

SOUTH TEXAS WATER AUTHORITY
Minutes – Regular Board of Directors Meeting
December 10, 2024

Board Members Present:

Jose Graveley
Imelda Garza
Frances Garcia
Joe Morales
Patsy Rodgers (Zoom)
Arturo Rodriguez

Board Members Absent:

Rudy Galvan, Jr.
Angela Pena
Kathleen Lowman

Staff Present:

John Marez
Frances De Leon
Jo Ella Wagner
Patrick Sendejo
Victor Gutierrez
Valerie Garcia

Guests Present:

Greg Szuman, Willatt & Flickinger (Zoom)
Rogelio Rodriguez, Water Finance
Exchange
Maria Corona, Corpus Christi Water
Cecilia Orozco, Corpus Christi Water
Marie Lucio
Ivan Luna, I.C.E.
Sergio Luna, I.C.E.
Ansar Palakkal, I.C.E.

1. Call to Order.

Mr. Jose Graveley, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:34 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. No comments were made.

3. Approval of Minutes.

Mr. Marez pointed out that the October 29, 2024 minutes were updated to reflect April 22, 2025 as the April meeting date under item 11 – STWA Board of Directors Meeting Schedule for 2025. Mr. Morales made a motion to approve the minutes of the October 29, 2024 Regular Meeting as updated. Ms. Garza seconded. The motion passed by unanimous vote.

The order of the agenda was changed to accommodate the guests.

12. Discussion on Drought Contingency Plan – Stage 3.

Ms. Maria Corona and Ms. Cecilia Orozco representing Corpus Christi Water gave a brief presentation on the City of Corpus Christi's decision to implement the Drought Contingency Plan Stage 3. They explained that earlier this week, CCW provided notice of impending activation of Stage 3. As of December 5th, 70% of the state is experiencing abnormally dry to severe drought conditions and the lake level locally is expected to drop below 20% within days.

Stage 3 restricts all outdoor watering with the exception of use for watering foundations and swimming pool maintenance. They reviewed the City's ongoing projects to address water shortages and reported that the City has launched an educational website to notify the public about restrictions and what they can do to help as well as providing information on what the City is doing to address the situation.

Mr. Marez stated that STWA will follow the Drought Contingency Plan which is modeled after the City's and will notify wholesale customers of the restrictions. The Ricardo and Nueces Water Supply Corporations will provide notices to their customers as required.

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

The following reports were presented for the Board's consideration:

STWA Investment Report for Quarter ended September 30, 2024
Treasurer's Report for period ending September 30, 2024
Revenue Fund Income Statement for period ending September 30, 2024
Tax Fund Income Statement for period ending September 30, 2024
Special Services Income Statement for period ending September 30, 2024
STWA Revenue Fund Balance Sheet – September 30, 2024
STWA Revenue Fund Trial Balance for September, 2024
STWA Debt Service Fund Income Statement for period ending September 30, 2024
STWA Debt Service Fund Balance Sheet – September 30, 2024
STWA Debt Service Fund Trial Balance – September, 2024
STWA Capital Projects Fund Income Statement for period ending September 30, 2024
STWA Capital Projects Fund Balance Sheet – September 30, 2024
STWA Capital Projects Fund Trial Balance – September, 2024
Treasurer's Report for period ending October 31, 2024
Revenue Fund Income Statement for period ending October 31, 2024
Tax Fund Income Statement for period ending October 31, 2024
Special Services Income Statement for period ending October 31, 2024
STWA Revenue Fund Balance Sheet – October 31, 2024
STWA Revenue Fund Trial Balance for October, 2024
STWA Debt Service Fund Income Statement for period ending October 31, 2024
STWA Debt Service Fund Balance Sheet – October 31, 2024
STWA Debt Service Fund Trial Balance – October, 2024
STWA Capital Projects Fund Income Statement for period ending October 31, 2024
STWA Capital Projects Fund Balance Sheet – October 31, 2024
STWA Capital Projects Fund Trial Balance – October, 2024

The following invoices were presented for Board approval:

- Nueces County Appraisal District \$ 3,118.00
- Kevin Kieschnick, Nueces County Tax Assessor-Collector \$ 34,883.01
- Raftelis \$ 12,630.00

Mr. Morales made a motion to approve the Quarterly Report, Treasurer's Reports and Payment of Bills as presented. Ms. Garza seconded. The motion passed unanimously.

5. Operation and Maintenance Reports.

Mr. Sendejo stated that he has completed his first year as O&M Manager and looks forward to continuing to improve the system. He reported that he has hired a Cathodic Protection Assistant and continues to work on getting employees licensed. Mr. Marez stated that a Cathodic Protection presentation will be made at the next meeting.

6. Request for Proposals for compensation study.

Mr. Marez presented proposals for a compensation study from two companies, Lonestar Strategy Group and Evergreen Solutions. He explained that one of the proposals was received shortly after the deadline due to a problem with the delivery company. Mr. Marez provided copies of the RFPs and the actual cost breakdown from each of the companies for the Board's review. The criteria for scoring the RFPs are Experience and Qualifications, Methodology and Approach, Understanding of Local Context, Project Timeline and Deliverables, and Cost and Value weighted at 20% for each of the criteria. He explained the importance of evaluating the current classifications and compensation in order to assure that employees are being paid adequately and that STWA remains competitive with other employers in the job market. He has reviewed Texas Rural Water Association and American Water Works Association salary surveys; however, because of the size of the staff many employees perform multiple tasks and therefore their job descriptions do not match those in the salary surveys.

The selection committee reviewed the proposals but did not make a decision on whether to accept the proposal that arrived late. Mr. Morales stated that he has not had sufficient time to review the proposals. Mr. Marez pointed out that the Board can choose to review the proposals and discuss again at the next meeting. Mr. Gravely stated that the selection committee reviewed the proposals and one was highly qualified while the other showed no experience with water districts. He added that the committee recommends Evergreen Solutions.

Ms. Garza made a motion to select Evergreen Solutions to conduct the compensation study, Ms. Garcia seconded the motion and all voted in favor. Mr. Marez stated that he would notify Evergreen Solutions of the Board's decision.

7. Legislative Update.

- Professional Contract for Lobbyist
- Water Legislation Filed
- Legislative Agenda

Mr. Marez stated that with the upcoming Texas legislative session set to begin in January, he feels it is essential to prepare for potential opportunities and challenges that new water-related legislation may bring. He asked that the Board consider hiring a lobbyist to monitor or draft legislation, review the provided list of current legislative water bills, and provide input on legislative priorities which he listed as follows:

- Preserving the state's natural resources and local control while improving communities' resilience, water resources and access to greenspace
- Fair and responsible oversight by the TCEQ
- Strengthening Municipal Relationships
- Collaboration with Counties
- Opposition of legislation that exempts non-taxable users, including school districts, from water district charges and fees, which could compromise financial sustainability, and
- Financial and Administrative Autonomy

Mr. Morales stated that he supports contracting with a lobbyist but asked how a decision would be made on how much to pay them. Mr. Marez stated that he can work on a request for proposals to present at the next meeting. Mr. Morales made a motion to authorize Mr. Marez to put together an RFP and bring back proposals for the next meeting. Ms. Garza seconded. All voted in favor.

Mr. Marez also requested that the Board consider approving all or part of the STWA Legislative Agenda in order to execute a contract with a lobbyist, review and support pending water legislation and offer legislative priorities which support STWA and/or Texas public water systems. The Board provided no comments and Mr. Marez stated that he would present the Legislative Agenda again at the next meeting.

8. ICE Presentation.

- Final Presentation on October 17, 2024 Tank Collapse at Central Pump Station.
- RPZ Installation on 42" Transmission Line
- Board approval of I.C.E. Design/Build Contract Extension and First Amendment for Tesla 42-Inch Transmission Line Tap and Service Line Project

Final Presentation on October 17, 2024 Tank Collapse at Central Pump Station

Mr. Ivan Luna of International Consulting Engineers (I.C.E.) reviewed their draft report on the Central Pump Station Tank Collapse. He commented that STWA's staff responded very quickly and properly to incident. He summarized that contributing factors included instability of the tank, some corrosion and leaks in the tank structure, problems with a non-returnable valve leading to back pressure in the pump suction line which over pressurized the tank, and incomplete system automation. Future action recommended by I.C.E. includes reinstalling the chlorine and ammonia dosing system, developing standard operating procedures for the current configuration, inspecting and servicing the motor operated valve, servicing and installing a standby water transfer pump, and designing and implementing an interconnector on the water line for emergency water transfer via trucks. He noted that Central is one of the pump stations that was included in proposed improvements under the TWDB funding project.

RPZ Installation on 42" Transmission Line

Mr. Luna also provided a review of the work involved to install the reduced pressure zone (RPZ) assemblies at the Tesla location. The job began on November 14, 2024 and was completed within the allotted time. The project included upgrading the existing meter assembly as

requested by Corpus Christi Water and replacing the double check valve with two sets of reduced pressure zone assemblies – one on the main meter line and one on the bypass line. The RPZ assemblies were tested and certified, the new line was disinfected and pressurized, and bacterial sampling was conducted to ensure safety of the water supply. Additionally, a Y type strainer was installed for protecting all the downstream mechanical parts, an external pressure gauge was put in place to monitor water discharge pressure to Tesla, and an air release valve was installed as an extra precaution. Work continues for a double layer protective coating to resist external corrosion and an external aluminum jacket insulation for thermal and mechanical protection will be installed.

Board approval of I.C.E. Design/Build Contract Extension and First Amendment for Tesla 42-Inch Transmission Line Tap and Service Line Project

Mr. Morales made a motion to approve the I.C.E. Design/Build Contract Extension and First Amendment for Tesla 42-Inch Transmission Line Tap and Service Line Project. Ms. Garcia seconded. All voted in favor.

9. Texas Water Development Board Funding.
 - Presentation by Water Finance Exchange
 - Time Frame/Next Steps

Mr. Rogelio Rodriguez of Water Finance Exchange provided an update on the Texas Water Development Board funding. He commended STWA staff for responding so quickly to all of the TWDB's requests for information and documents for the application submitted in March of 2023. In October 2024, the TWDB committed funding in the form of 70% loan forgiveness and 30% loan funds. The next step is STWA, Ricardo Water Supply Corporation and Nueces Water Supply Corporation Board approval of all documents required for closing. He added that the Boards will need to decide on the length of the term. As of December 6th, interest rates are 2.33% on 20-year bonds and 2.74% on 30-year bonds. The boards will meet on January 7, 2025 to take action on approving and executing the required documents. The closing date is February 13, 2025. After that, a paying agent will receive the money and then bidding, purchasing of supplies and work can begin soon after that. Mr. Morales asked if any financial covenants would be placed on STWA. Mr. Rodriguez responded that all of the boards would be required to raise rates sufficiently to pay the debt.

Mr. Rodriguez informed the Board that work continues on other funding opportunities. In 2025 the Bureau of Reclamation grant for STWA's connecting portion of brackish water desalination projected will be reviewed. It pertains to emerging contaminants and is 100 percent grant for addressing any sort of emerging contaminants. He explained that the Seven Seas desalination project is in the water testing phase and if any emerging contaminants are detected, application can be made for a filtration system, purification system or distribution system to address the contaminants. Additionally, Water Finance Exchange is working closely with Texas A&M Corpus Christi on a Coastal Bend collaborative for conversations about water in the region. He said that desal is believed to be the future of the Coastal Bend, so they are putting together this collaborative to provide guidance, ideas, funding opportunities, and to review projects seen in other areas to help frame the future of water for the Coastal Bend. He intends to ask for a representative of STWA's staff to participate in the group.

13. TCAP Board of Directors Ballot.

Mr. Marez presented a ballot for the 2025-2026 TCAP Board of Directors election. The ballot listed nine candidates and allows for no more than eight votes. Mr. Graveley made a motion to cast one vote for each of the incumbents. Mr. Morales seconded. The motion passed by unanimous vote.

14. Petition for Addition of Certain Lands to the South Texas Water Authority and setting of public hearing date, time and place.

- Maria Cecilia Lazo –Lot 2 Block F of The Ranch Subdivision as recorded in the map records of Nueces County also recognized as 6303 Branding Iron, Robstown, Texas and Lot 3 Block F of The Ranch Subdivision as recorded in the map records of Nueces County also recognized as 6297 Branding Iron, Robstown, Texas

The Board reviewed the Annexation Petition. The property owner recently approached the Nueces Water Supply Corporation requesting service outside of the Authority's district boundaries and filed an Annexation Petition to begin the process of obtaining water service on the property. Mr. Marez recommended approval of Resolution 24-25 setting the Public Hearing on January 21, 2025 at 5:30 p.m. at the Courthouse Annex Law Enforcement Center, 1500 E. King, Kingsville, Texas.

15. Resolution 24-25. Resolution of determination of validity of Petition for Addition of Certain Lands to the South Texas Water Authority and setting the date, time and place for a public hearing and authorizing publication of public hearing notice. (Maria Cecilia Lazo).

Mr. Graveley made a motion to adopt Resolutions 24-25 setting the Public Hearing on January 21, 2025 at 5:30 p.m. at the Courthouse Annex Law Enforcement Center and authorizing publication of the public hearing notice. The motion was seconded by Ms. Garcia and passed unanimously.

10. Legal Update – CU Construction.

11. Water Supply Contract with the City of Corpus Christi.

Mr. Graveley announced that the Board would convene in Closed Session at 7:20 p.m. pursuant to Section 551.071 of the Government Code to receive legal advice from counsel regarding a pending litigation pertaining to CU Construction and the Water Supply Contract with the City of Corpus Christi. The Board reconvened in Open Session at 7:51 p.m. No action was taken during Closed Session.

16. Administration Report.

Mr. Marez reminded the Board that the next meeting is on January 7th to approve the necessary TWDB funding items followed by the next regular meeting scheduled for January 21st. He added that a new vehicle for office staff was purchased locally. He reported that he has been receiving

updates from Seven Seas and they are proceeding with drilling of a test well. Seven Seas expects to begin drilling in the first quarter of 2025 and will provide information on projections.

17. Adjournment.

With no further business to discuss, Mr. Rodriguez moved to adjourn the meeting at 7:58 p.m. Ms. Garcia seconded. The motion carried.

Respectfully submitted,



Frances De Leon
Assistant Secretary