SOUTH TEXAS WATER AUTHORITY
Minutes – Regular Board of Directors Meeting
August 4, 2026

Board Members Present:

Jose Graveley
Frances Garcia
Imelda Garza
Joe Morales
Daniel Morales
Patsy Rodgers

Board Members Absent:

Art Rodriguez
Tanya Lawhon

Staff Present:

John Marez
Frances De Leon
Patrick Sendejo
August Patroelj

Guests Present:

Bobby Villarreal
Hunter Johnson, 28 Midstream
Hunter Hudson (Zoom)
Ivan Luna, I.C.E.
Ansar Palakkal, I.C.E.
Myra Alaniz
Holly Bockholt
Marie Lucio
Sharlene Leurig

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 Member's Oath of Office.

Mr. Patroelj administered the Oath of Office to Ms. Patsy Rodgers who was re-appointed to Place 2 on the Board by the Nueces County Commissioner's Court.

15. TCEQ Letter of Enforcement Action and Proposed Agreed Order.

Mr. Marez presented the Letter of Enforcement Action and Proposed Agreed Order from TCEQ. Mr. Hunter Hudson of Willatt & Flickinger reviewed the document and explained that the deadline for response is August 6th and if not met, TCEQ will forward to litigation status. He recommended that the Board approve the proposed Agreed Order.

Mr. J. Morales stated that he has reviewed the document and action plan and feels that STWA should take advantage of the opportunity for a discount on the fine. He made a motion to approve the Agreed Order. Ms. Garza seconded. All voted in favor.

16. Administrative Report – TWDB Funding.

Mr. Marez introduced Mr. Bobby Villarreal of Estrada-Hinojosa who reviewed the projects being considered for Texas Water Development Board funding. Proposal A (42" Waterline Cathodic Protection, Inspection, ARV Top Bond Replacement/Repair and potential 42" Waterline Rehabilitation), Proposal B (Operation/Command Center at Kingsville), and Proposal C (2" Waterline to Banquete Upgrade) are ready to proceed under contract revenue bonds but questions remain on Proposal D (Storage/Pumping Facility, Interconnection Line and new 18" Transmission Line related to Secondary Water Source). Based on the current customer base, supporting these proposals would cost approximately $2.40/1000g. Funding all four proposals with contract revenue bonds would increase the amount to about $5.40/1000g; however, if tax funds are used for Proposal D, a tax increase of $0.048 per $100 valuation would be needed.

In response to their questions, the Board was informed that no items would be on the November ballot and instead would be pushed to the general election in May 2027 if needed. Mr. Graveley stated that work on Proposals A, B, and C needs to be carried out. Mr. Villarreal responded that these could be accomplished through contract revenue bonds. Mr. D. Morales asked about the holdup on Proposition D and Mr. Marez explained that there has been a delay on completing the Seven Seas' test well. Mr. Villarreal stated that he wanted to make the Board aware of the situation. There were no further questions from the Board.

4. Approval of Minutes.

Ms. Rodgers made a motion to approve the minutes of the June 30, 2026 Regular Meeting as presented. Ms. Garcia seconded. The motion passed on a 5 to 0 vote. Mr. D. Morales abstained.

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

The following reports were presented for Board approval:

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

The following invoices were presented for Board approval:

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| • Charles W. Zahn, Jr., Attorney at Law (June) | $ 15,570.00 |
| • International Consulting Engineers | $ 9,424.55 |
| • International Consulting Engineers | $ 16,726.95 |
| • International Consulting Engineers | $ 10,367.00 |
| • International Consulting Engineers | $ 18,399.65 |
| • Mammoth | $ 8,770.00 |

Mr. Marez reported that staff has been in contact with NCWC&ID #5 and City of Driscoll about the outstanding Water and O&M invoices balances and the most recent NCWC&ID #5 invoices have been paid. Ms. Garza made a motion to approve the Quarterly Report, Treasurer's Report and payment of bills as presented. Mr. D. Morales seconded. The motion passed unanimously.

6. Operation and Maintenance Report.

Mr. Sendejo presented the Operations and Maintenance Report and reported that the SCADA system is operational and he is able to monitor it by cell phone. He also reported that the booster at Driscoll is back in service and will help with monitoring and adjusting chemical levels. Field Foreman Victor Gutierrez is scheduled to attend rectifier training to assist with Cathodic Protection duties.

7. WestWater Presentation and Proposed Scope of Work.

Mr. Marez introduced Ms. Sharlene Leurig from WestWater Research who provided a presentation on the services included in their proposal. She stated that WestWater will prepare case studies of existing systems for comparison and will work with staff to construct a rate model to address the various type of water users within a time frame of two months for a cost of $59,100. Mr. J. Morales stated that he is in favor of segregating user types without penalty to residential customers and feels this type of work would be well worth the expense and Mr. D. Morales agreed. Mr. Graveley asked if the cost is negotiable and Ms. Leurig said WestWater can review the proposal to see if the cost can be adjusted in any areas. Mr. J. Morales made a motion to approve the agreement with WestWater and negotiate the cost in the agreement. Ms. Garza seconded and all voted in favor.

8. Review of 2026 Certified Appraisal Rolls for the Authority's district in Kleberg and Nueces Counties.

The Board reviewed the Certified Appraisal Rolls from Kleberg County Appraisal District and Nueces County Appraisal District. The KCAD appraisal roll reflects a certified estimated value of $1,861,206,589 and the NCAD final certified value is $1,834,093,563. Mr. Marez requested approval of Resolutions 26-13 and 26-14 adopting the appraisal rolls.

9. **Resolution 26-13**. Resolution adopting the appraisal roll for the South Texas Water Authority's district in Kleberg County for tax year 2026.

After reviewing the Kleberg County appraisal roll for tax year 2026, Ms. Garza made a motion to approve Resolution 26-13. Ms. Rodgers seconded the motion. The motion carried.

10. **Resolution 26-14.** Resolution adopting the appraisal roll for the South Texas Water Authority's district in Nueces County for tax year 2026.

Following review of the Nueces County appraisal roll for tax year 2026, Ms. Garza made a motion to approve Resolution 26-14. Ms. Rodgers seconded the motion. The motion passed by unanimous vote.

11. Preliminary Fiscal Year 2027 Budget.

Mr. Patroelj presented the proposed Fiscal Year 2027 Budget. The budget reflects Option C with modifications based on Board input and updated financial projections including a 6.07% increase in water sales, an average wholesale water cost of $3.149 per 1,000 gallons, $842,000 allocated for capital improvements, elimination of two budgeted positions resulting in annual savings exceeding $130,000, a projected 15% increase in employee healthcare costs and average employee compensation adjustments of approximately 4.34% dependent upon the adopted pay grade model. Staff also estimated that a $0.10 handling charge increase would generate approximately $57,000 annually but was not included in the proposed budget. Mr. Marez commented that the budget remains conservative. He added that a letter and the proposed budget would be sent to STWA wholesale customers for a 30-day review and comment period.

12. Proposed Fiscal Year 2027/Tax Year 2026 tax rate and authorization to publish notice of public hearing.

Mr. Marez presented the Water District Notice of Public Hearing on Tax Rate reflecting a proposed total tax rate of $0.058854/$100 valuation comprised of a Maintenance & Operation tax rate of $0.049067/$100 and an Interest & Sinking tax rate of $0.009787/$100. The proposed total tax rate is $0.000001 lower than the tax rate calculated on the average home value in order to remain below the 3.5% allowed increase. Ms. Garza made a motion to authorize staff to publish the Water District Notice of Public Hearing on Tax Rate. Mr. Graveley seconded. All members present voted in favor.

13. Letter of Engagement with John Womack and Company, P.C. for Independent Auditor Services for FY 2026.

The Board reviewed the Letter of Engagement from John Womack and Company for the fiscal year ending September 30, 2026. The estimated cost is $12,500. Mr. D. Morales made a motion to approve the Letter of Engagement with John Womack and Company, P.C. for Independent Auditor Services for FY 2026. Ms. Garza seconded. All voted in favor.

14. Modified compensation scale.

Mr. Marez stated that following Board approval of the compensation scale on June 30, 2026, management conducted a final review of the recommended rates for each field technician position and determined that modifications were needed based on some positions earning more in compensation than higher ranking titles and certifications. The revised pay scale maintains the Board's original intent of improving recruitment and retention while providing a clearer framework for employee advancement based on licensing, certifications and experience. The modifications increased the Field Technician I entry rate from $20.00/hour to $20.50/hour for the applicable classification; adjusted portions of the Field Technician II pay schedule and simplified advancement criteria to place greater emphasis on obtaining a Class C Water License; increased the Field Supervisor range by $1.00 across the salary schedule to better reflect supervisory responsibilities; and simplified qualification requirements. These changes increase the estimated annual cost of the temporary salary adjustments from approximately $17,555 to $23,795 but remain below the previously authorized FY 2026 budget limit of $35,000. Ms. Garcia made a motion to approve the revised compensation scale, including the updated pay ranges, qualification criteria and supervisory adjustments, and to authorize implementing the adjustments through the remainder of the current fiscal year. Ms. Rodgers seconded and all voted in favor.

16. Administration Report.
- Future Board Meeting Dates
- Project Updates
- Mold Remediation Update
- Payment Plan Agreements – Outstanding Invoices for Water and O&M

Mr. Marez informed the Board that the next meeting including the public hearing on tax rate is scheduled for September 8th followed by the next Regular Meeting on September 29th. Ivan Luna of ICE provided an update on the RWSC and NWSC projects and reported that 100% design should be ready in a few weeks. Work on the Nitrification Action Plan and Monitoring Plan is 95% complete. There has been a delay on the ARV assessment due to quotes from vendors. He added that the Texas Water Development Board had questions on the funding application and responses have been submitted. Mr. Marez reported that staff has moved out of the office building and into the temporary offices. The mold remediation work should begin next week.

17. Adjournment.

With no further business to discuss, Mr. J. Morales moved to adjourn the meeting at 6:54 p.m. Ms. Rodgers seconded. The motion carried.

Respectfully submitted,

Frances De Leon
Assistant Secretary