations Code; and
 - M. Medina County Water Control and Improvement District No. 2, a water control and improvement district, formed and operating in Medina County, Texas under Chapter 51 of the Texas Water Code.
- 2.2 **Membership Eligibility.** Membership in the Alliance is limited to political subdivisions and water purveyors of the State of Texas, including counties, municipalities, special districts, and water supply corporations created and

operating under the laws of the State of Texas. Political subdivisions and water purveyors eligible for membership under this section are herein “Eligible Parties.”

- 2.3 **New Members.** After the Effective Date, Eligible Parties seeking membership into the Alliance shall submit a written request for membership to the Board of Directors of the Alliance (“Board” as more particularly define under Article III of this Agreement). Eligible Parties seeking membership in the Alliance shall become a “New Member” of the Alliance upon:
- A. The Board’s approval by a majority vote of a quorum of Directors present at the meeting at which the vote is being held;
 - B. The Board’s approval of an amendment to this Agreement in accordance with Article III of this Agreement, enlisting the Eligible Party as a New Member; and
 - C. If the Eligible Party is a political subdivision or water supply corporation, approval by the Eligible Party’s governing body of this Agreement as amended, which approval shall be formalized in writing by signing the amended Agreement.

New Members shall formally designate a Director to serve on the Alliance’s Board, and shall comply with this Agreement and all the Alliance’s governing documents, including any policies and bylaws now existing, or which may be adopted by the Board in the future.

- 2.4 **Member Resignation.** Any member, whether an Initial Member or a New Member, may resign from the Alliance at any time by providing a written notice authorized by the resigning member’s governing body; provided, however, that such resignation shall not alleviate, waive liability, or otherwise terminate any obligations, whether financial or performative, under any agreements with the Alliance or the Members of the Alliance existing at the time of the resignation. Resignation shall become effective immediately upon the delivery of the properly authorized written notice to each Member in accordance with Article VII of this Agreement. Resignation from the Alliance shall automatically terminate any rights, interests, or claims to any property, whether real or personal, held in trust by the Board of Directors on behalf of the Members.

ARTICLE III BOARD OF DIRECTORS

- 3.1 **Board Creation.** The Alliance shall be governed by a Board of Directors created by this Agreement. The Board shall carry out the purposes and goals of this Agreement, including, but not limited to the following tasks:

- A. Manage the Alliance in accordance with this Agreement, including facilitating communication amongst the Members, sharing relevant information as appropriate, collaborating with the Members and their respective governing bodies and staff, and taking all necessary and appropriate official actions to plan, develop, design, and implement long-term water management strategies serving the Members and Alliance Territory;
- B. Designate and direct the Administrator in Article IV of this Agreement;
- C. Plan, develop, set, and adopt an Annual Budget in accordance with Article V of this Agreement;
- D. Authorize expenditures of and on behalf of the Alliance and its Members;
- E. Award contracts to vendors and consultants (“Selected Consultants”) as necessary and appropriate, and contract for professional services with said Selected Consultants, including engineering and legal services, by and through the Administrator; provided, however, an attorney or law firm serving as a Selected Consultant shall not serve as a City Attorney or General or Special Counsel to any Member unless approved by a majority of the Board;
- F. Secure funding and/or financing for public works projects authorized by the Board, whether through private or public sources, including but not limited to funds available through the Texas Water Development Board (“TWDB”), individual Member contributions, or other means;
- G. Acquire, hold, lease, encumber, and dispose of real property, including but not limited to land, buildings, and water rights, on behalf of the Alliance;
- H. Make decisions for and on behalf of the Alliance, or delegate such decision-making authority to the Administrator, Member personnel, Selected Consultants, and other professionals in accordance with this Agreement.
- I. Provide oversight regarding the design, construction, administration, operation and maintenance of any Water Supply Projects conceived by the Alliance, including but not limited to the ASR Project contemplated by Article VI of this Agreement;
- J. Review this Agreement annually, and, if necessary or appropriate, recommend amendments to the Members;
- K. Secure appropriate authorizations from the Members’ governing bodies for all Major Actions, as contemplated by Section 3.10 of this Agreement; and
- L. Take any and all other actions necessary or appropriate to carry out the purpose of this Agreement; provided, however, that the Board shall only take

such actions authorized by this Agreement or by the governing bodies of the Alliance Members.

- 3.2 **Directors.** The Board shall be composed of representatives appointed by the governing bodies of each of the Members, each representative being a Director. No Member shall be represented on the Board by more than one Director at a time.
- 3.3 **Alternates.** Each Member shall also designate an alternate Director (“Alternate”), who shall serve as a proxy for the Member’s Director in the event such Director is unable to attend a meeting of the Board. Alternates shall have all the powers and duties of the Director while serving as the proxy for a Director.
- 3.4 **Vacancies.** If there is a vacancy on the Board, the governing body of the Member that appointed the Director who vacated the office shall appoint a Director to serve in the Director’s place.
- 3.5 **Director Terms.** Directors and Alternates shall serve on the Board until the governing body of a Member appoints a new Director or Alternate, or until the Member-organization resigns from the Alliance in accordance with Section 2.4 of this Agreement.
- 3.6 **Prohibition Against Profits.** Directors, by virtue of their membership on the Board, do not hold a civil office, an office of profit or trust, or emolument, within the meaning of Article XVI, Section 12, 30, or 40 of the Texas Constitution.
- 3.7 **Management.** The Board is responsible for the management, operation, and control of the Alliance.
- 3.8 **Meetings.** The Board shall meet periodically as necessary, but no less than once per annual quarter, to fulfill the purpose of this Agreement. Board meetings shall be scheduled to occur at a place and time determined in advance by the Directors. Written notice of each meeting of the Board must be delivered to each Director. The notice must be delivered at least three (3) calendar days before a meeting by electronic mail, facsimile, courier, or hand delivery. Board meetings and notices are also subject to the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.
- 3.9 **Bylaws.** The Board shall adopt, and amend as necessary or appropriate, bylaws agreed to by a majority of the Directors, establishing the Board’s meetings, decision and voting procedures, duties, obligations, and other essential terms necessary or appropriate in carrying out this Agreement. In the event of conflict between this Agreement and Bylaws adopted under this section, this Agreement shall prevail over the conflicting bylaw.

- 3.10 **Delegated Authority.** By entering this Agreement, the Members, by and through their respective governing bodies, hereby delegate to the collective Board and its individual Directors the powers, authority, duties, and obligations expressly described herein, together with all such powers and authority necessary to carry out such express powers, authority, duties, and obligations; provided, however, that all Major Actions of the Board shall be approved or ratified by each Member's respective governing body. For purposes of this Agreement, a Major Action is any of the following actions taken by the Board:
- A. Setting the Annual Budget;
 - B. Authorizing expenditures in excess of the Annual Budget, and amending the Annual Budget accordingly;
 - C. Acquiring any interest in real property, including permanent easements, unless acquired in the name of an individual Member; or
 - D. Amending this Agreement, unless otherwise provided herein;
- 3.11 **Quorum.** A majority of the Board constitutes a quorum at a meeting of the Board. A concurrence of a majority of the Directors present and voting is sufficient for transacting any business of the Alliance unless otherwise provided by this Agreement or the Board's Bylaws.
- 3.12 **Voting.**
- A. Generally, each Director is entitled to one vote on any issue before the Board, except as provided by Section 3.12(B), below;
 - B. **Specific Water Supply Projects.** A vote on a motion affecting the cost for a particular Water Supply Project shall be by weighted vote. For the purpose of determining a majority of interest in voting on such motion, each Director shall be accorded a percentage of interest based on the percentage of financial interest that the Member has committed to the Water Supply Project in proportion to the total financial interest that all of the Members have committed to the Water Supply Project.
- 3.13 **Officers.** At the first meeting of the Board after January 1 of each year, the Board shall elect officers for the Alliance, including a chair, vice chair, secretary, and treasurer.
- 3.14 **Procurement.** Unless otherwise directed by the Board, the procurement of contracts for all goods and services on behalf of the Alliance shall comply with the policies, laws, and regulations of the Administrator designated by the Board under Article IV of this Agreement.

**ARTICLE IV
ADMINISTRATION**

- 4.1 **Administrator.** Administration services for the Alliance shall be performed by an Administrator designated by a majority of a quorum of the Board. The Administrator must be a Member of the Alliance.
- 4.2 **Initial Administrator.** The Members hereby designate Yancey WSC as the Initial Administrator (“Initial Administrator”). The Initial Administrator shall serve until the first meeting of the Board, at which time the Board, by majority vote, shall designate the Administrator that shall serve until the Board designates a different Administrator or the Administrator resigns.
- 4.3 **Administrator’s Duties.** The Initial Administrator’s duties shall be the holding of the initial meeting of the Board, including coordinating the time and place of the meeting, posting notice as required by law, and identifying candidates willing and qualified to serve as Administrator. The Administrator’s duties include, but are not limited to, the following, all of which shall be in accordance with and subject to the direction of the Board:
- A. Coordinating meetings of the Board;
 - B. Preparing and posting public notices in compliance with this Agreement and the Texas Open Meetings Act, Chapter 551 of the Texas Government Code;
 - C. Keeping records, preparing materials as may be needed for purposes of carrying out the scope of this Agreement, and complying with the Texas Public Information Act, Chapter 552 of the Texas Government Code (“TPIA”);
 - D. Contracting with Selected Consultants and/or managing contracts with Selected Consultants, but only as approved by the Board, and only with such Selected Consultants that have been selected and approved by the Board;
 - E. Managing and coordinating with Selected Consultants as may be necessary and appropriate;
 - F. Managing, tracking, and reporting on all budgets as described herein at Board meetings; and
 - G. Any and all other duties as may be assigned by the Board.
- 4.4 **Public Information.** The Alliance and its Members shall at all times when performing an action within the scope of this Agreement be subject to the TPIA. “Public Information” shall have the same meaning as defined by Texas Government Code § 552.002(a).

- 4.5 **Public Information Officer.** The Director representing the Member designated as Administrator under this Section shall be the Alliance’s Public Information Officer for purposes of complying with the Texas Public Information Act, Chapter 552 of the Texas Government Code.

**ARTICLE V
ANNUAL BUDGET AND COST-SHARING ALLOCATION**

- 5.1 **Fiscal Year.** The Alliance and its Members shall financially plan and budget for each one-year period, beginning on October 1st and ending on September 30th of each calendar year (“Fiscal Year”).
- 5.2 **Payment from Current Revenues.** The Alliance and its Members shall only pay for the performance of the governmental functions or services contemplated by this Agreement from current revenues available to the paying party, unless otherwise authorized by the laws of the State of Texas.
- 5.3 **Initial Budget.** The Members agree to fund a budget for the remainder of the 2024 Fiscal Year (the “Initial Budget”) which shall not exceed \$92,000.00, and each Member agrees to contribute its respective financial share of the Initial Budget costs as defined under Section 5.5. The Initial Budget shall include the following line items:
- A. Engineering Services: \$50,000.00
 - B. Legal Services: \$35,000.00
 - C. Administrative Services: \$7,000.00
- 5.4 **Annual Budget.** Beginning with the 2025 Fiscal Year, the Board shall adopt an Annual Budget by September 30th on a per annum basis, unless otherwise agreed by the Board (“Annual Budget”). All expenditures of the Alliance shall be included in the Annual Budget and approved by the Board; provided, however, that the Board may amend the Annual Budget to include expenditures unforeseen at the time the Annual Budget was adopted. The total amount of expenditures for each Fiscal Year shall not exceed the Annual Budget for that Fiscal Year without prior approval of the Members’ governing bodies. The Annual Budget shall prescribe the percentage of the Annual Budget each Member is obligated to fund for the applicable Fiscal Year (“Cost Sharing Percentage”).
- 5.5 **Effect of Resignation.** Resignation from the Alliance shall have no effect on the resigning Member’s financial obligations under the Annual Budget. Unless otherwise agreed by the Board, a Member that resigns in accordance with Section 2.4 of this Agreement prior to September 30th shall be responsible for covering its portion of the Annual Budget for the Fiscal Year in which the Member resigns. A member that resigns will have no obligation to fund its Cost Sharing Percent for

unforeseen expenditures approved by the Board above the Annual Budget during the fiscal year or financial obligation for the Fiscal Year following resignation.

- 5.6 **Cost Sharing.** The Members hereby agree to share the budgeted costs for all expenditures approved by the Board on a pro rata basis according to the Cost Sharing Percentages identified in the Annual Budget, which may be offset by any contributions made by Medina County or any other Member or Members.
- 5.7 **Initial Budget Cost Sharing.** Cost Sharing of the Initial Budget shall be calculated according to the percentages in the table below, which are intended to reflect a pro rata allocation of costs based on the quantity of metered retail service connections, as offset by any contributions made by Medina County or any other Member. If any Member does not sign this Agreement, the non-signing Member shall no-longer be a Member and the cost sharing percentages reflected in the table below shall be recalculated so that each participating Member’s Cost Sharing Percentage reflects its pro rata allocation of costs based on its quantity of metered retail service connections:

Member	Meters Count	Cost Sharing Percentage	Cost Sharing Commitment
Yancey WSC	4797	16.2%	\$14,861.90
Atascosa Rural WSC	4635	15.6%	\$14,359.99
Hondo	3681	12.4%	\$11,404.34
East Medina County SUD	3502	11.8%	\$10,849.77
Devine	1439	4.8%	\$4,458.26
Castroville	1076	3.6%	\$3,333.63
Lytle	1620	5.5%	\$5,019.03
LaCoste	496	1.7%	\$1,536.69
West Medina WSC	485	1.6%	\$1,502.61
Natalia	606	2.0%	\$1,877.49
Benton City WSC	7106	23.9%	\$22,015.56
Medina County WCID	252	0.8%	\$780.74
Totals	28004	100%	\$92,000.00

- 5.8 **Voluntary Contributions.** Any Member may contribute more than their allocation under Section 5.5 without prior authorization by the Board. The Board and its Members may solicit contributions from non-Member third parties. To the extent such voluntary contributions are received by a non-Member third party, such contributions will be used to offset, on a pro-rata basis, each Member’s allocation under Section 5.5.

- 5.9 **Billing.** The Administrator will invoice each Member for their respective share of the budgeted expenditures on a monthly basis. All Members are committed to the full payment of their obligations under the Annual Budget.
- 5.10 **No Profits.** Members and Directors shall not profit from their service for or on behalf of the Alliance, or from the transaction of official business for or on behalf of the Alliance.
- 5.11 **Additional Funding Sources.** To the extent possible, the Alliance agrees to review, vet, and pursue potential alternative funding sources available by and through TWDB and other relevant federal and state agencies, as an additional source of revenue for designing, developing, and constructing water management systems, strategies, and infrastructure.
- 5.12 **Monthly Statements.** The Administrator shall maintain copies of this Agreement and retain copies of all financial statements which shall be issued to the Members each month by the Board (“Monthly Statement”) according to this Agreement. The Monthly Statement shall list the expenses paid by the Member on behalf of the Alliance, and shall detail at a minimum the nature of the expenditure, the receiving party, the date of services performed, the date payment was made, and any outstanding debts or unpaid invoices.
- 5.13 **Administrative Costs.** The Annual Budget shall include a line item for Administrative Costs. The Administrator shall provide an estimate of the total amount of Administrative Costs for the next year’s Annual Budget prior to the adoption of the Annual Budget. Administrative Costs shall be limited to fees and direct expenses incurred by the Administrator in carrying out the duties defined under Article IV of this Agreement; provided, however, that the Annual Budget shall have a separate line item for the costs anticipated under any existing or future contracts with Selected Consultants. The Administrator shall account for its labor and direct expenses associated with the administrative duties and responsibilities, and shall directly invoice each Member in accordance with Section 5.7 of this Agreement for services rendered. Expenses shall be paid according to their original costs. Labor shall be billed at an hourly rate of \$20.00 per hour, unless otherwise ordered in writing by the Board. The Administrator shall take all reasonable measures to manage expenses within the agreed upon Annual Budget.
- 5.14 **Records.** The Administrator shall retain copies of all receipts, payments, and other evidence necessary to document expenses assumed in carrying out the Administrator’s duties, including invoices from Selected Consultants in accordance with the Administrator’s record retention policies.

ARTICLE VI
ASR PROJECT DEVELOPMENT AND RECOVERY OPERATIONS

- 6.1 **ASR Lead.** The Members designate Yancey WSC to assume primary responsibility for soliciting professional services necessary for forming the Alliance and planning and designing the ASR Project, including, but not limited to, engineering services, geoscience services, and legal services. Yancey WSC shall keep the Board apprised of its efforts to fulfill its obligations under this Section. Any contracts entered under this Agreement shall comply with Article III of this Agreement.
- 6.2 **Edwards Aquifer.** The Members recognize the exceptional economic and conservation-oriented advantages ASR provides within the unique regulatory framework governing the Edwards Aquifer in Medina County, specifically § 711.324 of the Edwards Aquifer Authority (“EAA”) Rules allowing for the transfer of EAA-issued permits by conveyance or lease between parties, including the transfer of the point of withdrawal, purpose of use, place of use, maximum rate of withdrawal, and groundwater withdrawal amount. Therefore, the Members agree that any pursuit of an ASR Project shall contemplate the withdrawal of groundwater under existing or acquired EAA-permitted groundwater rights, and storage in a geologically adjacent aquifer.
- 6.3 **Groundwater Recovery.** The Board recognizes that each Member has the right to recover the same amount of Edwards Aquifer water that it injects into the ASR Project. Nothing in this Agreement shall be construed to deprive any Member of its ownership or lawful right of control over such Edwards Aquifer water injected into the ASR Project. Recovery amounts from the ASR Project shall not exceed injection amounts, on a collective and individual Member basis.
- 6.4 **Future Agreements.** The Members acknowledge that future coordination, collaboration, and negotiation will be necessary to promote, develop, and implement the ASR Project. The Members are committed to continue their individual and collective efforts toward the stated purpose of this Agreement, and the commitments contained herein. The Members recognize the need for new water supplies in and around the Alliance Territory and agree that the ASR Project is just one strategy that can help meet that need.

ARTICLE VII
NOTICES

- 7.1 Unless otherwise stated, to be effective, any notice provided under this Agreement must be in writing, and shall be deemed to have been received for all purposes upon the earlier to occur of hand delivery or three (3) days after the same is mailed by U.S. Postal Service certified or registered mail, return receipt requested, and addressed as follows:

Yancey Water Supply Corporation
P.O. Box 127
Yancey, Texas 78886

Atascosa Rural Water Supply
Corporation
P.O. Box 9
Atascosa, TX 78002

East Medina County Special Utility District
P.O. Box 628
Devine, Texas 78016

The City of LaCoste
P.O. Box 112
LaCoste, Texas 78039

Medina County
1300 Avenue M, Room 250
Hondo, Texas 78861

The City of Lytle
P.O. Box 750
Lytle, Texas 78052

The City of Hondo
1600 Avenue M
Hondo, Texas 78861

West Medina Water Supply Corporation
145 CR 526
D'Hanis, Texas 78850

The City of Castroville
1209 Fiorella Street
Castroville, Texas 78009

Benton City Water Supply Corporation
980 FM 3175
Lytle, TX 78052

The City of Natalia
P.O. Box 270
Natalia, Texas 78059

The City of Devine
303 S. Teel
Devine, TX 78016

Medina County WCID No. 2
P.O. Box 337
D'Hanis Texas 78850

A Member may change its address or contact person under this section by notice in writing given to the other Members.

ARTICLE VIII GENERAL PROVISIONS

- 8.1 **Good Faith.** The signatories to this Agreement agree to be bound by this Agreement, and to work in good faith toward achieving its purpose and the functions described herein.
- 8.2 **Assignment.** No Member may assign its rights, privileges, and obligations under this Agreement in whole, or in part, without the prior written consent of all the other Members. Any attempt to assign without such unanimous approval shall be void.

- 8.3 **Default.** Notwithstanding anything to the contrary within this Agreement, if at any time during the term of this Agreement, any Member defaults in the performance of any of the terms or conditions of this Agreement, a non-breaching Member may issue written notice to the Board. The Board, upon receipt of such written notice, shall meet and may either elect to (1) provide a written notice after which the defaulting Member shall have 30 days to cure or (2) remove the defaulting Member from the Agreement by amendment and pursue other available remedies.
- 8.4 **Remedies.** In the event of a default, the Alliance may enforce this Agreement by requiring the defaulting Member to specifically perform the defaulting Member's obligations under this Agreement, or the Alliance may pursue other remedies available at law or equity. Any financial obligations not honored according to Article V is considered a default of this Agreement, and the rights and remedies of this Section are enforceable against any Member found in breach of those provisions. Limitations for the right to bring an action, regardless of form, shall be governed by the laws of the State of Texas, Texas Civil Practice and Remedies Code Section 16.070, as amended, and particularly the Texas Tort Claims Act.
- 8.5 **Term.** The term of this Agreement shall commence on the Effective Date and continue in effect until terminated by the Members.
- 8.6 **Amendments.** This Agreement may not be modified or amended except as authorized by the Board, and if applicable the Members' respective governing bodies. An amendment to this Agreement must be in writing and signed by each Member.
- 8.7 **Dissolution.** Any dissolution of the Alliance and its Board of Directors shall be effective only upon the termination of this Agreement. Termination shall occur by a resolution adopted and signed in writing by each Member's governing body.
- 8.8 **Severability.** In case any one or more of the provisions contained herein shall be held to be for any reason invalid, illegal, or unenforceable in any respect, the remaining provisions of the Agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been contained herein. This Agreement shall not be construed for or against any Member by reason of the authorship or alleged authorship of any provision, or by reason of the status of the respective Member.
- 8.9 **Entire Agreement.** This Agreement constitutes the entire agreement between the Members hereto and supersedes all prior agreements, understandings, and arrangements, oral or written, between two or more of the Members hereto with respect to the subject matter hereof.
- 8.10 **Governance and Venue.** This Agreement shall be construed, enforced in accordance with, and governed by the laws of the State of Texas. The Members

irrevocably agree that venue for any dispute involving this Agreement will lie in any court of competent jurisdiction in Medina County, Texas.

- 8.11 **Compliance.** Members, their officials, employees, designees, and agents shall comply with all applicable federal, state, and local laws and ordinances related to the work and services performed under this Agreement.
- 8.12 **Force Majeure.** No Member shall be responsible for delays or lack of performance by such entity or its officials, employees, designees, or agents that result from acts beyond that Member's reasonable control, including acts of God, strikes or other labor disturbances, pandemics or epidemics, or delays by federal or state officials in issuing necessary regulatory approvals and/or licenses. In the event of any delay or failure excused by this Section, the time of delivery or of performance shall be extended for a reasonable time period to accommodate the delay.
- 8.13 **Multiple Counterparts.** This Agreement may be executed in separate identical counterparts by each Member. Each counterpart, when so executed and delivered, will constitute an original instrument, and all such separate identical counterparts will constitute but one and the same instrument.

IN WITNESS WHEREOF, the Members have executed this Agreement, effective on the ____ day of ____, 2024 ("Effective Date").

(SIGNATURES ON FOLLOWING PAGES)

**YANCEY WATER SUPPLY
CORPORATION:**

BY:

TITLE:

MEDINA COUNTY

BY:

TITLE:

THE CITY OF DEVINE

BY:

TITLE:

THE CITY OF LACOSTE

BY:

TITLE:

**EAST MEDINA COUNTY SPECIAL
UTILITY DISTRICT**

BY:

TITLE:

THE CITY OF HONDO

BY:

TITLE:

THE CITY OF CASTROVILLE

BY:

TITLE:

THE CITY OF LYTLE

BY:

TITLE:

THE CITY OF NATALIA

BY:

TITLE:

ATASCOSA RURAL WATER SUPPLY CORPORATION

BY:

TITLE:

WEST MEDINA WATER SUPPLY CORPORATION

BY:

TITLE:

BENTON CITY WATER SUPPLY CORPORATION

BY:

TITLE:

MEDINA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT No. 2

BY:

TITLE:

YANCEY WATER SUPPLY CORPORATION:

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

BY: _____

BY: _____

TITLE: _____

TITLE: _____

MEDINA COUNTY

THE CITY OF HONDO

BY: _____

BY: *John W. Wally*

TITLE: _____

TITLE: *Mayor*



THE CITY OF DEVINE

THE CITY OF CASTROVILLE

BY: _____

BY: _____

TITLE: _____

TITLE: _____

THE CITY OF LACOSTE

THE CITY OF LYTLE

BY: _____

BY: _____

TITLE: _____

TITLE: _____

YANCEY WATER SUPPLY CORPORATION:

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

BY: _____

BY: Bruce A. Allen

TITLE: _____

TITLE: Superintendent

MEDINA COUNTY

THE CITY OF HONDO

BY: _____

BY: _____

TITLE: _____

TITLE: _____

THE CITY OF DEVINE

THE CITY OF CASTROVILLE

BY: _____

BY: _____

TITLE: _____

TITLE: _____

THE CITY OF LACOSTE

THE CITY OF LYTLE

BY: _____

BY: _____

TITLE: _____

TITLE: _____

YANCEY WATER SUPPLY CORPORATION:

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

BY:

BY:

TITLE:

TITLE:

MEDINA COUNTY

THE CITY OF HONDO

BY:

BY:

TITLE:

TITLE:

THE CITY OF DEVINE

THE CITY OF CASTROVILLE

BY: *X Butch Cook*

BY: _____

TITLE: *MAYOR*

TITLE: _____

THE CITY OF LACOSTE

THE CITY OF LYTLE

BY:

BY:

TITLE:

TITLE:

THE CITY OF NATALIA

BY:

TITLE:

ATASCOSA RURAL WATER SUPPLY CORPORATION

BY:

TITLE:

WEST MEDINA WATER SUPPLY CORPORATION

BY:

TITLE:

BENTON CITY WATER SUPPLY CORPORATION

BY:

TITLE:

MEDINA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT No. 2

BY:

J. Dean Zimmerman

TITLE:

Pres.