

SOUTH TEXAS WATER AUTHORITY
Minutes – Regular Board of Directors Meeting
July 2, 2024

Board Members Present:

Jose Graveley
Frances Garcia
Imelda Garza
Rudy Galvan, Jr
Kathleen Lowman
Joe Morales
Patsy Rodgers
Art Rodriguez

Board Members Absent:

Angela Pena

Staff Present:

John Marez
Patrick Sendejo
Jo Ella Wagner
Victor Gutierrez

Guests Present:

Oliver Wiese, Seven Seas
Kasy Stinson, Seven Seas
Terry Arnold, Seven Seas
Rogelio Rodriguez, WFX
Ivan G. Luna, I.C.E.
Maria Lucio
Myra B. Alaniz
Holly Bockholt
Bette Cranford
Esteban Ramos, Corpus Christi Water
Baldemar Garcia, Ricardo WSC
Joshua Maxwell, K-III

1. Call to Order.

Mr. Jose Graveley, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:33 p.m. at the Courthouse Annex Law Enforcement Center, 1500 E. King, Kingsville, Texas. A quorum was present.

2. Citizen Comments.

Mr. Graveley opened the floor to citizen's comments. Ms. Maria Lucio provided photographs of water in the Lost Creek area and asked what the problem was that caused cloudy water. She asked if it was due to providing water to Tesla or a broken pipe and asked if there was a need to boil the water. She stated that industry should not be placed before citizens' needs.

Kleberg County Judge spoke about the need for Kleberg County to be water independent. He stated that he has been working closely with STWA's Executive Director and has been in daily contact with him on water issues. He noted that businesses are being attracted to the area and urged the Board to lean on Mr. Marez to negotiate with companies that will bring an independent water source and added that Nueces County Judge Connie Scott is also aware of his concerns.

3. Approval of Minutes.

Ms. Rodgers made a motion to approve the minutes of the May 21, 2024 Public Hearing and Regular Meeting as presented. Mr. Galvan seconded. The motion passed by unanimous vote.

4. Quarterly Report/Treasurer's Report/Payment of Bills.

Mr. Graveley moved to table this item. Mr. Rodriguez seconded. All voted in favor.

5. Operation and Maintenance Reports.

Mr. Sendejo presented the O&M Report and Cathodic Protection Update. He also presented quotes on the actuator for the Kingsville MOV and the ARV replacement at FM2826 and CR75 which were mentioned in the O&M Report. He explained that the low water pressure issue in the Lost Creek area in Robstown has been resolved and was a result of air compressor problems at the Central Pump Station.

6. Alternative Water Source Options.

- Ratification of motion to authorize management to engage in groundwater study including scope of work on behalf of South Texas Water Authority
- Ratification of Legal Counsel Contract

Mr. Morales moved to approve ratification of the motion to authorize management to engage in a groundwater study on behalf of South Texas Water Authority. Mr. Galvan seconded. The motion passed by unanimous vote.

7. Recess Open Meeting and Convene in Executive Session - In this executive session the Board of Directors will deliberate or receive legal advice regarding (1) each of the following matters pursuant to the Section(s) of the Texas Open Meetings in parenthesis at the end of such matter, and (2) any other agenda item announced by the President of the meeting has announced will be considered in this executive session (collectively, the "Executive Session Agenda Items"). The Board of Directors may take action in open session after the executive session on any of the Executive Session Agenda items. The Board of Directors will deliberate the purchase, exchange, lease or value of real property in executive session only if deliberation in an open meeting would have a detrimental effect on South Texas Water Authority's position in negotiations with a third person.

7.a. Deliberate and receive legal advice regarding acquisition of an alternate source of water for the Authority. (§551.071)

Mr. Graveley announced that the Board would convene in Closed Session at 5:51 p.m. pursuant to Section 551.071 of the Government Code to discuss acquisition of an alternate source of water for the Authority.

8. Open Session Items for Post Executive Session Action -- The Board of Directors will convene in Open Session and take action on (1) the agenda items listed below, (2) any other

items on this agenda that were postponed or tabled until after Executive Session, and (3) any Executive Session Agenda Items.

8.a. Authorize the Executive Director of the Authority to negotiate an agreement to provide an alternate source of water for the Authority.

The Board reconvened in Open Session at 6:50 p.m. No action was taken during Closed Session.

Mr. Graveley moved to authorize the Executive Director of the Authority to initiate and conduct negotiations with Seven Seas Water. Mr. Graveley specified that the purpose of the negotiations is to develop the details of a proposed or alternate water supply. The Executive Director is instructed to bring the completed proposal back to the Board for final review and approval. Mr. Galvan seconded the motion and all voted in favor.

9. Update on Texas Water Development Board Funding.

Mr. Rogelio Rodriguez with Water Finance Exchange presented an update and status of the Texas Water Development Board funding application. He stated that after conducting a comprehensive review of Ricardo WSC and Nueces WSC needs, a master plan of urgent, intermediate and long-term needs was created and an application was submitted to the Texas Water Development Board State Revolving Fund Program. The application was approved by the TWDB and in March 2023, STWA submitted a project information form. This included tanks and generators at the Ricardo WSC and Nueces WSC pump stations at an estimated cost of \$7,829,762. STWA was invited for funding and has been submitting the necessary documentation which includes updating management and operation contracts with the two corporations which will be addressed later in the meeting. This funding should be secured later this year.

Mr. Rodriguez also reported that in March 2024 another project application form was submitted to the TWDB State Revolving Fund program. The entire master plan was included in this application and involves improvements to STWA water infrastructure to address leaks, pumps and transmission lines at an estimated cost of \$45,917,723. He explained that the benefits of using TWDB funding include the possible grant funds, low interest lending, flexibility in negotiating loan features and improving STWA's chances for future funding. The 2024 funding is anticipated to be secured in 2025. Mr. Morales stated that he has not seen a completed master plan. Mr. Ivan Luna, I.C.E., agreed to provide him with a copy.

Ricardo WSC President Baldemar Garcia asked about STWA being the applicant. Mr. Rodriguez explained that the application was submitted under South Texas Water Authority since they have the audits, drought contingency plan, water conservation plan and all the things required to get the funding and are the regional supplier. Mr. Garcia pointed out that the corporations also have those documents and Mr. Rodriguez responded that since STWA manages the corporations, the application is viewed as a collaboration of the systems and receives additional points. Mr. Garcia said he would like a legal explanation on the arrangement. Mr. Rodriguez stated he would provide Mr. Garcia a complete copy for review by the Corporation's attorney.

10. Fiscal Year 2024 Budget Amendments.

Mr. Graveley made a motion to table the Fiscal Year 2024 Budget Amendments. Ms. Garcia seconded. The motion carried.

11. 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 12th deadline. The following schedule was provided to the Board:

Date	Event	Action
July 2, 2024	Board Meeting	Agree on calendar & confirm quorums
July 25, 2024	CADs deliver rolls	Staff calculates ETR
August 6, 2024	Board Meeting	Board votes on proposed rate & sets hearing date/time, approves sending proposed budget to wholesale customers
August 7, 2024	Staff prep	Proposed budget is sent to wholesale customers for 30-day written comment period
Aug 8 – Sep 9	30-day comment period	Wholesale customers review & provide written comments on proposed budget
Aug 24 and Sep 3, 2024	Publish newspaper notices	Publication occurs 7 days before hearing
September 10, 2024	Public Hearing followed by Board Meeting	Board adopts tax rates, water rates and Handling Charge
September 12, 2024	Nueces County Tax Collector Deadline	Failure to submit tax rates could result in STWA paying for separate tax bill mail-out

Mr. Morales made a motion to approve the schedule. Ms. Lowman seconded. All voted in favor.

12. Preliminary FY 2025 Budget.

Ms. Wagner presented and reviewed a preliminary FY 2025 Budget. She stated that this is a rough version since items such as the cost of water and values from the certified rolls are not yet available. She added that currently the cost of living is at 3.3% and is included as a cost of living increase and a 5% increase for field personnel is being considered as a way of recruiting and retaining field employees. This 5% includes the 3.3% cost of living. Mr. Morales asked if annual pay increases and insurance coverage for employees and family are STWA policy because he feels these expenses should be looked at more closely. He added that he feels that the employees should pick up some of the cost of family coverage. Mr. Galvan commented that

these costs could be justified when compared to the cost associated with replacing employees. Ms. Wagner also stated that Capital Acquisition includes \$70,000 for a haul truck, \$50,000 for a field truck, \$5,500 for technology upgrades, \$30,000 for pump station fencing, \$50,000 for engineering and architectural design of a new office building and \$125,000 for a hydrology study. She added that she would contact the board to schedule meetings with small groups of directors in order to review the budget in greater detail and receive feedback from Board members.

13. Bids for purchase of FY 2024 excavator.

Mr. Sendejo presented three bids for an excavator approved under the FY 2024 budget. He stated that the bids ranged from \$39,000 to \$52,000. The lowest bid was submitted by Boss JCB in the amount of \$39,029.73 and includes a credit of \$18,300 for trade in of the current Case CX36B excavator.

14. Resolution 24-14. Resolution awarding the bid for one excavator.

Mr. Morales made a motion to adopt Resolution 24-14 awarding the bid for the excavator to Boss JCB in the amount of \$39,029.73. The motion was seconded by Mr. Rodriguez and passed by unanimous vote.

15. Consideration and approval of a First Amendment to Amended and Restated Water Supply Contract between South Texas Water Authority and Ricardo Water Supply Corporation.

16. Consideration and approval of a Third Amendment to Management Agreement with the Ricardo Water Supply Corporation.

17. Consideration and approval of a Fourth Amendment to Amended and Restated Water Supply Contract between South Texas Water Authority and Nueces Water Supply Corporation.

18. Consideration and approval of a Fourth Amendment to Management Agreement with the Nueces Water Supply Corporation.

Mr. Marez stated that Items 16 – 19 are similar. He stated that the documents were created by bond counsel, Winstead, PC, after they determined that there was a need to get these documents ratified so that the time frame of the agreements matches the length of the TWDB funding.

Mr. Baldemar Garcia, RWSC President, stated that he has concerns with the 25-year term and he believes other RWSC Board members do also. He expressed his concerns with the increases in cost of management services and stated that the Corporation needs to have the option to consider other management services.

Mr. Morales made a motion to approve the amendments listed in items 15 through 18. Mr. Graveley seconded. The motion passed on a seven to one vote. Mr. Galvan voted against the motion.

Mr. Marez explained that the purpose of these contracts is to demonstrate stability. Mr. Rogelio Rodriguez added that because of the highly competitive nature of the application process, Water

Finance Exchange determined that the best way to secure funding was by way of a collaboration between STWA, Ricardo WSC and Nueces WSC. In addition amending the contracts will result in the agreements coinciding with the terms of the funding and will also maximize points for the application. Mr. Garcia stated that he was still concerned with bonds being held under STWA and Mr. Rodriguez explained that there are separate budgets for STWA, Ricardo and Nueces, and Ricardo WSC will only pay on projects associated with Ricardo WSC. Ms. Wagner pointed out that in the 1980's, STWA took out bonds on behalf of Ricardo and other wholesale customers and they were paid by those customers. These bonds/debt would work the same way.

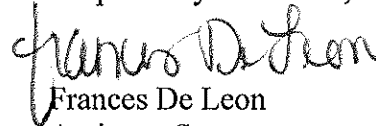
18. Administration Report.

Mr. Marez stated that he will be meeting with the City of Corpus Christi on water contract negotiations. He was also invited to a meeting with Corpus Christi Water and other regional water providers and state officials on what the Coastal Bend can do for long-term water success. In addition, both RWSC and NWSC should be meeting within the next two weeks.

19. Adjournment.

With no further business to discuss, Mr. Rodriguez moved to adjourn the meeting at 7:43 p.m. Ms. Garza seconded. The motion carried.

Respectfully submitted,


Frances De Leon
Assistant Secretary