SOUTH TEXAS WATER AUTHORITY
Minutes – Regular Board of Directors Meeting
September 29, 2026

Board Members Present:

Jose Graveley
Frances Garcia
Imelda Garza
Joe Morales
Daniel Morales

Board Members Absent:

Art Rodriguez
Tanya Lawhon
Patsy Rodgers

Staff Present:

John Marez
Frances De Leon
Clarissa Vargas
Victor Gutierrez
August Patroelj

Guests Present:

Ivan Luna, ICE Engineering
Ansar Palakkal, ICE Engineering
Charles W. Zahn
Hunter Johnson, 28 Midstream
Hunter Hudson, Willatt & Flickinger (Zoom)
Myra Alaniz
Holly Bockholt
Phil Esquivel
Erica Esquivel Scramuzza

1. Call to Order.

Mr. Jose Graveley, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:48 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. Public comment was provided by Mr. Andrew Mendez.

3. Approval of Minutes.

Mr. J. Morales made a motion to approve the minutes of the September 8, 2026 Regular Meeting as presented. Ms. Garza seconded. The motion passed by unanimous vote.

4. Treasurer's Report/Payment of Bills.

The following reports were presented for Board approval:

Treasurer's Report for period ending August 31, 2026
STWA Income Statement – Comparison to Prior Year for August, 2026
Revenue Fund Income Statement for period ending August 31, 2026
Special Services Income Statement for period ending August 31, 2026
Tax Fund Income Statement for period ending August 31, 2026

STWA Revenue Fund Trial Balance – August, 2026
STWA Revenue Fund Balance Sheet – August, 2026
STWA Debt Service Fund Income Statement for period ending August 31, 2026
STWA Debt Service Fund Trial Balance – August, 2026
STWA Debt Service Fund Balance Sheet – August, 2026
STWA Capital Projects Fund Income Statement for period ending August 31, 2026
STWA Capital Projects Fund Trial Balance – August, 2026
STWA Capital Projects Fund Balance Sheet – August, 2026
Outstanding Water and O&M Invoices – NCWC&ID#5 and City of Driscoll

No invoices were presented for Board approval.

Mr. J. Morales made a motion to approve the Treasurer's Report and payment of bills as presented. Ms. Garza seconded. The motion passed unanimously.

5. Operation and Maintenance Report.

The Board reviewed the Operation and Maintenance Report. There were no questions from the Board.

6. Presentation by Esquivel and Associates.

Mr. Phil Esquivel and Ms. Erica Scramuzza provided a brief presentation on the services and assistance that Esquivel and Associates provides for the Authority. They explained how they provide support to STWA management in selection of employee benefit products and services and provide guidance to employees throughout the year. They worked with management on a renewal plan for the coming year. Blue Cross Blue Shield of Texas was chosen instead of the current provider. Although the deductible increased, copays dropped from $15 for a primary care physician and $100 for specialist visits to $0 for primary care and $40 for specialists. Ms. Scramuzza also stated that they are exploring ways to join larger groups in hopes of making the cost more affordable but another year or two is needed to tweak the process. Mr. J. Morales noted that at some point, employees need to contribute towards the cost of insurance. Mr. D. Morales agreed. Ms. Scramuzza mentioned that staff has considered offering tiered plans which would involve STWA covering a basic plan with the option for the employee to pay the cost to upgrade to a plan with enhanced benefits. Mr. Esquivel noted that it has become more difficult to keep costs down but reminded the Board that employee retention is very important.

7. 28 Midstream Presentation.

Mr. Marez introduced Mr. Hunter Johnston of 28 Midstream, a possible additional source of water for STWA and stressed that having multiple water sources is essential. Mr. Johnston stated that 28 Midstream is interested in supplying up to 20,000 acre feet of water from outside of the region via a pipeline. He wants to work with STWA on issues such as pricing and has ideas for reducing the cost to STWA. Mr. J. Morales asked why 28 Midstream is not working with the Rio Grande Valley since they are experiencing severe issues and Mr. Johnston replied that they have approached members of that area but the problem comes down to the cost and there are other sources that are better suited for that area. Mr. J. Morales also commented that he is skeptical of

the reliability of this source and Mr. Johnston said he will provide more information at a later time but for now he just wanted to introduce himself and make the Board aware of opportunities with 28 Midstream.

8. Fiscal Year 2026 Amendments.

Mr. Patroelj presented the proposed FY 2026 budget amendments and stated that the final amended budget reflects a loss of $477,137 compared to the budgeted loss of $723,743. He reviewed the changes throughout the budget which amount to a variance of $245,605 which will be adjusted after board approval. Mr. J. Morales questioned some of the balances and Mr. Patroelj explained that several additional invoices were received after the amended budget was prepared and will need to be adjusted. Mr. J. Morales made a motion to table the FY 2026 Budget Amendments, Ms. Garcia seconded and all voted in favor.

9. Tax year 2026 tax roll/levy for the South Texas Water Authority's district in Kleberg County.
10. **Resolution 26-19**. Resolution adopting the tax roll/levy for the South Texas Water Authority's district in Kleberg County for tax year 2026.
11. Tax year 2026 tax roll/levy for the South Texas Water Authority's district in Kleberg County.
12. **Resolution 26-20**. Resolution adopting the tax roll/levy for the South Texas Water Authority's district in Kleberg County for tax year 2026.

Mr. Marez stated that the tax rolls have not been received and will be presented at the next meeting. Mr. Graveley made a motion to table items 9, 10, 11 and 12. Ms. Garza seconded. All voted in favor.

13. STWA Investment Policies:
    a) South Texas Water Authority General Fund
    b) South Texas Water Authority Debt Service Fund
    c) South Texas Water Authority Capital Projects Fund

Mr. Marez informed the Board that their review and approval of STWA's Investment Policies is required annually and added that there have been no changes to the Policies since last year. He recommended adoption of Resolutions 26-21, 26-22 and 26-23 approving the STWA General Fund, Debt Service Fund and Capital Project Fund Investment Policies.

14. **Resolutions 26-21 through 26-23**. Resolutions approving the following South Texas Water Authority Investment Policies
    a) South Texas Water Authority General Fund
    b) South Texas Water Authority Debt Service Fund
    c) South Texas Water Authority Capital Projects Fund

Mr. Graveley made a motion to adopt Resolutions 26-21, 26-22 and 26-23. Ms. Garza seconded. All voted in favor.

15. Approval of Annexation of Certain Lands to the South Texas Water Authority.
    a. Nueces County Emergency Services District No. 4, President Geoff Atwood – a 2.905 acre tract being a Borrow Pit Easement described in a deed recorded in Volume 250, Page 567, Deed Records Nueces County, Texas. Said 2.905 acre tract being out of a 23.00 acre tract described in a deed recorded in Volume 747, Page 112, Deed Records Nueces County, Texas. Said 2.905 acre tract also being out of the "Vicente Lopez De Herrera" Survey, Abstract – 2661, Nueces County, Texas.

The Public Hearing on the Annexation Petitions for Nueces County Emergency Services District No. 4 was conducted prior to the Regular meeting.

16. **Resolution 26-24**. Resolution approving Annexation of Certain Lands to the South Texas Water Authority. (Nueces County Emergency Services District No. 4, President Geoff Atwood).

Ms. Garza made a motion to adopt Resolution 26-24. The motion was seconded by Ms. Garcia and passed by unanimous vote.

17. Payment plan agreement for City of Driscoll and Nueces County Water Control and Improvement District #5.

Mr. Marez presented payment plan schedules for the City of Driscoll and Nueces County Water Control and Improvement District #5 with 10% and 15% interest options over 12 months. He stated that District #5 has three outstanding invoices from October 2022, October 2023 and February 2025 but have paid the current invoices. The City of Driscoll has outstanding invoices for April, May, June and July 2026 for both water usage and operation and maintenance totaling $34,678.54. The City of Driscoll previously entered into a payment plan for outstanding invoices in 2021 and paid off the balance. Mr. Patroelj has communicated with the Banquete District and their staff has indicated that they will work towards paying off the outstanding invoices. Communication with the City of Driscoll has stopped. He recommends sending formal notices for payment arrangements. Mr. J. Morales moved to authorize staff to offer a payment plan to Nueces County Water Control and Improvement District #5 with 10% interest. Ms. Garza seconded. The motion passed unanimously. Mr. Patroelj commented that he will approach the City of Driscoll about a pay plan based on 10% interest.

18. Executive Session Agenda Items - In this executive session the board of Directors will deliberate or receive legal advice regarding (l) each of the following matters pursuant to the Section(s) of the Texas Government Code in parenthesis at the end of such matter, and (2) any other agenda items on today's agenda that the presiding officer 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.

18.a. Receive legal advice from counsel regarding alternate water sources. (§551.071)
18.b. Evaluation of the STWA Executive Director. (§551.074)
18.c. Review of JMAR Management Agreement. (§551.074)

Mr. Graveley announced that the Board would convene in Closed Session at 6:41 p.m. pursuant to Section 551.071 of the Government Code to receive legal advice from counsel regarding an alternate source of water for the Authority and Section 551.074 for evaluation of the STWA Executive Director and review of the JMAR Management Agreement.

19. Open Session Items for Post Executive Session Action – The Board of Directors will reconvene 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.

19.a. Consider land lease agreement with the Port of Corpus Christi.

The Board reconvened in Open Session at 7:32 p.m. No action was taken during Closed Session.

20. Administration Report.
- Future Board Meeting Dates
- Project Updates
- Mold Remediation Update

Mr. Marez informed the Board that the next meetings are scheduled for October 27th and December 8th. The tabled items will be placed on the October agenda. The mold remediation project is on schedule and he expects to started moving back in about three weeks. He also reported that the Nueces County replacement for a Driscoll board member will be addressed after the November election.

21. Adjournment.

With no further business to discuss, Ms. Garcia moved to adjourn the meeting at 7:36 p.m. Mr. Graveley seconded. The motion carried.

Respectfully submitted,

Frances De Leon
Assistant Secretary