

MEMORANDUM

TO: South Texas Water Authority Board of Directors
FROM: Brandon Barrera, President
DATE: July 26, 2022
SUBJECT: Meeting Notice and Agenda for the South Texas Water Authority

A Regular Meeting of the STWA Board of Directors is scheduled for:

Tuesday, August 2, 2022
5:30 p.m.
South Texas Water Authority
2302 East Sage Road, Kingsville, Texas

The Board will consider and act upon any lawful subject which may come before it, including among others, the following:

Agenda

1. Call to order.
2. Citizen comments. This is an opportunity for citizens to address the Board of Directors concerning an issue of community interest that is not on the agenda. Comments on the agenda items must be made when the agenda item comes before the Board. The President may place a time limit on all comments. The response of the Board to any comment under this heading is limited to making a statement of specific factual information in response to the inquiry, or, reciting existing policy in response to the inquiry. Any deliberation of the issue is limited to a proposal to place it on the agenda for a later meeting.
3. Approval of Minutes. (Attachment 1)
4. Treasurer's Report/Payment of Bills. (Attachment 2)
5. Operation and Maintenance Reports. (Attachment 3)
 - O&M Report
 - CP Update
6. Fiscal Year 2022 Budget Amendments. (Attachment 4)
7. Review of 2022 Certified Appraisal Rolls for the Authority's district in Kleberg and Nueces Counties. (Attachment 5)
8. **Resolution 22-06.** Resolution adopting the appraisal roll for the South Texas Water Authority's district in Kleberg County for tax year 2022. (Attachment 6)
9. **Resolution 22-07.** Resolution adopting the appraisal roll for the South Texas Water Authority's district in Nueces County for tax year 2022. (Attachment 6)
10. Preliminary Fiscal Year 2023 Budget. (Attachment 7)

11. Proposed Fiscal Year 2023/Tax Year 2022 tax rate and authorization to publish notice of public hearing. (Attachment 8)
12. Letter of Engagement with John Womack and Company, P.C. for Independent Auditor Services for FY 2022. (Attachment 9)
13. Discussion and Authorize a Membership with the Kingsville Chamber of Commerce for Economic Development Promotion and Services. (Attachment 10)
14. Administration Report.
15. Adjournment.

The Board may go into closed session at any time when permitted by Chapter 551, Government Code. Before going into closed session, a quorum of the Board must be assembled in the meeting room, the meeting must be convened as an open meeting pursuant to proper notice, and the presiding officer must announce that a closed session will be held and must identify the sections of Chapter 551, Government Code, authorizing the closed session.

BB/JM/fdl
Attachments

This meeting notice was posted on
STWA's website, www.stwa.org, and on
indoor and outdoor bulletin boards at
STWA's administrative offices,
2302 East Sage Road, Kingsville, Texas at
1:00 ^{pm} am/pm on July 29, 2022
James De Peem
Assistant Secretary

ATTACHMENT 1

Approval of Minutes

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
June 28, 2022
Minutes

Board Members Present:

Brandon Barrera
Jose Graveley
Rudy Galvan, Jr.
Frances Garcia
Kathleen Lowman
Joe Morales
Patsy Rodgers

Board Members Absent:

Imelda Garza
Angela Pena

Staff Present:

John Marez
Jo Ella Wagner
Nigel Gomez

Guests Present:

Bill Flickinger by Zoom
(Legal Counsel)

1. Call to Order.

Mr. Brandon Barrera, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:30 p.m. A quorum was present.

2. Citizen Comments.

Mr. Barrera opened the floor to citizen's comments. No comments were made.

3. Approval of Minutes.

Ms. Lowman made a motion to approve the minutes of the May 24, 2022 Regular Meeting as presented. Ms. Rodgers seconded. The motion passed by unanimous vote.

4. Treasurer's Report/Payment of Bills.

No Treasurer's Reports or outstanding invoices were presented.

5. Operation and Maintenance Reports.

The O&M and Cathodic Protection Reports were presented to the Board. Mr. Gomez reported that field staff continues working on routine tasks for the corporations and maintenance around the STWA office. The CP crew continues installing anodes on the 42" waterline. The crew has not been able to access the Martin Marietta area because there are piles of rock that need to be moved. The CP crew has been assisting the field crew as needed.

6. Fiscal Year 2022 Budget Amendments.

The amended FY 2022 budget was not presented but Ms. Wagner said she has been working on it and it appears to be tracking as expected at about 50%. The uniform line item will probably need to be increased. She explained that a meeting was held with a Unifirst representative and the company will begin to provide uniforms for field staff. She expects the uniforms to arrive by September 1st. She added that she would like the Board to consider providing the intern with four additional hours per week and as part of budget amendments a \$2.00 increase to the current rate of \$13.50 per hour since she has now completed her degree. Mr. Marez stated that a special meeting may be needed to consider the amended budget and meet the required calendar dates.

7. Water District Truth in Taxation Notices, Effective Tax Rate Calculation, and Meeting/Hearing Schedule.

Mr. Marez presented a proposed Truth in Taxation Meeting/Hearing Schedule for the Board’s review in order to confirm that a quorum will be available for the necessary meetings and public hearing. In order to avoid the expense of Nueces County sending out separate tax statements for STWA, they must receive STWA’s tax information by the County’s September 13th deadline. The following schedule was provided to the Board:

Date	Event	Action
June 28, 2022	Board Meeting	Agree on calendar & confirm quorums
July 25, 2022	CADs deliver rolls	Staff calculates ETR
August 2, 2022	Board Meeting	Board votes on proposed rate & sets hearing date/time, approves sending proposed budget to wholesale customers
August 3, 2022	Staff prep	Proposed budget is sent to wholesale customers for 30-day written comment period
Aug 4 – Sep 5	30-day comment period	Wholesale customers review & provide written comments on proposed budget
August 25 and 28, 2022	Publish newspaper notices	Publication occurs 7 days before hearing
September 6, 2022	Public Hearing followed by Board Meeting	Board adopts tax rates, water rates and Handling Charge
September 9, 2022	Nueces County Tax Collector Deadline	Failure to submit tax rates could result in STWA paying for separate tax bill mail-out

Mr. Marez also reviewed forms provided by the Nueces County Tax Assessor/Collector’s office including a 2022 Governing Body Information form and asked for the Board’s approval on the schedule and forms. Ms. Lowman made a motion to approve the schedule and submitting the forms to the Nueces County Tax Assessor/Collector’s office. Ms. Rodgers seconded. All voted in favor.

8. Preliminary Fiscal Year 2022 Budget.

A preliminary budget was not ready in time for the meeting and will be presented at a future meeting. Ms. Wagner asked for direction from the Board on hourly pay increases in light of inflation and increases in gas prices. She added that among asset purchases being considered are a phone system, marquee, one or two additional vehicles, an additional field employee and transitioning the two part-time employees to full-time, a forklift, and shoring equipment. No comments were made by the Board.

9. Wholesale Water Supply Contract with the City of Corpus Christi.

10. Update on conveyance of section of STWA's 42-inch waterline to the City of Corpus Christi.

Mr. Barrera announced that the Board would convene in Closed Session at 5:46 p.m. pursuant to Section 551.071 of the Government Code to discuss the Wholesale Water Supply Contract with the City of Corpus Christi and the Conveyance of section of STWA's 42-inch waterline to the City of Corpus Christi. The Board reconvened in Open Session at 6:10 p.m. No action was taken during Closed Session.

Mr. Marez informed the Board that Mr. Flickinger will continue attending the monthly Board meeting by Zoom to provide updates on these two items. Ms. Lowman suggested moving these items to the top of the agenda in future meetings.

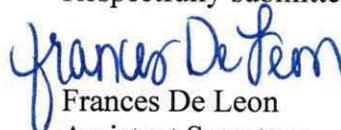
11. Administration Report.

Mr. Marez reported that he has spoken with a representative of the Texas Rural Water Association GIS program and they feel confident that the service they provide would be more economical than that of an engineer. He added that they provide services to help map and create a database for the water system. The company will provide two copies of the maps for each of the entities at a cost of \$10 per point (meter, valve, flush valve) but if a certain threshold is met, there is a price decrease. In addition, STWA joining in with the two water supply corporations will most likely result in a lower cost. Mr. Marez said he would include this item in a future meeting. He also reported that water levels continue decreasing and that he will keep the Board updated on future changes.

12. Adjournment.

With no further business to discuss, Mr. Graveley made a motion to adjourn the meeting at 6:19 p.m. Mr. Galvan seconded. All voted in favor.

Respectfully submitted,


Frances De Leon
Assistant Secretary

ATTACHMENT 2

Treasurer's Report/Payment of Bills

**The South Texas Water Authority
Treasurer's Report will be sent under a
separate cover prior to the Board Meeting.
Staff was hoping to have it in the Board
packet this month; however, time did not
allow for the completion of the Treasurer's
Report.**

ATTACHMENT 3

Field Reports

To: John Marez,

From: Oscar Ortegon, CP Technician
Noah Hinojosa, CP Technician

Date: July 20, 2022

Re: CP Update

As of July 20, 2022 the CP crew has installed 576 anodes on 397 joints on Contract 2 of the 42" water line as compared to the 560 anodes on 384 joints reported in June. We have replaced 44 old test stations since the beginning of the project. In June, the completed footage was 43,603 LF. We have now completed 45,259 feet out of 51,511 feet in Contract 2. We have started contacting local businesses and residents in order to gain access to gated private properties at the end section of Contract 2. In the meantime, the CP crew has relocated to Contract 3. Since then, we have been working in Calallen south of Hummingbird Lane and have now installed 87 anodes on 75 joints and 1 test station on the 42" water line compared to the June report of 57 anodes and 50 joints. 1 test station has been replaced in this section. We have completed 3,072 feet out of 46,324 feet in Contract 3. We are currently waiting on permits from TX DOT for anode installation North and South of CR 36 on the East side of Highway 77 in Robstown. In addition to this work, we are still assisting all three entities. Once all Contracts are complete, Corrpro will need to be contacted to conduct a survey to determine continuity throughout the 42" water main.

We continue to work on CP related work and helping the other field personnel as follows:

- Continue to perform maintenance and test rectifiers/test stations.
- Continue to maintain grass with herbicide around vaults, manholes, test stations and rectifiers along 42" line.
- Met with Martin Marietta's Supervisor David Lopez about repositioning of the material on top of STWA's 42" easement to perform installation of anodes. Now waiting on material to be removed.
- Exercised valves on 42" water main @ FM 2826, Driscoll, and Bishop.
- Performed locates for the 42" water main.
- Continue to assist O&M with ongoing operations.
- Performed locates for Nueces WSC and Ricardo WSC.
- Performed flushing for Nueces WSC and Ricardo WSC.
- Assisted with taps/road bores for NWSC/RWSC.

Memorandum

To: South Texas Water Authority Board of Directors and John Marez, Administrator
From: Nigel Gomez, O&M Supervisor
Date: July 20, 2022
Re: O&M Activities

During the Week of June 1st:

- Memorial Day Holiday
- Exercise generators
- Review GPS records
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42" line, Ave G, CR 16, Kingsville Meter Run & RWSC Meter Run @ Office
- Held weekly safety meeting.
- Vehicle Maintenance Report.
- Weekly Equipment Maintenance.
- Disinfect Pump Stations
- Collected Bac-T Samples
- CL 17 Verification
- Locates – STWA, RWSC, NWSC
- Flushing – NWSC & RWSC
- Completed service orders for NWSC and RWSC
- Safety Class – NG & PS
- City Gallons Report
- Water Loss Report
- Office AC Filter Change out & Clean Ice Machine

During the Week of June 6th:

- Exercise generators
- Review GPS records
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42" line, Ave G, CR 16, Kingsville Meter Run & RWSC Meter Run @ Office
- Held weekly safety meeting.
- Vehicle Maintenance Report.
- Weekly Equipment Maintenance.
- Disinfect Pump Stations
- Collected Bac-T Samples
- Read Meters – RWSC
- Remote Readings - NWSC
- Locates – STWA, RWSC, NWSC
- Completed service orders for NWSC and RWSC
- Flushing – NWSC & RWSC

O&M Supervisor Report

07/20/22

Page 2 of 2

- Mow Grass & Spray Weed Killer @ Pump Stations
- Cybersecurity Training
- Wash Awning @ Office
- Taps & Bores
- Ambrose Extension – CR 2180

During the Week of June 13th:

- Exercise generators
- Review GPS records
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42” line, Ave G, CR 16, Kingsville Meter Run & RWSC Meter Run @ Office
- Held weekly safety meeting.
- Vehicle Maintenance Report.
- Weekly Equipment Maintenance.
- Disinfect Pump Stations
- Collected Bac-T Samples
- CL 17 Verification
- Locates – STWA, RWSC, NWSC
- Flushing – NWSC & RWSC
- Spray Weed Killer @ Pump Stations
- Completed service orders for NWSC and RWSC
- Quotes for Extensions
- NWSC EPANet Mapping
- DR 900 Calibration

During the Week of June 20th:

- Exercise generators
- Review GPS records
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42” line, Ave G, CR 16, Kingsville Meter Run & RWSC Meter Run @ Office
- Held weekly safety meeting.
- Vehicle Maintenance Report.
- Weekly Equipment Maintenance.
- Disinfect Pump Stations
- CL 17 Verification
- Locates – STWA, RWSC, NWSC
- Flushing – NWSC & RWSC
- Taps- RWSC & NWSC
- Completed service orders for NWSC and RWSC
- Lockouts – RWSC & NWSC
- RWSC EPANet Mapping

O&M Supervisor Report

07/20/22

Page 3 of 2

During the Week of June 27th:

- Exercise generators
- Review GPS records
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42" line, Ave G, CR 16, Kingsville Meter Run & RWSC Meter Run @ Office
- Held weekly safety meeting.
- Vehicle Maintenance Report.
- Weekly Equipment Maintenance.
- Disinfect Pump Stations
- CL 17 Verification
- Locates – STWA, RWSC, NWSC
- Flushing – NWSC & RWSC
- Completed service orders for NWSC and RWSC

ATTACHMENT 4

FY 2022 Budget Amendments

FY 2021/22 Budget Amendments

Information will be provided prior to meeting

ATTACHMENT 5
Certified Appraisal Rolls

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Administrator
Date: July 22, 2022
Re: Certified Nueces and Kleberg County Appraisal District Values.

Background:

Adoption of Certified Appraisal Rolls begins the tax collection process. A Board adopted tax rate is levied (multiplied) against the values of the Certified Appraisal Roll to produce a Tax Roll. The Tax Roll is used to produce tax bills that are mailed out to property owners and thus the tax collection process begins.

This year, the Nueces County Appraisal District (NCAD) provided a certified roll showing an increase in ARB approved totals. Last year's approved taxable total was \$1,137,956,817 (without properties under protest) compared to this year's ARB approved totals of \$1,282,055,274 for an increase of \$144,098,457. The information also shows an estimated value of \$11,091,432 in properties under protest.

The information from the Kleberg County Appraisal District (KCAD) shows that overall values have also increased by \$73,467,284. This roll also shows an estimated value of \$48,674,969 in properties under protest. Kleberg County bills STWA the fees at the beginning of the tax year.

Analysis:

This year, there is approximately a \$217M increase from last year's certified rolls to this year.

	Tax Year 2021 Final Certified Values	Tax Year 2022 Final Certified Values	Differences
Nueces	\$1,137,956,817	\$1,282,055,274	\$144,098,457
Kleberg	\$1,339,666,291	\$1,413,133,575	\$73,467,284
Total	\$2,477,622,939	\$2,695,188,849	\$217,565,741

Staff Recommendation:

Adopt the Certified Appraisal Rolls for Nueces County and Kleberg County.

Board Action:

Determine whether to adopt Resolutions 22-06 and 22-07.

Summary:

This is a required step in the tax collection process.

KLEBERG COUNTY APPRAISAL DISTRICT
P.O. BOX 1027 * 502 E. KLEBERG * KINGSVILLE, TEXAS 78364
PHONE: (361) 595-5775 * FAX: (361) 595-7984

July 27, 2022

South Texas Water Authority
Attn: John Marez, Administrator
2302 E. Sage Rd.
Kingsville, Texas 78363

Dear Mr. Marez:

Enclosed you will find 2022 certified estimated total information for your taxing entity and a CD of your taxing entity's 2022 certified estimated appraisal rolls.

If you have any questions, please feel free to call me at 361-595-5775.

Sincerely,



Ernestina Flores, R.P.A.
Chief Appraiser

Cc: Brandon Barrera, President
Kleberg County Appraisal District Board of Directors

2022 FINAL CERTIFIED ESTIMATED VALUE INFORMATION

AS OF 7-25-22

TAXING UNIT
SOUTH TEXAS WATER AUTHORITY

GROSS VALUES		2022 FINAL CERTIFIED ESTIMATED VALUES NOT UNDER REVIEW		2021 FINAL CERTIFIED ESTIMATED VALUES NOT UNDER ARB REVIEW		DIFFERENCE
REAL:		1,695,380,718		1,491,877,382		203,503,336
PERSONAL:		107,276,790		102,655,630		4,621,160
MINERAL:		201,118,146		181,882,102		19,236,044
TOTAL GROSS VALUE:		2,003,775,654		1,776,415,114		227,360,540
TOTAL EXEMPTIONS:		352,817,261		326,994,571		25,822,690
HOMESTEAD CAP ADJ:		19,949,575		23,480,064		(3,530,489)
LOSS TO AGRICULTURAL: VALUATION		218,567,116		181,807,467		36,759,649
NET TAXABLE VALUE:		1,412,441,702	(-)	1,244,133,012	(=) (INC)	168,308,690
ADJUSTMENT FOR REAL MH, AND PERSONAL STILL UNDER ARB REVIEW INCLUDED IN TOTALS ABOVE	(-)(4%)	48,674,969	(-)	-	(=) (-)	48,674,969.00
ADJUSTED TAXABLE VALUE NOT UNDER ARB REVIEW	(=)	1,363,766,733	(-)	1,244,133,012	(=) (INC)	119,633,721
CERTIFIED ESTIMATED VALUES UNDER ARB REVIEW						
STILL UNDER ARB REVIEW (CAD REAL, MH, & PERSONAL)	(+)	48,674,969		-		-
STILL UNDER ARB REVIEW MINERAL ROLL	(+)	691,873		-		-
STILL UNDER ARB REVIEW TOTAL	(=)	49,366,842	(-)	95,533,279	(=)	(46,166,437)
2022 TOTAL CERTIFIED ESTIMATED TOTALS	(=)	1,413,133,575	(-)	1,339,666,291	(=) (INC)	73,467,284



Nueces County Appraisal District
201 N. Chaparral, Ste. 206
Corpus Christi, Texas 78401-2503

Ramiro "Ronnie" Canales
Nueces County Chief Appraiser

Direct: (361) 879-0766
Cell: (361) 765-1190
Fax: (361) 887-6138
rcanales@nuecescad.net

SOUTH TEXAS WATER AUTHORITY

CERTIFICATION OF 2022 APPRAISAL ROLL

Pursuant to Section 26.01(a) and (c) of the Texas Property Tax Code, I, Ramiro "Ronnie" Canales, Nueces Appraiser for the Nueces County Appraisal District, Nueces County, Texas, do hereby CERTIFY the values listed below, as the net taxable value of all taxable property within your jurisdiction.

- | | |
|--|------------------|
| A. Value of all taxable property NOT Under Protest for 2022 | \$ 1,282,055,274 |
| B. Estimated taxable value of property Under Protest for 2022 | \$ 11,091,432 |

2022 TOTAL NET TAXABLE VALUE FOR YOUR JURISDICTION \$ 1,293,146,706

A handwritten signature in black ink, appearing to be "R Canales", is written over a horizontal line.

Ramiro "Ronnie" Canales, RPA, CTA
Chief Appraiser

07/22/2022
Date

ATTACHMENT 6

Resolutions 22-06 and 22-07

SOUTH TEXAS WATER AUTHORITY

Resolution 22-06

RESOLUTION ADOPTING THE APPRAISAL ROLL FOR THE SOUTH TEXAS WATER AUTHORITY'S DISTRICT IN KLEBERG COUNTY FOR TAX YEAR 2022.

WHEREAS, the South Texas Water Authority is a taxing jurisdiction within Kleberg and Nueces Counties, and

WHEREAS, the South Texas Water Authority has the power to collect ad valorem taxes for maintenance and operation and debt service, and

WHEREAS, the appraisal roll of the South Texas Water Authority has been compiled by the Kleberg County Appraisal District for the purpose of levying an established tax rate on said valuation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the South Texas Water Authority adopts the 2022 appraisal roll compiled by the Kleberg County Appraisal District on behalf of the Authority.

Duly adopted this 2nd day of August, 2022.

BRANDON BARRERA, PRESIDENT

ATTEST:

IMELDA GARZA, SECRETARY/TREASURER

SOUTH TEXAS WATER AUTHORITY

Resolution 22-07

RESOLUTION ADOPTING THE APPRAISAL ROLL FOR THE SOUTH TEXAS WATER AUTHORITY'S DISTRICT IN NUECES COUNTY FOR TAX YEAR 2022.

WHEREAS, the South Texas Water Authority is a taxing jurisdiction within Kleberg and Nueces Counties, and

WHEREAS, the South Texas Water Authority has the power to collect ad valorem taxes for maintenance and operation and debt service, and

WHEREAS, the appraisal roll of the South Texas Water Authority has been compiled by the Nueces County Appraisal District for the purpose of levying an established tax rate on said valuation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the South Texas Water Authority adopts the 2022 appraisal roll compiled by the Nueces County Appraisal District on behalf of the Authority.

Duly adopted this 2nd day of August, 2022.

BRANDON BARRERA, PRESIDENT

ATTEST:

IMELDA GARZA, SECRETARY/TREASURER

ATTACHMENT 7

Preliminary FY 2023 Budget

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Administrator
Date: July 29, 2022
Re: Preliminary Fiscal Year 2022/23 Budget

Background:

Enclosed please find the Preliminary Fiscal Year 2022/23 Budget.

At this time in the budget process, there are numerous items that are key to the budget:

1. The Cost of Raw and Treated Water from the City of Corpus Christi - These rates were sent from city staff to JoElla Wagner as of July 28, 2022. According to Ms. Wagner the communications from the City is their rate model should be available sometime in August. Based on our contracts with each of our seven wholesale customers, STWA continues to pass-through the cost of water. Despite passing the cost through, it does impact the volume the City of Kingsville purchases and the revenue generated from STWA's Handling Charge. It is important to note that the final pass-through rates may not be set until later in the city's fiscal calendar. Based on information provided to Ms. Wagner the CCW rates may moderately increase.

2. Kleberg County and Nueces County Certified Appraisal Rolls -The rolls have been provided and that data is used to calculate the Average Home Value which is used to determine the Effective Tax Rate. There are two (2) other items related to approval of the certified rolls and another item related to approving publication of the required notice.

3. Certain Budgeted Costs - Staff has estimated the rates from the Nueces County Tax Office, the Nueces County Appraisal District and the Kleberg County Appraisal District. Most other expenses are based on historical figures and anticipated costs with the exception of employee benefits in the form of insurance costs. Typically, insurance renewal premiums will be available in the next month or two.

Analysis:

This preliminary budget is based on the same Handling Charge rate of \$0.426386 per 1,000 gallons of water. However, during our recent Budget Workshops each of you were provided options of various levels of Handling Charge increases for the FY 2022/23 Budget. Although over the last 12 years the STWA held great distinction maintaining the same Handling Charge it is my assessment this on-going practice has left the Authority and our customers vulnerable to a decaying system with the inability to respond appropriately to rising prices for salaries, materials, equipment and the like.

This Preliminary Budget is based on a sales volume of approximately 549 million gallons and generates about \$224,000 in Handling Charge revenues. The calculated volume is based on the five-year average volume for all customers with the exception of the City of Kingsville.

This second draft budget is based on certified appraisal district values and a reduction in the M&O tax based on the calculation from the Comptroller Worksheet. The Interest and Sinking

Tax Rate is recalculated using the certified values and the anticipated Debt Service expenses.

A Special Services Budget to recoup the cost of providing turn-key management and operation services for the Nueces Water Supply Corporation (NWSC) and Ricardo Water Supply Corporation (RWSC) is included.

Staff Recommendation:

Review the second draft budgets and provide feedback to staff. For the purposes of complying with contractual agreements, authorize staff to send a copy of the budget to STWA's wholesale customers.

Board Action:

Determine if any revenues and expenditures need further review or adjustment. Authorize staff to send a copy of the budget to STWA's wholesale customers

Summary:

This draft budget reflects an ending balance that would add approximately \$500,000 to Reserves

SOUTH TEXAS WATER AUTHORITY
 PRELIMINARY
 FISCAL YEAR 2023 BUDGET
 General Fund

CC Water Cost
 \$2.31000
 Handling Charge
 \$0.426386
 M&O Tax Rate
 \$0.064912
 I&S Tax Rate
 \$0.013577

Proposed
 FY 2023
 BUDGET

REVENUES

Water Service Revenues	\$1,347,106
Handling Charge Revenue	\$244,325
Premium Incremental Increase	\$5,000
Fee in Lieu of Taxes	\$12,058
Interest on Temp. Invest.	\$30,000
Interest Note - City of Driscoll	\$1,275
Other Revenue	
Operations & Maintenance Fees	\$11,300
Miscellaneous Revenues	\$12,000

TOTAL REVENUES \$1,663,064

EXPENDITURES

Water Service Expenditures:	
Bulk Water Purchases	\$1,347,106
Water Loss	\$0

TOTAL WATER SERVICE \$1,347,106

Payroll Costs

Salaries & Wages -	
Permanent Employees	\$381,976
Vacation Buy Back	\$8,500
Part-Time Employee	\$0
Overtime - NWSC	\$0
Stand-by Pay - NWSC	\$0
Overtime - RWSC	\$0
Stand-by Pay - RWSC	\$0
Overtime - STWA	\$15,000
Stand-by Pay - STWA	\$1,300
Janitorial Pay STWA Overtime	\$0
Employee Retirement Premiums	\$63,344
Group Insurance Premium	\$233,713
Unemployment Compensation	\$1,094
Workers' Compensation	\$8,750
Car Allowance	\$0
Hospital Insurance Tax	\$5,228

TOTAL PERSONNEL \$718,905

Supplies & Materials	
Repairs & Maintenance	\$150,000

Meter Expense	\$5,000
Tank Repairs	\$10,000
Major Repairs	\$25,000

TOTAL SUPPLIES & MATERIALS	\$190,000
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Other Operating Expenditures:

Professional Fees	
Legal	\$25,000
Auditing	\$10,500
Engineering	\$12,500
Management & Consulting	\$7,500
JMAE Management Consulting, LLC	\$70,000
Inspection	\$7,500

TOTAL PROFESSIONAL FEES	\$133,000
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Consum Supplies/Materials

Postage	\$8,050
Printing/Office Supplies	\$33,000
Janitorial/Site Maintenance	\$17,750
Fuel/Lubricants/Repairs	\$80,000
Chemicals/Water Samples	\$57,750
Safety Equipment	\$1,750
Small Tools	\$2,800

TOTAL CONSUM SUPPLIES/MATERIALS	\$201,100
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Recurring Operating Costs

Telephone/Communications	\$24,000
Utilities	\$115,000
D & O Liability Insurance	\$4,400
Property Insurance	\$49,000
General Liability	\$6,000
Auto Insurance	\$3,100
Travel/Training/Meetings - Staff	\$10,000
Travel/Training/Meetings - Board of Directors	\$10,000
Rental-Equipment/Uniforms	\$6,000
Dues/Subscriptions/Publications	\$16,500
Pass Through Costs	\$400
Educational Materials	\$0

TOTAL RECURRING OPER. COSTS	\$244,400
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Miscellaneous	
Miscellaneous Expenditures	\$11,000

TOTAL MISCELLANEOUS	\$11,000
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Total Administrative & Operations Exp.	\$2,845,511
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Capital Outlay	
Capital Acquisition	\$223,675
Engineering	\$0

TOTAL CAPITAL OUTLAY	\$223,675
TOTAL EXPENDITURES (w/o D.S. exp.)	\$3,069,186
Excess (Deficiencies) of Revenue Over Expenditures	(\$1,406,122)
OTHER FINANCE SOURCES (USES)	
Transfer to Other Funds	
Disposition of Assets (Surplus Sale)	\$1,500
Transfer from Tax Fund	\$1,628,700
TOTAL OTHER FINANCING SOURCES (USES)	\$1,630,200
TOTAL EXPENDITURES	\$1,438,986
EXCESS (DEFICIENCIES) OF REVENUES OVER OTHER SOURCES (USED)	\$224,078
NET INCOME	\$224,078

SOUTH TEXAS WATER AUTHORITY
 PRELIMINARY
 FISCAL YEAR 2023 BUDGET
 M & O TAX FUND

CC Water Cost
 \$2.31000
 Handling Charge
 \$0.426386
 M&O Tax Rate
 \$0.064282
 I&S Tax Rate
 \$0.013577

Proposed
 2022

REVENUES	Budget
Ad Valorem - Current (M&O)	\$1,674,136
Delinquent Taxes	\$30,000
Penalty & Interest - Tax Accounts (M&O)	\$19,000
TOTAL M&O TAX REVENUES	\$1,723,136

EXPENDITURES	
Tax Collector Fees	\$65,273
Appraisal Districts	\$29,162
Refunds	\$0

TOTAL EXPENDITURES \$94,436

REVENUES OVER EXPENDITURES \$1,628,700

OTHER USES

Transfer to Revenue Fund (Tax) \$1,628,700

TOTAL EXPEND. & OTHER USES \$1,723,136

Excess Revenues and Other
 Financing Sources Over (Under)
 Expenditures and Other Uses \$0

SOUTH TEXAS WATER AUTHORITY
PRELIMINARY
FISCAL YEAR 2023 BUDGET
Special Services

CC Water Cost
\$2.31000
Handling Charge
\$0.426386
M&O Tax Rate
\$0.064912
I&S Tax Rate
\$0.013577

Proposed
FY 2021
Budget

REVENUES	
Ricardo Water Supply Corporation	\$372,555
Nueces Water Supply Corporation	\$361,255
TOTAL SPECIAL SERVICES REVENUE	\$733,810

EXPENDITURES	
Personnel	\$415,005
Overhead	\$288,805
Administrator	\$30,000

TOTAL EXPENDITURES	\$733,810
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REVENUES OVER EXPENDITURES	\$0
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OTHER USES	
Transfer to Revenue Fund (Tax)	\$0

SOUTH TEXAS WATER AUTHORITY
 PRELIMINARY
 FISCAL YEAR 2023 BUDGET
 I&S TAX FUND

CC Water Cost
 \$2.31000
 Handling Charge
 \$0.426386
 M&O Tax Rate
 \$0.064912
 I&S Tax Rate
 \$0.013577 \$0.078489

Proposed
 FY 2021
 Budget

REVENUES	\$367,422	
Ad Valorem - Current (M&O)	\$10,500	
Delinquent Taxes	\$2,085	\$0
Out of District - Fee in Lieu of Taxes - NCWCID#5	\$6,250	
Penalty & Interest - Tax Accounts (M&O)	\$3,450	
Interest on Temporary Investments	\$389,707	

TOTAL M&O TAX REVENUES

	\$200	
EXPENDITURES	\$101,350	\$346,550
Fiscal Agent Fees	\$245,000	
Bond Interest Expense	\$14,427	
Bond Principal Payments	\$6,445	
Tax Collector Fees	\$0	
Appraisal Districts		
Refunds	\$367,422	\$0.013577

TOTAL EXPENDITURES \$22,285

REVENUES OVER EXPENDITURES \$367,422

TOTAL EXPEND. & OTHER USES

Excess Revenues and Other	\$22,285
Financing Sources Over (Under)	
Expenditures and Other Uses	

ATTACHMENT 8

**Proposed FY 2023/Tax Year 2022 Tax Rate and Authorization to Publish Notice
of Public Hearing**

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Administrator
Date: July 29, 2022
Re: Proposed Tax Rate Publication for FY 2022/23 - Tax Year 2022

Background:

Enclosed are the Worksheet and Notice provided by the Texas Comptroller. Also enclosed is the blank worksheet downloaded from the Comptroller's website. This worksheet was modified last year as a result of legislative changes. Information from the Worksheet is transferred to the Notice. The Tax Rate procedures for water districts require a comparison of the Average Home Value of Tax Year 2021 to Tax Year 2022. Both of those values are adjusted by subtracting the \$5,000 homestead exemption. The enclosed Notice has blanks left for the Board members' recorded vote. The current tax rate is \$0.0824261/\$100 valuation, which is comprised of the M&O Tax Rate of \$0.06750/\$100 and the I&S Tax Rate of \$0.015940/\$100. The FY 22/23 debt service requirements including the prorated cost of appraisals and collections payment is \$369,658. Since the overall tax base increased, the I&S tax component has once again decreased from the previous year. The proposed tax rate per the Comptroller's Form 50-860 is \$0.078489/\$100 valuation. This proposed rate is comprised of two (2) components -the M&O Tax Rate of \$0.064282/\$100 and the I&S Tax Rate of \$0.013577/\$100. This proposed tax rate is lower than the current Total Tax Rate. Please note that the proposed rate is 3.50% higher; but, an adjustment to ensure that the proposed rate does not exceed the 3.5% mandated limit is included in the formula by subtracting 0.000001 to avoid any problems.

Analysis:

The calculation begins by multiplying the current M&O tax rate against the adjusted Tax Year 2021 Average Home Value which results in a "Tax Bill." That Tax Bill is multiplied times 1.035 (to add the 3.5%) and then divided by this year's adjusted Average Home Value. This rate, plus the debt rate are then added to previous year's Unused Incremental Rates, which are zero for STWA. Last year's total rate is multiplied against last year's adjusted average home value to calculate a Tax Bill of \$82.28. Then, that number is multiplied times 1.035 resulting in \$82.28, which is divided by this year's adjusted average home value (\$99,825) and multiplied times \$100. This results in a tax rate of \$0.082426 per \$100 valuation. This figure was used in the Notice less the \$0.000001 mentioned above.

Staff Recommendation:

Authorize staff to publish the Notice with the highest rate possible without exceeding the 3.5% limit.

Board Action:

Determine whether to authorize staff to publish the Notice of the proposed rate.

Summarization:

The recommended rate for publication allows for flexibility to adopt the slightly increased rate or a lower rate. This publication is a mandatory part of the property tax and budgetary process.

Water District

Notice of Public Hearing on Tax Rate

The South Texas Water Authority will hold a public hearing on a proposed tax rate for the tax year 2022 on September 6, 2022 at South Texas Water Authority Boardroom, 2302 E. Sage Road, Kingsville, Texas 78363. Your individual

taxes may increase at a greater or lesser rate, or even decrease, depending on the tax rate that is adopted and on the change in the taxable value of your property in relation to the change in taxable value of all other property. The change in the taxable value of your property in relation to the change in the taxable value of all other property determines the distribution of the tax burden among all property owners.

Visit Texas.gov/PropertyTaxes to find a link to your local property tax database on which you can easily access information regarding your property taxes, including information about proposed tax rates and scheduled public hearings of each entity that taxes your property.

FOR the proposal: _____ (names of all members of the _____ governing body and how each _____
AGAINST the proposal: _____
PRESENT and not voting: _____ voted on the proposed tax rate)
ABSENT: _____

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year		This Year	
Total tax rate (per \$100 of value)	0.082426	/\$100	0.078489	/\$100
	Adopted		Proposed	
Difference in rates per \$100 of value		\$ -0.003937		/\$100
Percentage increase/decrease in rates(+/-)		-4.78		%
Average appraised residence homestead value	\$ 104825		\$ 113500	
General homestead exemptions available (excluding 65 years of age or older or disabled person's exemptions)	\$ 5000		\$ 5000	
Average residence homestead taxable value	\$ 99825		\$ 108500	
Tax on average residence homestead	\$ 82.28		\$ 85.16	
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-)	\$ +2.88			
and percentage of increase (+/-)	3.50			%

If the proposed combined debt service, operation and maintenance, and contract tax rate requires or authorizes an election to approve or reduce the tax rate the _____ proposes to use the tax increase for the purpose of _____.

If the district is a district described by Section 49.23601:

NOTICE OF VOTE ON TAX RATE

If the district adopts a combined debt service, operation and maintenance and contract tax rate that would result in the taxes on the average residence homestead increasing by more than eight percent, an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23601, Water Code.

If the district is a district described by Section 49.23602:

NOTICE OF VOTE ON TAX RATE

If the district adopts a combined debt service, operation and maintenance and contract tax rate that would result in the taxes on the average residence homestead increasing by more than 3.5 percent, an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23602, Water Code.

If the district is a district described in by Section 49.23603

NOTICE OF TAXPAYERS' RIGHT TO ELECTION TO REDUCE TAX RATE

If the district adopts a combined debt service, operation and maintenance, and contract tax rate that would result in the taxes on the average residence homestead increasing by more than eight percent, the qualified voters of the district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the voter-approval tax rate under Section 49.23603, Water Code.

The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.

2022 SOUTH TEXAS WATER AUTHORITY TAX RATE ROLLBACK WORKSHEET

	Nueces	Kleberg	Total
2021 Total Market Value of Residences	\$320,394,608	\$528,164,471	\$848,559,079
2021 Total Parcels	3,411	4,684	8,095
1 2021 average appraised value of residence homestead			\$104,825
2 2021 general exemptions available for the average homestead (excluding age 65 or older or disabled person's exemptions)			\$5,000
3 2021 average taxable value of residence homestead (line 1 minus line 2)			\$99,825
4 2021 adopted M&O tax rate (per \$100 of value)			\$0.067506
5 2021 M&O tax on average residence homestead (multiply line 3 by line 4, divide by \$100)			\$67.39
6 Highest M&O tax on average residence homestead with increase (multiply line 5 by 1.035.)			\$69.75
2022 Total Market Value of Residences	\$377,109,450	\$556,655,322	\$933,764,772
2022 Total Parcels	3,506	4,721	8,227
7 2022 average appraised value of residence homestead			\$113,500
8 2022 general exemptions available for the average homestead (excluding age 65 or older or disabled persons exemptions)			\$5,000
9 2022 average taxable value of residence homestead (line 7 minus line 8)			\$108,500
10 Highest 2022 M&O Tax Rate (line 6 divided by line 9, multiply by \$100)			\$0.064282 /\$100
11 2022 Debt Tax Rate			\$0.013577 /\$100
12 2022 Contract Tax Rate			\$0.000000 /\$100
13			
2021 Unused Incremental Rate - subtract the 2021 actual tax rate and the 2021 unused increment rate from the 2021 voter-approved tax rate. If the number is less than zero, enter zero. If the year is prior to 2021 enter zero.			\$0.000000 /\$100
14			
2020 Unused Incremental Rate - subtract the 2020 actual tax rate and the 2020 unused increment rate from the 2020 voter-approved tax rate. If the number is less than zero, enter zero. If the year is prior to 2021 enter zero.			\$0.000000 /\$100
15			
2019 Unused Incremental Rate - subtract the 2019 actual tax rate and the 2019 unused increment rate from the 2019 voter-approved tax rate. If the number is less than zero, enter zero. If the year is prior to 2021 enter zero.			\$0.000000 /\$100
16 2021 Total Unused Incremental Rate - add lines 13, 14, and 15			\$0.000000 /\$100
17 2022 Voter Approved Tax Rate - add lines 10, 11, 12 and 16.			\$0.077859 /\$100

The mandatory tax election rate is the highest total tax rate a developed water district may adopt without holding an election. The mandatory tax election rate is the rate that would impose 1.035 times the amount of tax imposed by the district in the preceding year on the average appraised value of a residence homestead in the water district plus the unused increment rate. The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older.

WORKSHEET

18 2021 Average Taxable Value of Residence Homesteads - Enter the amount from Line 3.	\$99,825
19 2021 Adopted Total Tax Rate.	\$0.082426 /\$100
20 2021 Total Tax on Average Residence Homestead. Multiply Line 18 by Line 19	\$82.28
21 2022 Mandatory Election Amount of taxes per average residence homestead. Multiply line 20 by 1.035.	\$85.16
22 2022 Mandatory Election Tax Rate before unused increment. Divide Line 21 by 9 and multiply by \$100.	\$0.078490
23 2022 Mandatory Tax Election Rate. Add Line 16 and Line 22.	\$0.078490

Signed: Jo Ella Wagner, Finance Manager

2022 Developed Water District Voter-Approval

Form 50-860

Tax Rate Worksheet

South Texas Water Authority

(361) 592-9323

Water District Name

Phone (area code and number)

2302 E. Sage Road, Kingsville, Texas 78363

<https://www.stwa.org/>

Water District's Address, City, State, ZIP Code

Water District's Website Address

GENERAL INFORMATION: The Comptroller's office provides this worksheet to assist water districts in determining their voter-approval tax rate. The information provided in this worksheet is offered as technical assistance and not legal advice. Water districts should consult legal counsel for interpretations of law regarding tax rate preparation and adoption.

SECTION 1: Voter-Approval Tax Rate

The voter-approval tax rate for developed water districts is the current year's debt service, contract and unused increment tax rates plus the maintenance and operation (M&O) tax rate that would impose no more than 1.035 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district. The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older.

The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll or certified estimate of value and the estimated values of properties under protest. The designated officer or employee shall certify that the officer or employee has accurately calculated the tax rates and used values shown for the certified appraisal roll or certified estimate. The officer or employee submits the rates to the governing body by Aug. 7 or as soon thereafter as practicable.

If any part of the developed water district is located in an area declared a disaster area during the current tax year by the governor or by the president, the board of the district may calculate the voter-approval tax rate in the manner provided in Water Code Section 49.23601(a) and determine whether an election is required to approve the adopted tax rate in the manner provided in Water Code Section 49.23601(c). In such cases, the developed water district may use Comptroller Form 50-858 *Water District Voter-Approval Tax Rate Worksheet for Low Tax Rate and Developing Districts* to calculate its voter-approval tax rate.

Line	Worksheet	Amount/Rate
1.	2021 average appraised value of residence homestead. ¹	\$ 104,825
2.	2021 general exemptions available for the average homestead. Excluding age 65 or older or disabled persons exemptions. ²	\$ 5,000
3.	2021 average taxable value of residence homestead. Line 1 minus Line 2.	\$ 99,825
4.	2021 adopted M&O tax rate.	\$ 0.06750 /\$100
5.	2021 M&O tax on average residence homestead. Multiply Line 3 by Line 4, divide by \$100.	\$ 67.39
6.	Highest M&O tax on average residence homestead with increase. Multiply Line 5 by 1.035. ³	\$ 70 69.75
7.	2022 average appraised value of residence homestead.	\$ 113,500
8.	2022 general exemptions available for the average homestead. Excluding age 65 or older or disabled persons exemptions. ⁴	\$ 5,000
9.	2022 average taxable value of residence homestead. Line 7 minus Line 8.	\$ 108,500
10.	Highest 2022 M&O tax rate. Line 6 divided by Line 9, multiply by \$100. ⁵	\$ 0.064282 /\$100
11.	2022 debt tax rate.	\$ 0.013577 /\$100
12.	2022 contract tax rate.	\$ 0.00000 /\$100
13.	2021 unused increment rate. Subtract the 2021 actual tax rate and the 2021 unused increment rate from the 2021 voter-approval tax rate. If the number is less than zero, enter zero.	\$ 0.00000 /\$100
14.	2020 unused increment rate. Subtract the 2020 actual tax rate and the 2020 unused increment rate from the 2020 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2021, enter zero.	\$ 0.00000 /\$100

¹ Tex. Water Code § 49.236(a)(2)(C)

² Tex. Water Code § 49.236(a)(2)(D)

³ Tex. Water Code § 49.23602(a)(2)(A)

⁴ Tex. Water Code § 49.236(a)(2)(E)

⁵ Tex. Water Code § 49.236(a)(2)(F)

Line	Worksheet	Amount/Rate
15.	2019 unused increment rate. Subtract the 2019 actual tax rate and the 2019 unused increment rate from the 2019 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2021, enter zero.	\$ <u>0.00000</u> /\$100
16.	2022 total unused increment rate. ⁶ Add Lines 13, 14 and 15.	\$ <u>0.00000</u> /\$100
17.	2022 voter-approval tax rate. Add lines 10, 11, 12 and 16.	\$ <u>0.077859</u> /\$100

SECTION 2: Mandatory Tax Election Rate

The mandatory tax election rate is the highest total tax rate a developed water district may adopt without holding an election. The mandatory tax election rate is the rate that would impose 1.035 times the amount of tax imposed by the district in the preceding year on the average appraised value of a residence homestead in the water district plus the unused increment rate. The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older.⁷

Line	Worksheet	Amount/Rate
18.	2021 average taxable value of residence homestead. Enter the amount from Line 3.	\$ <u>99,825</u>
19.	2021 adopted total tax rate.	\$ <u>0.082426</u> /\$100
20.	2021 total tax on average residence homestead. Multiply Line 18 by Line 19 divide by \$100.	\$ <u>82.28</u>
21.	2022 mandatory election amount of taxes per average residence homestead. Multiply Line 20 by 1.035.	\$ <u>85.16</u>
22.	2022 mandatory election tax rate, before unused increment. Divide Line 21 by Line 9 and multiply by \$100.	\$ <u>0.078490</u> /\$100
23.	2022 mandatory tax election rate. Add Line 16 and Line 22.	\$ <u>0.078490</u> /\$100

SECTION 3: Taxing Unit Representative Name and Signature

Enter the name of the person preparing the voter-approval tax rate and mandatory tax election rate as authorized by the governing body of the water district. By signing below, you certify that you are the designated officer or employee of the taxing unit and have calculated the tax rates in accordance with requirements in Water Code.⁸

print here ▶ Jo Ella Wagner
 Printed Name of Water District Representative

sign here ▶ _____
 Water District Representative

 Date

⁶ Tex. Tax Code § 26.013
⁷ Tex. Water Code § 49.23602(a)(2)
⁸ Tex. Water Code § 49.23602

ATTACHMENT 9

Engagement Letter – Auditor Services

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Administrator
Date: July 29, 2022
Re: Engagement Letter-John Womack and Company-Fiscal Year 2022

Background:

Enclosed is a Letter of Engagement for Auditing Services with John Womack & Company, P.C. (Womack) for fiscal year ending September 30, 2022.

The engagement letter provides all communication that the AICPA (American Institute of Certified Public Accountants) designates as necessary for the auditor and client. The letter is practically matching last year's letter.

Analysis:

The engagement letter indicates the auditing services will be performed for \$9,500 as compared to last year's services in the amount of \$9,075, for a \$425 increase. Based on the attached letter from Womack and Company we should expect to have the audit begin by December 5, 2022 and reports should be issued no later than January 27, 2023.

Staff Recommendation:

Approve the Letter of Engagement for Auditing Services with John Womack & Company, P.C. for fiscal year ending September 30, 2022.

Board Action:

Determine whether to approve the engagement letter from John Womack & Company, P. C. for FY 2022 audit services in the amount of \$9,500. Review and acknowledge Womack's letter outlining the various factors of the external audit.

Summary:

An independent and external audit is necessary to ensure that fiscal accountability and proper responsibilities are maintained.

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P.O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

July 21, 2022

Board of Directors and Management
South Texas Water Authority
2302 East Sage Road
Kingsville, Texas 78363

We are pleased to confirm our understanding of the services we are to provide South Texas Water Authority for the year ended September 30, 2022.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements of South Texas Water Authority as of and for the year ended September 30, 2022. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement South Texas Water Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to South Texas Water Authority's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited.

- 1) Management's Discussion and Analysis.
- 2) Budgetary Comparison Schedule – General Fund.



We have also been engaged to report on supplementary information other than RSI that accompanies South Texas Water Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

- 1) Individual Non-major Fund Financial Statements.
- 2) Other Supplementary Information Required by Texas Commission on Environmental Quality (TCEQ).

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry.

Our audit of the financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

As part of this communication, we have not identified any significant risks of material misstatement. However, planning has not concluded, and modifications may be made. If new significant risks are identified after the date of this initial communication, for example during the course of fieldwork, we will communicate them to those charges with governance in a timely manner, in writing.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of South Texas Water Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also assist in preparing the financial statements, related notes and cash-to-accrual conversions (i.e. GASB 34 conversion) of South Texas Water Authority in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, JoElla Wagner, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair

presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

With regard to publishing the financial statements on your website, you understand that websites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information on the website with the original document.

Limitation on Liability

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, the Authority agrees to participate in mediation, under the Commercial Mediation Rules of the American Arbitration Association, before any claim is asserted.

In the event that John Womack & Co., P.C. is found to be negligent in provision of any services covered by this agreement which result in damage to the Authority, John Womack & Co., P.C.'s liability to the Authority will be limited to actual damages or losses incurred by the Authority. John Womack & Co., P.C. will not be liable to the Authority for any punitive damages.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing. We will not undertake any accounting services (including but not limited to reconciliation of accounts and preparation of requested schedules) without obtaining approval through a written change order or additional engagement letter for such additional work. We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

The audit documentation for this engagement is the property of John Womack & Co., P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to cognizant agencies or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of John Womack & Co., P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the cognizant agency or its designee. The cognizant agency or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

John L Womack is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

To ensure that John Womack & Co., P.C.'s independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

We expect to begin our audit on approximately December 05, 2022 and to issue our reports no later than January 27, 2023.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Our fee for services will be approximately \$9,500 plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Reporting

We will issue a written report upon completion of our audit of South Texas Water Authority's financial statements which will also address other information in accordance with AU-C 720, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. Our report will be addressed to management and those charged with governance of South Texas Water Authority. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or

misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We appreciate the opportunity to be of service to South Texas Water Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Sincerely,



John Womack & Co., P.C.

RESPONSE:

This letter correctly sets forth the understanding of South Texas Water Authority.

Management signature: _____

Title: _____

Governance signature: _____

Title: _____

ATTACHMENT 10

Kingsville Chamber of Commerce Membership

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Administrator
Date: July 29, 2022
Re: Discuss and Authorize Membership with the Kingsville Chamber of Commerce

Background:

July has been a busy month for the STWA with several large industrial companies looking to our system to support potential high-water usage projects. These companies have been evenly split in our service areas for both counties we serve. Economic development is definitely the driver for this interest with the water authority and will only continue to increase as companies look for large swaths of land and available water, wastewater infrastructure.

Calling on behalf of one of these companies was Manny Salazar, CEO of the Kingsville Chamber of Commerce, who was seeking data to assist an unnamed company looking for water access in Kleberg County. Although he was unable to provide further details about this project, the company's area appears vast. A membership with these type of economic development organizations will not only enhance our presence in the county but the region as well.

Analysis:

By authorizing a membership with the Kingsville Chamber of Commerce we get an advocate that will provide allegiance and advocacy for the authority, our projects and interest.

Staff Recommendation:

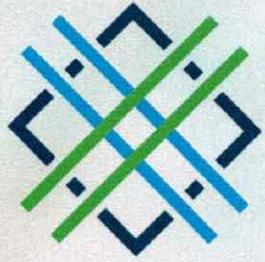
Authorize entering into a membership with the Kingsville Chamber of Commerce.

Board Action:

Determine which membership level to support. They range from \$250 to \$3,500 (found in attached pamphlet).

Summary:

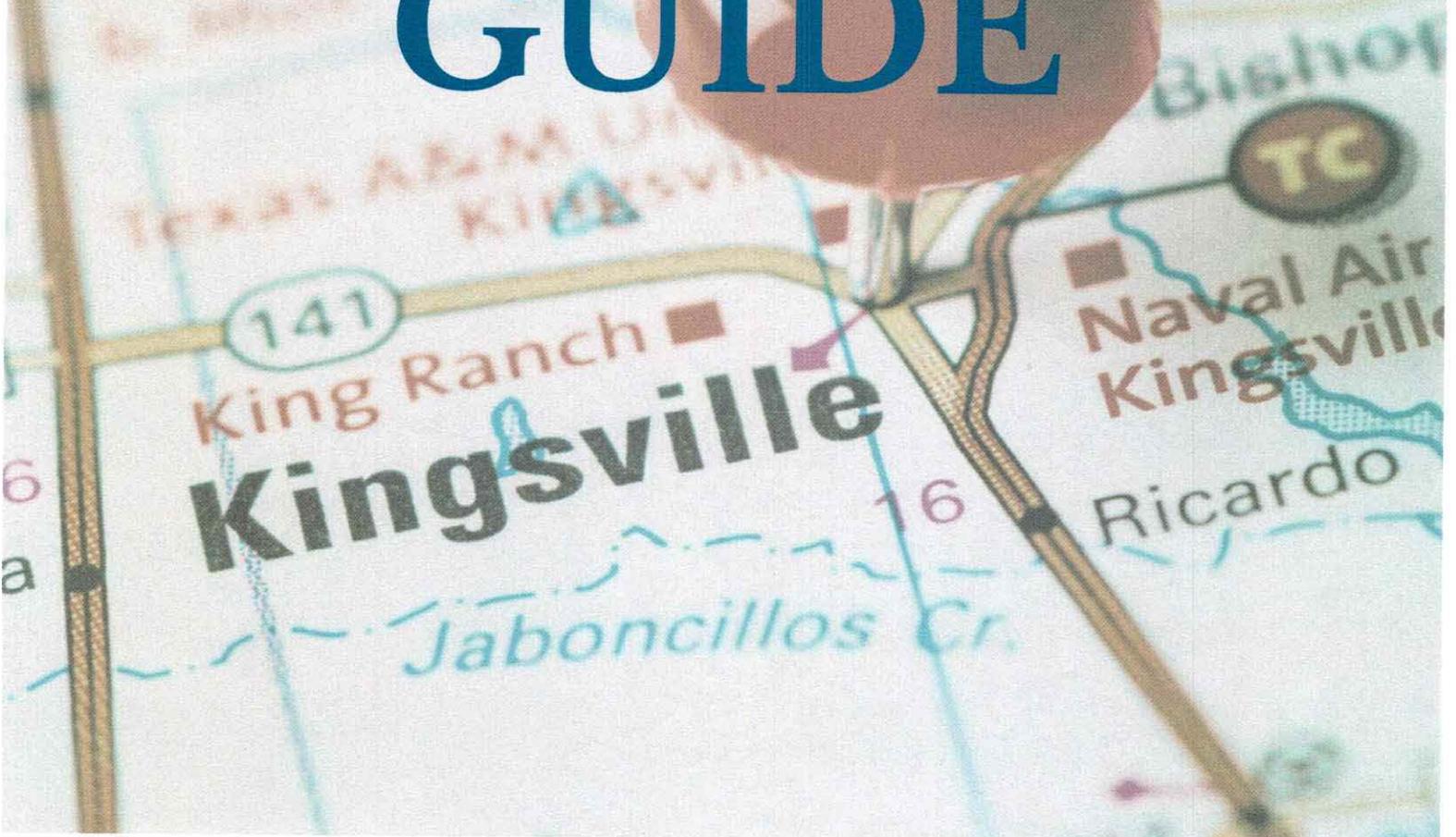
By approving this membership, we will have a network of small and large businesses in our area that support economic growth and each other's interest. The Chamber and their staff can serve as an extension of our brand and can ultimately help with increasing future water demand and profits.



KINGSVILLE
CHAMBER OF COMMERCE

**KINGSVILLE
CHAMBER OF COMMERCE**

MEMBERSHIP GUIDE





You can find us at:

**231 E. Kleberg Ave.
Kingsville, TX 78363**

(361) 592-6438

www.Kingsville.org

Hello friend!

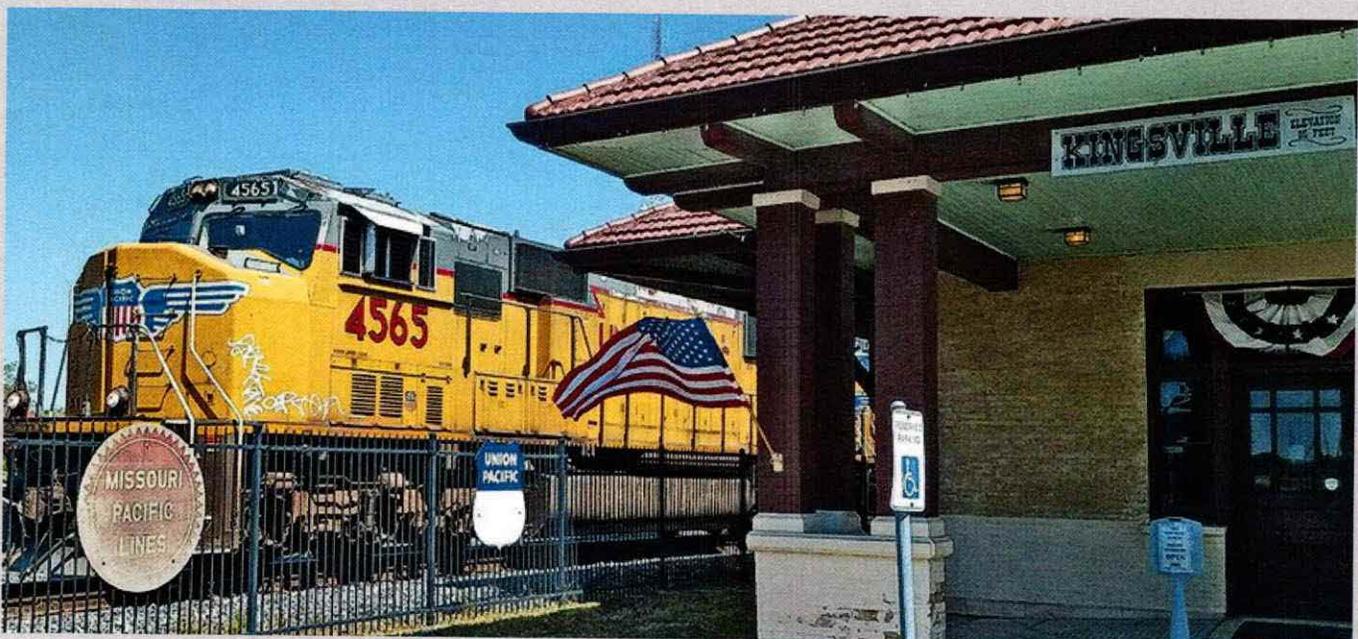
Thank you for your interest in joining the Kingsville Chamber of Commerce. The Chamber of Commerce has served the greater Kingsville community since its founding in 1908.

The Chamber has remained steadfast in our commitment to be a catalyst for growth, a champion for businesses both big and small and a conduit for resources and information.

Together, we have faced world wars, unprecedented financial recessions, dramatic unemployment and a global pandemic. We have survived it all because we did it together.

We know that our businesses and community as a whole are successful when we work together to make our town a better place to live, work and raise a family. The Kingsville Chamber of Commerce is committed to helping do just that and we hope that we can rely on your help to achieve these goals.

If you have any questions or if there is anything else we can do to assist your business, please don't hesitate to reach out to us!



*"The strength of the Chamber
lies in its membership . . ."*

The Kingsville Chamber of Commerce is organized to achieve these objectives: Supporting and empowering large and small local businesses to grow and prosper through economic programs designed to strengthen and expand the economy in the City of Kingsville and Kleberg County; fostering community growth through the recruitment of new jobs and businesses; promoting programs to increase the functional and aesthetic value of the community by promoting civic, social, educational and cultural values; discovering and correcting abuses that prevent the advancement of business expansion and community growth.

The Kingsville Chamber of Commerce will work to advance the general welfare and quality of life for all residents of the community.



Why Join The Chamber?

Increase Your Exposure

- Website coverage, social media exposure, events and news releases
- Advertising Discounts
- Member Referrals
- Ribbon Cuttings
- Member Spotlights
- Eligibility for Chamber Business Awards
- Featured Articles
- Logo Featured at Chamber Events

Expand Your Network

- Networking Mixers
- Membership Appreciation
- Social Media Consulting
- Host Events
- Annual Awards Dinner
- Various Social Events throughout the year
- Tickets to Chamber Events

Advocacy

- Front seat to legislative information
- Advocate to state and local government on issues that impact your business
- Participate in Business Summits with local leaders
- Eligibility to serve on Board of Directors

Opportunities

- Educational Opportunities for you and your employees
- Marketing and Press Release Assistance
- Sponsorship and Hosting Opportunities

Business Information

- Labor Market Intelligence
- Retail Information
- Psychographics
- Enhanced Demographics

Community Information

- The Chamber acts as a hub for information and streamlines relevant information for the business community
- Provide information to visitors about the community and our members



Membership Tiers

Standard Individual:

- Eligibility to serve on Chamber Board of Directors
- Eligibility to serve as an ambassador
- Early access to information about Chamber events
- Contribution to the economic development of Kingsville

Standard Business or Non-Profit Package:

- Ribbon cutting
- Website directory listing
- Advocate for YOU at state and local level
- Eligibility for Chamber Business Awards
- Eligibility to serve on Chamber Board of Directors
- Eligibility to participate in Leadership Kingsville
- Access to educational seminars
- Member Referrals

Kingsville Leader Enhanced Benefits: *includes standard package benefits plus:*

- Newspaper advertising discount
- Feature articles in newsletter- 1 per year
- Event promotion on social media- 1 per year

Kingsville Investor Enhanced Benefits: *all items above included plus:*

- Social media consultation with an industry expert
- Feature articles in newsletter- 1 per year
- Event promotion on social media- 2 per year
- Eligibility to host networking events
- Opportunity to sponsor or advertise at events
- Retail Information
- Bulk Mail Service

Kingsville Champion Enhanced Benefits: *all items above included plus:*

- Feature articles in newsletter- 2 per year
- Event promotion on social media- 4 per year
- Press release assistance- 1 per year
- Marketing graphic assistance- 2 per year
- Labor Market Intelligence Information
- Logo on banner for events

Investment Levels

Standard Individual.....	\$100
Non-Profit.....	\$150
Standard Business.....	\$250
Kingsville Leader.....	\$500
Kingsville Investor.....	\$1,000
Kingsville Champion.....	\$3,500



Are you Maximizing Your Benefits?

Your Chamber membership is a lot like a gym membership. The gym offers a number of tools to help you achieve your goals: free-weights, treadmills, stair-steppers. But if you don't use these tools, you won't achieve your fitness goals.

Similarly, the Chamber offers many tools that can help you achieve your business goals. Your online business listing helps you gain exposure by utilizing google search engine optimized keywords.

Check these steps off your list and get started maximizing your chamber membership today:

- Refresh your member listing on www.Kingsville.org
- Follow us on Facebook for event information
- Post a job opening, event, news release, or hot deal
- Reach out to Chamber Staff or Board Members on ways to improve your membership!

Let Us Help
Promote You!
A chamber membership
means more exposure
within the community.



Did You Know?

Did you know that the Kingsville Chamber of Commerce is the **ONLY** economic development organization in Kleberg County?

The Chamber has been the catalyst for growth in our community and directly responsible for creating hundreds of jobs and millions in tax base.

The Chamber has recruited multiple businesses to our town including:
Starbucks, Chick-fil-A, Harbor Freight, Marshalls,
Hobby Lobby and Chicken Express.

The Chamber is also committed to supporting local businesses and creating job training programs that will create permanent jobs in our community.

We know that locally owned, small businesses are the backbone of our economy and we will continue to support our business community in any way that we can.

Without your membership, the Kingsville Chamber of Commerce could not continue our economic and community development efforts.



The Chamber hosted the Inaugural Mayor's Business Summit

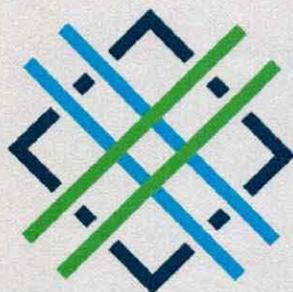
Do you have additional questions?

Feel free to contact us at:

(361) 592-6438

or through our website at:

www.kingsville.org



KINGSVILLE
CHAMBER OF COMMERCE



KINGSVILLE
CHAMBER OF COMMERCE