SOUTH TEXAS WATER AUTHORITY
Minutes – Regular Board of Directors Meeting
June 30, 2026

Board Members Present:

Jose Graveley
Frances Garcia
Joe Morales
Patsy Rodgers
Art Rodriguez

Board Members Absent:

Imelda Garza
Tanya Lawhon
Daniel Morales

Staff Present:

John Marez
Patrick Sendejo
Victor Gutierrez
August Patroelj
Clarissa Vargas

Guests Present:

Charlie Zahn
Bobby Villarreal (Zoom)
Hunter Hudson (Zoom)
Ivan Luna, I.C.E.
Ansar Palakkal, I.C.E.
Rene Gonzalez (Zoom)
Kasy Stinson, Seven Seas
Myra Alaniz
Holly Bockholt
Kathryn Cargo

1. Call to Order.

Mr. Jose Graveley, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:30 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 public comments were made.

3. New Board Members' Oaths of Office.

Mr. Patroelj administered the Oath of Office to Mr. Arturo Rodriguez who was re-appointed to Place 3 on the Board by the Kleberg County Commissioner's Court.

4. Approval of Minutes.

Ms. Rodgers made a motion to approve the minutes of the June 2, 2026 Regular Meeting as presented. Mr. Rodriguez seconded. The motion passed by unanimous vote.

5. Treasurer's Report/Payment of Bills.

The following reports were presented for Board approval:

Treasurer's Report for period ending May 31, 2026

STWA Income Statement – Comparison to Prior Year for May, 2026
Revenue Fund Income Statement for period ending May 31, 2026
Special Services Income Statement for period ending May 31, 2026
Tax Fund Income Statement for period ending May 31, 2026
STWA Revenue Fund Trial Balance – May, 2026
STWA Revenue Fund Balance Sheet – May, 2026
STWA Debt Service Fund Income Statement for period ending May 31, 2026
STWA Debt Service Fund Trial Balance – May, 2026
STWA Debt Service Fund Balance Sheet – May, 2026
STWA Capital Projects Fund Income Statement for period ending May 30, 2026
STWA Capital Projects Fund Trial Balance – May, 2026
STWA Capital Projects Fund Balance Sheet – May, 2026
Outstanding Water and O&M Invoices – NCWC&ID#5 and City of Driscoll

The following invoices were presented for Board approval:

- Charles W. Zahn, Jr., Attorney at Law (May) $ 13,590.00

Mr. Patroelj updated the Board on the outstanding NCWC&ID #5 and City of Driscoll Water and O&M invoices balances. Mr. J. Morales made a motion to approve the Treasurer's Report and payment of bills as presented. Ms. Garcia seconded. The motion passed unanimously.

6. Operation and Maintenance Report.

Mr. Sendejo presented the Operations and Maintenance Report and provided updates on the current vacancies. He added that the booster pump at Driscoll Pump Station should help in maintaining residuals. Mr. Morales asked for more information on the TCEQ violation. Mr. Sendejo explained that during TCEQ's investigation, the residual on the sample was below the minimum required but the following day the residual was in compliance. He believes the booster should help with this issue. In addition, in their letter, TCEQ named the ground storage tank at Central Pump Station that has not been replaced. Mr. Hunter Hudson, Willatt & Flickinger, stated that he has contacted TCEQ about some inaccuracies in their letter and is waiting to hear back from them but will seek an extension for additional days.

7. Bids for mold remediation at STWA office building.

Mr. Marez reported that in response to STWA's Request for Proposal (RFP)/Competitive Sealed Proposal (CSP) for Mold Remediation and Building Restoration Services, one bid was received. He presented a bid from Mammoth Construction and explained that staff has reviewed the proposal and determined that it substantially complies with the requirements established in the solicitation. The contract amount is $134,000 and funding is available within STWA's approved budget. Staff will be housed in temporary buildings behind the office for at least two months during the remediation process and the area will be closed off to customers. He recommended awarding the bid to Mammoth Construction in the amount of $134,000.

8. **Resolution 26-11.** Resolution awarding the bid for mold remediation at STWA's office building.

Mr. Rodriguez made a motion to award the bid for mold remediation at the STWA office building to Mammoth Construction in the amount of $134,000. Ms. Rodgers seconded and the motion passed.

9. Preliminary Nueces and Kleberg County Appraisal District Values.

Mr. Marez presented the preliminary values for Nueces and Kleberg Counties and reported that this year's preliminary values reflect an amount of $1,768,172,357 in Nueces County and $1,915,537,483 in Kleberg County for a total of $3,680,709,840. This is an increase compared to last year's certified value total of $3,438,697,101; however, he noted that the values are preliminary and are being provided for informational purposes. Certified values should be delivered by July 25th. No action was taken on the presented information.

10. 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 10th deadline. The following schedule was provided to the Board:

Date	Event	Action
June 30, 2026	Board Meeting	Agree on calendar & confirm quorums
July 25, 2026	CADs deliver rolls	Staff calculates ETR
August 4, 2026	Board Meeting	Board votes on proposed rate & sets hearing date/time, approves sending proposed budget to wholesale customers
August 5, 2026	Staff prep	Proposed budget is sent to wholesale customers for 30-day written comment period
Aug 9 – Sep 7	30-day comment period	Wholesale customers review & provide written comments on proposed budget
Aug 27 and 30, 2026	Publish newspaper notices	Publication occurs 7 days before hearing
September 8, 2026	Public Hearing followed by Board Meeting	Board adopts tax rates, water rates and Handling Charge
September 10, 2026	Nueces County Tax Collector Deadline	Failure to submit tax rates could result in STWA paying for separate tax bill mail-out

No changes were requested by the Board. Mr. J. Morales made a motion to approve the schedule as presented. Mr. Graveley seconded and the motion passed by unanimous vote.

11. Preliminary FY 2027 Budget.

Mr. Patroelj presented three budget options for FY 2027 with the primary distinction being the level of employee compensation adjustments. All options are based on water sales increased projection of 6.07%, Average wholesale water cost of $3.258/1,000g, $932,000 in capital improvements, savings of $130,000 due to elimination of two positions, and a projected 15% increase in healthcare costs. Option A includes no employee salary increases, Option B includes an average 4.34% adjustment for Operations, Maintenance and Field Technician positions based on the proposed pay grade model, and Option C includes an average 4.34% compensation adjustment for all remaining personnel based on the proposed pay grade model. Mr. J. Morales commented that Option C appears to be the best choice. After further discussion Mr. J. Morales made a motion to select FY 2027 Preliminary Budget Option C. Mr. Rodriguez seconded. All voted in favor.

12. Proposed updated compensation scale.

Mr. Marez presented a proposed compensation scale for the Board's review in response to challenges in recruiting and retaining qualified employees, particularly in field operations. The proposed scale is a hybrid approach combining recommendations previously developed by Evergreen Solutions with current operational needs and market trends. Mr. Patroelj explained how the increases would be distributed and expressed that the increases can be accommodated within the current budget through existing salary appropriations and anticipated personnel savings. Mr. J. Morales commented that he is in favor of the adjustments but questioned the timing of the request. Mr. Graveley stated he would like to provide such a benefit and Mr. Rodriguez agreed. Mr. Graveley made a motion to approve the compensation scale. Mr. Rodriguez seconded. The motion passed unanimously. Mr. Patroelj confirmed that the changes would be effective July 1, 2026.

13. Letter to Kleberg County Tax Assessor/Collector confirming South Texas Water Authority's District Boundary.

Mr. Marez presented a draft letter to the Kleberg County Tax Assessor-Collector who requested written confirmation regarding the South Texas Water Authority boundaries for purposes of maintaining and updating voter registration records associated with the Authority. To confirm the boundaries, Kleberg County Appraisal District conducted property ID counts for STWA, Ricardo ISD and Kingsville ISD and performed account comparisons between the three entities and determined that STWA's accounts match all accounts held by both school districts. Mr. J. Morales made a motion to approve the letter as drafted and to authorize the STWA Board members to sign the document affirming the accuracy of the information. Ms. Garcia seconded and the motion passed unanimously.

14. Consideration and possible action to approve a resolution by the South Texas Water Authority requesting financial participation from the Texas Water Development Board; authorizing the filing of an application for financial participation; and making certain finding in connection therewith.

Mr. Marez stated that STWA has the opportunity to pursue funding through the Texas Water Development Board (TWDB) under the one-time Water Supply Infrastructure Grant (WSIG) Program. He presented Resolution 26-12 authorizing submission of an application requesting up to $21,000,000 in financial assistance for eligible water supply and infrastructure improvements. Approval of the resolution authorizes submission of the application but does not obligate STWA to incur debt or expend local funds.

15. **Resolution 26-12.** Resolution by the Board of Directors of the South Texas Water Authority requesting financial assistance form the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith.

Mr. J. Morales made a motion to approve Resolution 26-12. Ms. Garcia seconded the motion and all voted in favor.

16. Update on Seven Seas Project.

Mr. Marez stated that there is no new information to provide but Mr. Stinson from Seven Seas is available to answer questions. Mr. Zahn stated that Seven Seas is waiting on approval of a lease agreement with the Port of Corpus Christi in order to begin work on a test well. He received a draft of the agreement from the Port of Corpus Christi's attorney late this afternoon and has not had opportunity to review it. The agreement will require approval by the STWA and the Port of Corpus Christi governing bodies. He is also working with their attorney on a short-term agreement of less than a year that can be approved by the Port's CEO. A short-term agreement will provide time for Seven Seas to proceed with a test well and then a long-term agreement will be finalized for Board consideration.

17. 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.

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

Mr. Graveley announced that the Board would convene in Closed Session at 6:51 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.

18. 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.

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

The Board reconvened in Open Session at 7:39 p.m. No action was taken during Closed Session.

19. Administration Report.

- Future Board Meeting Dates
- Project Updates
- TCEQ Letter of Enforcement Action and Proposed Agreed Order

Mr. Marez informed the Board that three budget workshop sessions will be scheduled for July 8th and the next regular meetings are scheduled for August 4th, September 8th and September 29th. He also reported that Kleberg County took action on a funding opportunity that will help Ricardo Water Supply Corporation continue replacement of their transmission line.

20. Adjournment.

With no further business to discuss, Mr. Rodriguez moved to adjourn the meeting at 7:39 p.m. Ms. Garcia seconded. The motion carried.

Respectfully submitted,

Frances De Leon

Frances De Leon
Assistant Secretary