

MEMORANDUM

TO: South Texas Water Authority Board of Directors
FROM: Jose M Graveley, President
DATE: August 2, 2023
SUBJECT: Meeting Notice and Agenda for the South Texas Water Authority

A Regular Meeting of the STWA Board of Directors is scheduled for:

Tuesday, August 8, 2023
5:30 p.m.
South Texas Water Authority
2302 East Sage Road, Kingsville, Texas

The Board will consider and act upon any lawful subject which may come before it, including among others, the following:

Agenda

1. Call to order.
2. Citizen comments. This is an opportunity for citizens to address the Board of Directors concerning an issue of community interest that is not on the agenda. Comments on the agenda items must be made when the agenda item comes before the Board. The President may place a time limit on all comments. The response of the Board to any comment under this heading is limited to making a statement of specific factual information in response to the inquiry, or, reciting existing policy in response to the inquiry. Any deliberation of the issue is limited to a proposal to place it on the agenda for a later meeting.
3. Approval of Minutes. (Attachment 1)
4. Quarterly Report/Treasurer's Report/Payment of Bills. (Attachment 2)
5. Review of 2023 Certified Appraisal Rolls for the Authority's district in Kleberg and Nueces Counties. (Attachment 3)
6. **Resolution 23-18.** Resolution adopting the appraisal roll for the South Texas Water Authority's district in Kleberg County for tax year 2023. (Attachment 4)
7. **Resolution 23-19.** Resolution adopting the appraisal roll for the South Texas Water Authority's district in Nueces County for tax year 2023. (Attachment 4)
8. Preliminary Fiscal Year 2024 Budget. (Attachment 5)
9. Proposed Fiscal Year 2024/Tax Year 2023 tax rate and authorization to publish notice of public hearing. (Attachment 6)
10. Letter of Engagement with John Womack and Company, P.C. for Independent Auditor Services for FY 2023. (Attachment 7)

11. Approval of Rate Study by Raftelis. (Attachment 8)
12. Third Amendment to Amended and Restated Water Supply Contract Between South Texas Water Authority and Nueces Water Supply Corporation. (Attachment 9)
13. **Resolution 23-20.** Resolution approving the Third Amendment to Amended and Restated Water Supply Contract Between the South Texas Authority and Nueces Water Supply Corporation. (Attachment 10)
14. Conservation and Reclamation Districts Ballot for Election of Board of Directors for the Kleberg County Appraisal District. (Attachment 11)
15. **Resolution 23-21.** Resolution casting the South Texas Water Authority's votes for Conservation and Reclamation Districts for Election of Kleberg County Appraisal District Board of Directors. (Attachment 12)
16. Non-Binding Agreement with SSW. (Attachment 13)
17. Administration Report.
18. Adjournment.

The Board may go into closed session at any time when permitted by Chapter 551, Government Code. Before going into closed session, a quorum of the Board must be assembled in the meeting room, the meeting must be convened as an open meeting pursuant to proper notice, and the presiding officer must announce that a closed session will be held and must identify the sections of Chapter 551, Government Code, authorizing the closed session.

JMG/JM/fdl
Attachments

This meeting notice was posted on
STWA's website, www.stwa.org, and on
indoor and outdoor bulletin boards at
STWA's administrative offices,
2302 East Sage Road, Kingsville, Texas at
6:45 am on August 4, 2023
Janice DeLeon
Assistant Secretary

ATTACHMENT 1

Approval of Minutes

SOUTH TEXAS WATER AUTHORITY
Public Hearing Minutes
August 1, 2023

Board Members Present:

Jose Graveley
Imelda Garza
Frances Garcia
Kathleen Lowman
Joe Morales
Angela Pena
Arturo Rodriguez

Board Members Absent:

Rudy Galvan, Jr.
Patsy Rodgers

Staff Present:

John Marez
Jo Ella Wagner
Nigel Gomez
Oscar Ortegon

Guests Present (Via Zoom):

Bill Flickinger, Willatt & Flickinger
Matthew Speights, Corpro

1. Call to Order.

Mr. Jose Graveley, Board President, called the Public Hearing of the STWA Board of Directors to order at 5:30 p.m.

2. Petition for Addition of Certain Lands to the South Texas Water Authority.

- a. Roland Bayardo, Northeast ½ of Lot 29 and the Southwest ½ of Lot 30, Cyndie Park Subdivision, Unit 2 in Nueces County, Texas.

Property owner Roland Bayardo approached the Nueces Water Supply Corporation requesting service outside of the Authority's district boundaries. Approval of the annexation petition enables the landowner to receive service and pay in-district rates to the Nueces Water Supply Corporation, and allows the property to be placed on STWA tax rolls. A resolution approving annexation will be presented at the Regular Board Meeting.

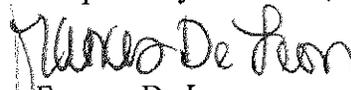
3. Public Comment.

Mr. Graveley called for public comment. No comments from the public were made.

4. Adjournment.

With no further business to discuss, Ms. Garza made a motion to adjourn the Public Hearing at 5:31 p.m. Mr. Rodriguez seconded and all voted in favor.

Respectfully submitted,


Frances De Leon
Assistant Secretary

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
August 1, 2023
Minutes

Board Members Present:

Jose Graveley
Imelda Garza
Frances Garcia
Kathleen Lowman
Joe Morales
Angela Pena
Arturo Rodriguez

Board Members Absent:

Rudy Galvan, Jr.
Patsy Rodgers

Staff Present:

John Marez
Frances De Leon
Jo Ella Wagner
Nigel Gomez
Oscar Ortegon

Guests Present (Via Zoom):

Bill Flickinger, Willatt & Flickinger
Matthew Speights, Corpro

1. Call to Order.

Mr. Jose Graveley, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:31 p.m. A quorum was present.

2. Citizen Comments.

Mr. Graveley opened the floor to citizen's comments. No comments were made.

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

7. Amendment of South Texas Water Authority and Nueces Water Supply Corporation Water Supply Agreement for new point of delivery.

Mr. Bill Flickinger introduced the Second Amendment to the Amended and Restated Water Supply Contract between South Texas Water Authority and Nueces Water Supply Corporation. He explained that Nueces WSC has a Certificate of Convenience and Necessity and a potential new customer within that area. The amendment would allow for STWA's 42-inch waterline to be tapped creating an additional point of delivery so that the customer can be billed on the basis of the 8" water meter that will be installed at the location. Mr. Morales questioned two sentences in the document pertaining to responsibility for damages. Mr. Flickinger explained that the first part refers to the water itself and that STWA has ownership before the tap and the water becomes NWSC's after the tap. If something happens to the water, each party is responsible for their own side. The second sentence refers to any damage that occurs during construction.

Mr. Flickinger added that the amendment is designed to move the project forward since the point of delivery for this tap was not in the contract previously. NWSC will provide service to the customer and STWA will provide water up to the tap.

Mr. Marez noted that NWSC will be considering this amendment at their board meeting on Thursday, August 3rd.

8. Resolution 23-17. Resolution adopting amendment to the South Texas Water Authority and Nueces Water Supply Corporation Water Supply Agreement.

Ms. Garza made a motion to approve Resolution 23-17, Mr. Morales seconded and the motion passed unanimously.

3. Approval of Minutes.

Ms. Lowman made a motion to approve the minutes of the June 20, 2023 Regular Meeting and July 11, 2023 Special Meeting as presented. Ms. Garza seconded. The motion passed by unanimous vote.

4. Operation and Maintenance Reports.

The O&M and CP reports were provided for the Board's review. Mr. Gomez reported that interviews for the Field Technician applicants are continuing through August 9th. Mr. Marez reported that Cathodic Protection Technician Oscar Ortegon has been working with Corrpro representatives on providing CP improvements on STWA's 42-inch waterline. Mr. Ortegon explained that the Contract 2 section of line is fragile and is the same section that will serve NWSC's potential large volume customer. Corrpro is looking into additional rectifiers to improve the protection on the line. Corrpro's representative, Matthew Speights, stated that the plan includes two parts. The design phase includes an assessment from calculations to determine what is needed to protect the Contract 2 section of the line. The other part involves working with ICE to put together a package to protect the entire 42-inch waterline. Mr. Marez stated that a formal proposal will be presented at a future meeting.

5. Approval of Annexation of Certain Lands to the South Texas Water Authority.
a. Roland Bayardo, Northeast ½ of Lot 29 and the Southwest ½ of Lot 30, Cyndie Park Subdivision, Unit 2 in Nueces County, Texas.

The Public Hearing on the Annexation Petition Roland Bayardo was conducted prior to this meeting.

6. Resolution 23-16. Resolution approving Annexation of Certain Lands to the South Texas Water Authority. (Roland Bayardo).

Mr. Morales made a motion to adopt Resolution 23-16. The motion was seconded by Mr. Rodriguez and passed unanimously.

9. Specifications for minimum requirements for purchase of Compact Track Loader.

The Board reviewed the minimum requirement for a compact track loader. O&M Supervisor Nigel Gomez stated that this type of equipment is needed to utilize various attachments to move items at the office or other locations and to gain access where other heavy equipment cannot be used. Mr. Marez stated that it was approved as part of the FY 23 budget. Ms. Pena made a motion to approve the specifications and authorize requesting bids for a compact track loader. Ms. Garcia seconded and all voted in favor.

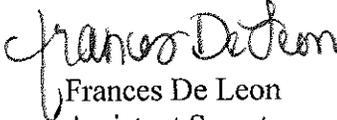
10. Administration Report.

Mr. Marez stated that another Board meeting is scheduled for August 8th due to delays in receiving information from the appraisal districts. In addition, the Kleberg County Appraisal District ballot for Board of Directors will be included on the August 8th agenda. He also reported that he has been in contact with Daniel Morales of King Ranch about acquiring additional property to the west of STWA's current property for a new office space and felt that Mr. Morales appeared interested in presenting the idea to the local vice-president and their corporate office. Mr. Marez stated that this item will also be included either on the August 8th agenda or the following which will be on September 12th.

11. Adjournment.

With no further business to discuss, Mr. Morales made a motion to adjourn the meeting at 6:06 p.m. Ms. Garza seconded. All voted in favor.

Respectfully submitted,


Frances De Leon
Assistant Secretary

ATTACHMENT 2

Quarterly Report/Treasurer's Report/Payment of Bills

These reports are not available but will be provided under separate cover prior to the meeting.



INVOICE

Bill To:
South Texas Water Authority (STWA)
 2302 E.Sage Rd
 Kingsville TX 78363

DATE:
 June 26, 2023

INVOICE # 2930

Attention: Joella Wagner, Manager, STWA Finance

PROJECT: Water Masterplan

DESCRIPTION	CONTRACT AMOUNT	PERCENT COMPLETE	PREVIOUSLY INVOICED	CURRENT AMOUNT DUE	REMAINING BALANCE
PROFESSIONAL SERVICES BREAKDOWN					
1. Project Kickoff Meeting	\$ 1,920.00	100.00%	\$ 1,920.00	\$ -	\$ -
2. Planning and Coordination with Client and Other Agencies	\$ 3,484.00	90.00%	\$ 2,787.20	\$ 348.40	\$ 348.40
3. Develop Master Water Plant Time frame and Schedule	\$ 208.00	50.00%		\$ 104.00	\$ 104.00
4. Data Collection / Site Visits / Field Observations	\$ 9,444.00	100.00%	\$ 7,083.00	\$ 2,361.00	\$ -
5. Baseline Study / Analyze current Conditions	\$ 4,732.00	75.00%	\$ 2,366.00	\$ 1,183.00	\$ 1,183.00
6. Review Existing Water Infrastructure Needs	\$ 6,584.00	75.00%	\$ 3,292.00	\$ 1,646.00	\$ 1,646.00
7. Assess Environmental Impact	\$ 6,504.00	100.00%		\$ 6,504.00	\$ -
8. Forecast Future Growth / Identify Second Source	\$ 13,664.00	65.00%	\$ 3,416.00	\$ 5,465.60	\$ 4,782.40
9. GIS Model Review / Coordination for Improvements	\$ 6,400.00	50.00%		\$ 3,200.00	\$ 3,200.00
10. Identification of Area of Concern	\$ 6,888.00	75.00%	\$ 1,722.00	\$ 3,444.00	\$ 1,722.00
11. Perform Financial and Economic Analysis	\$ 9,152.00	25.00%		\$ 2,288.00	\$ 6,864.00
12. CIP Recommendations	\$ 12,392.00	50.00%		\$ 6,196.00	\$ 6,196.00
ADDITIONAL SERVICES					
				\$ -	\$ -
				\$ -	\$ -
TOTAL	\$ 81,372.00		\$ 22,586.20		\$26,045.80
				TOTAL DUE	\$32,740.00

Please remit to:
International Consulting Engineers
 261 Saratoga Blvd
 Corpus Christi, TX 78417

ATTACHMENT 3
Certified Appraisal Rolls

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Exec Dir/Administrator
Date: August 4, 2023
Re: Certified Nueces and Kleberg County Appraisal District Values 2023

Background:

Adoption of Certified Appraisal Rolls begins the tax collection process. A Board adopted tax rate is levied (multiplied) against the values of the Certified Appraisal Roll to produce a Tax Roll. The Tax Roll is used to produce tax bills that are mailed out to property owners and thus the tax collection process begins.

This year, the Nueces County Appraisal District (NCAD) provided a certified roll showing an increase in ARB approved totals. Last year's approved taxable total was \$1,282,055,274 (without properties under protest) compared to this year's ARB approved totals of \$1,451,331,625 for an increase of \$169,276,351. The information also shows an estimated value of \$ 5,999,754 in properties under protest.

The information from the Kleberg County Appraisal District (KCAD) shows that overall values have also increased by \$135,797,495. This roll also shows an estimated value of \$ 79,872,807 in properties under protest. Kleberg County bills STWA the per parcel fees at the beginning of the tax year.

Analysis:

This year, there is approximately a \$305M increase from last year's certified rolls to this year.

	Tax Year 2022 Final Certified Values	Tax Year 2023 Final Certified Values	Differences
Nueces	\$1,282,055,274	\$1,451,331,625	\$169,276,351
Kleberg	\$1,413,133,575	\$1,548,931,070	\$135,797,495
Total	\$2,695,188,849	\$3,000,262,695	\$305,073,846

Staff Recommendation:

Adopt the Certified Appraisal Rolls for Nueces County and Kleberg County.

Board Action:

Determine whether to adopt Resolutions 23-18 and 23-19.

Summary:

This is a required step in the tax collection process.



Nueces County Appraisal District
201 N. Chaparral, Ste. 206
Corpus Christi, Texas 78401-2503

Ramiro "Ronnie" Canales
Nueces County Chief Appraiser

Direct: (361) 879-0766
Cell: (361) 765-1190
Fax: (361) 887-6138
rcanales@nuecescad.net

SOUTH TEXAS WATER AUTHORITY

CERTIFICATION OF 2023 APPRAISAL ROLL

Pursuant to Section 26.01(a) and (c) of the Texas Property Tax Code, I, Ramiro "Ronnie" Canales, Chief Appraiser for the Nueces County Appraisal District, Nueces County, Texas, do hereby CERTIFY the values listed below, as the net taxable value of all taxable property within your jurisdiction.

- | | |
|--|------------------|
| A. Value of all taxable property NOT Under Protest for 2023 | \$ 1,445,331,871 |
| B. Estimated taxable value of property Under Protest for 2023 | \$ 5,999,754 |

2023 TOTAL NET TAXABLE VALUE FOR YOUR JURISDICTION \$ 1,451,331,625

A handwritten signature in black ink, appearing to be "R Canales", is written over a horizontal line. The signature is stylized and cursive.

Ramiro "Ronnie" Canales, RPA, CTA
Chief Appraiser

07/25/2023
Date

**2023 CERTIFIED ESTIMATED VALUE INFORMATION
(40,000 EX)**

AS OF 7-31-23

**TAXING UNIT
SOUTH TEXAS WATER AUTHORITY**

GROSS VALUES		2023 CERTIFIED ESTIMATED VALUES NOT UNDER REVIEW		2022 CERTIFIED ESTIMATED VALUES NOT UNDER REVIEW		DIFFERENCE
REAL:		1,969,798,734		1,695,380,718		274,418,016
PERSONAL:		108,433,260		107,276,790		1,156,470
MINERAL:		236,321,046		201,118,146		35,202,900
TOTAL GROSS VALUE:		2,314,553,040		2,003,775,654		310,777,386
TOTAL EXEMPTIONS:		406,609,334		352,817,261		53,792,073
HOMESTEAD CAP ADJ:		43,609,515		19,949,575		23,659,940
LOSS TO AGRICULTURAL: VALUATION		235,530,314		218,567,116		16,963,198
NET TAXABLE VALUE:		1,628,803,877	(-)	1,412,441,702	(=) (INC)	216,362,175
ADJUSTMENT FOR REAL MH, AND PERSONAL 2022 STILL UNDER ARB REVIEW INCLUDED IN TOTALS ABOVE	(-)(4.5%)	62,661,727	(-)	48,674,969	(=) (-)	13,986,758
WARDLAW ADJUSTMENT		17,211,080	(-)	-	(=) (-)	17,211,080
ADJUSTED TAXABLE VALUE NOT UNDER ARB REVIEW	(=)	1,648,931,070	(-)	1,363,766,733	(=) (INC)	185,164,337
		CERTIFIED ESTIMATED VALUE UNDER ARB REVIEW 2023		CERTIFIED ESTIMATED VALUE UNDER ARB REVIEW 2022		
STILL UNDER ARB REVIEW (CAD REAL, MH, & PERSONAL)	(+) (4.5%)	62,661,727		48,674,969		-
STILL UNDER ARB REVIEW MINERAL ROLL	(+) (4.5%)	17,211,080		691,873		-
STILL UNDER ARB REVIEW TOTAL	(=)	79,872,807	(-)	49,366,842	(=) (+)	30,505,965
ADJUSTED TAXABLE VALUE TOTAL				1,413,133,575	(=) (INC)	215,670,302

ATTACHMENT 4

Resolutions 23-18 and 23-19

SOUTH TEXAS WATER AUTHORITY

Resolution 23-18

RESOLUTION ADOPTING THE APPRAISAL ROLL FOR THE SOUTH TEXAS WATER AUTHORITY'S DISTRICT IN KLEBERG COUNTY FOR TAX YEAR 2023.

WHEREAS, the South Texas Water Authority is a taxing jurisdiction within Kleberg and Nueces Counties, and

WHEREAS, the South Texas Water Authority has the power to collect ad valorem taxes for maintenance and operation and debt service, and

WHEREAS, the appraisal roll of the South Texas Water Authority has been compiled by the Kleberg County Appraisal District for the purpose of levying an established tax rate on said valuation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the South Texas Water Authority adopts the 2023 appraisal roll compiled by the Kleberg County Appraisal District on behalf of the Authority.

Duly adopted this 8th day of August, 2023.

JOSE M. GRAVELEY, PRESIDENT

ATTEST:

IMELDA GARZA, SECRETARY/TREASURER

SOUTH TEXAS WATER AUTHORITY

Resolution 23-19

RESOLUTION ADOPTING THE APPRAISAL ROLL FOR THE SOUTH TEXAS
WATER AUTHORITY'S DISTRICT IN NUECES COUNTY FOR TAX YEAR 2023.

WHEREAS, the South Texas Water Authority is a taxing jurisdiction within Kleberg and Nueces Counties, and

WHEREAS, the South Texas Water Authority has the power to collect ad valorem taxes for maintenance and operation and debt service, and

WHEREAS, the appraisal roll of the South Texas Water Authority has been compiled by the Nueces County Appraisal District for the purpose of levying an established tax rate on said valuation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the South Texas Water Authority adopts the 2023 appraisal roll compiled by the Nueces County Appraisal District on behalf of the Authority.

Duly adopted this 8th day of August, 2023.

JOSE M. GRAVELEY, PRESIDENT

ATTEST:

IMELDA GARZA, SECRETARY/TREASURER

ATTACHMENT 5

FY 2024 Budget

STWA FY 2024 CHANGES TO FUND BALANCE

BEGINNING BALANCE	REVENUES	EXPENSES	NET INCOME & BALANCE
General/ Revenue Fund	Water Revenue (Pass thru) \$1,531,114	Cost of Corpus Christi Water \$1,531,114	FY 2024 Net Income/(Loss) \$257,325
Direct Delivery Water Cost \$2.77000	Handling Charge Revenue \$285,699	Water Loss \$0	END FUND BALANCE
	Premium Incremental Increase/O & M Fees \$23,300		
Handling Charge \$0.500000	Interest Rev. Incl. Driscoll \$220,175	M & O/Administrative \$1,666,073	
	Special Services Fees \$920,979	Special Services Expenses \$920,979	
	Misc, Tax Sur & Asset Disp \$24,000	Capital Outlay/Acquisition \$280,500	
	Transfer from Tax Fund \$1,650,724		
	Total General Revenues \$4,655,991	Total Expenses \$4,398,666	
M&O Tax Fund \$0	M&OTax Revenues \$1,659,615	Transfer to Revenue Fund \$1,650,724	Tax Fund \$0
Tax Base Value \$3,000,262,695	M&O Delinquent Taxes + P&I \$63,000	Appraisal Districts \$11,264	
Kleberg County \$1,548,931,070	Interest Earned \$0	Tax Collector's Fees \$60,627	
Nueces County \$1,451,331,625	Transfer from Reserve Fund \$0	Miscellaneous \$0	
95.30%	Miscellaneous \$0	Total Expenses \$1,722,615	
M&O Tax Rate @ \$0.058044	Total M&O Tax Fund Revenue \$1,722,615		
I&S Tax Fund	I &STax Revenues \$369,941	Transfer to Revenue Fund \$0	I&S Tax Fund Est. Balance \$24,171
Tax Base Value \$3,000,262,695	I&S Delinquent Taxes + P&I \$14,000	Appraisal Districts \$6,014	
Kleberg County \$1,548,931,070	Interest Earned \$9,000	Tax Collector's Fees \$14,927	
Nueces County \$1,451,331,625	Transfer from Reserve Fund \$0	Principal, Interest, Fiscal Fees \$349,200	
100.00%	Fee in Lieu of Taxes \$1,370	Total Expenses \$370,141	
I&STax Rate @ \$0.012330	Total I&S Tax Fund Revenue \$394,311	Financing Sources Over (Under) \$24,171	

SOUTH TEXAS WATER AUTHORITY
 PRELIMINARY
 FISCAL YEAR 2024 BUDGET
 General Fund

CC Water Cost
 \$2.77000
 Handling Charge
 \$0.500000
 M&O Tax Rate
 \$0.058044
 I&S Tax Rate
 \$0.012330

PRELIMINARY
 FY 2024
 Budget

REVENUES

Water Service Revenues	\$1,531,114
Handling Charge Revenue	\$285,699
Premium Incremental Increase	\$10,800
Fee in Lieu of Taxes	\$10,500
Interest on Temp. Invest.	\$220,000
Interest Note - City of Driscoll	\$175
Other Revenue	
Operations & Maintenance Fees	\$12,500
Miscellaneous Revenues	\$12,000

TOTAL REVENUES \$2,082,788

EXPENDITURES

Water Service Expenditures:	
Bulk Water Purchases	\$1,531,114
Water Loss	\$0

TOTAL WATER SERVICE \$1,531,114

Payroll Costs

Salaries & Wages -	
Permanent Employees	\$397,635
Vacation Buy Back	\$8,500
Part-Time Employee	\$4,368
Overtime - NWSC	\$0
Stand-by Pay - NWSC	\$0
Overtime - RWSC	\$0
Stand-by Pay - RWSC	\$0
Overtime - STWA	\$15,000
Stand-by Pay - STWA	\$1,300
Employee Retirement Premiums	\$68,713
Group Insurance Premium	\$243,522
Unemployment Compensation	\$70
Workers' Compensation	\$6,436
Hospital Insurance Tax	\$6,029

TOTAL PERSONNEL \$751,573

Supplies & Materials	
Repairs & Maintenance	\$150,000
Meter Expense	\$5,000
Tank Repairs	\$30,000
Major Repairs	\$25,000

TOTAL SUPPLIES & MATERIALS \$210,000

Other Operating Expenditures:

Professional Fees

Legal	\$40,000
Auditing	\$10,500
Engineering	\$50,000
Management & Consulting	\$25,000
JMAR Management Consulting, LLC	\$70,000
Inspection	\$7,500

TOTAL PROFESSIONAL FEES \$203,000

Consum Supplies/Materials

Postage	\$8,500
Printing/Office Supplies	\$37,500
Janitorial/Site Maintenance	\$19,000
Fuel/Lubricants/Repairs	\$85,000
Chemicals/Water Samples	\$60,000
Safety Equipment	\$2,000
Small Tools	\$3,000

TOTAL CONSUM SUPPLIES/MATERIALS \$215,000

Recurring Operating Costs

Telephone/Communications	\$40,000
Utilities	\$122,500
D & O Liability Insurance	\$3,500
Property Insurance	\$48,000
General Liability	\$5,500
Auto Insurance	\$3,100
Travel/Training/Meetings - Staff	\$15,000
Travel/Training/Meetings - Board of Directors	\$10,000
Travel/Training/Meetings - Legislation	\$0
Rental-Equipment/Uniforms	\$6,000
Dues/Subscriptions/Publications	\$17,500
Pass Through Costs	\$400

TOTAL RECURRING OPER. COSTS \$271,500

Miscellaneous

Miscellaneous Expenditures	\$15,000
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TOTAL MISCELLANEOUS \$15,000

Total Administrative & Operations Exp. \$3,197,187 \$1,666,073

Capital Outlay

Capital Acquisition	\$230,500
Engineering	\$50,000

TOTAL CAPITAL OUTLAY \$280,500

TOTAL EXPENDITURES (w/o D.S. exp.) \$3,477,687

Excess (Deficiencies) of

Revenue Over Expenditures	(\$1,394,899)
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OTHER FINANCE SOURCES (USES)

Transfer to Other Funds	
Disposition of Assets (Surplus Sale)	\$1,500
Transfer from Tax Fund	\$1,650,724

TOTAL OTHER FINANCING SOURCES (USES)	\$1,652,224
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EXCESS (DEFICIENCIES) OF REVENUES OVER OTHER SOURCES (USED)	\$257,325
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NET INCOME	\$257,325
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SOUTH TEXAS WATER AUTHORITY
PRELIMINARY FY 2024 BUDGET
M & O TAX FUND

CC Water Cost
\$2.77000
Handling Charge
\$0.500000
M&O Tax Rate
\$0.058044
I&S Tax Rate
\$0.012330

PRELIMINARY
FY 2024

Budget

REVENUES	
Ad Valorem - Current (M&O)	\$1,659,615
Delinquent Taxes	\$37,000
Penalty & Interest - Tax Accounts (M&O)	\$26,000
TOTAL M&O TAX REVENUES	\$1,722,615

EXPENDITURES

Tax Collector Fees	\$60,627
Appraisal Districts	\$11,264
Refunds	\$0

TOTAL EXPENDITURES \$71,891

REVENUES OVER EXPENDITURES \$1,650,724

OTHER USES

Transfer to Revenue Fund (Tax)	\$1,650,724
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TOTAL EXPEND. & OTHER USES \$1,722,615

Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	\$0
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SOUTH TEXAS WATER AUTHORITY	CC Water Cost
PRELIMINARY FY 2024 BUDGET	\$2.77000
Special Services	Handling Charge
	\$0.500000
RWSC - 1101 customers	M&O Tax Rate
NWSC - 1083 customers	\$0.058044
	I&S Tax Rate
	\$0.012330

PRELIMINARY
FY 2024

REVENUES	Budget
Ricardo Water Supply Corporation	\$464,285
Nueces Water Supply Corporation	\$456,694
TOTAL SPECIAL SERVICES REVENUE	\$920,979

EXPENDITURES	
Personnel	\$460,842
Overhead	\$430,137
Administrator	\$30,000

TOTAL EXPENDITURES	\$920,979
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REVENUES OVER EXPENDITURES	\$0
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SOUTH TEXAS WATER AUTHORITY
 PRELIMINARY FY 2024 BUDGET
 I&S TAX FUND

CC Water Cost
 \$2.77000
 Handling Charge
 \$0.500000
 M&O Tax Rate
 \$0.058044
 I&S Tax Rate
 \$0.012330

PRELIMINARY
 FY 2024
 Budget

REVENUES

Ad Valorem - Current (M&O)	\$369,941
Delinquent Taxes	\$9,000
Out of District - Fee in Lieu of Taxes - NCWCID#5	\$1,370
Penalty & Interest - Tax Accounts (M&O)	\$5,000
Interest on Temporary Investments	\$9,000
TOTAL M&O TAX REVENUES	\$394,311

EXPENDITURES

Fiscal Agent Fees	\$200
Bond Interest Expense	\$94,000
Bond Principal Payments	\$255,000
Tax Collector Fees	\$14,927
Appraisal Districts	\$6,014
Refunds	\$0

TOTAL EXPENDITURES \$370,141

REVENUES OVER EXPENDITURES \$24,171

TOTAL EXPEND. & OTHER USES \$370,141

Excess Revenues and Other
 Financing Sources Over (Under)
 Expenditures and Other Uses \$24,171

ATTACHMENT 6

FY 2024/Tax Year 2023 Tax Rate

Water District Notice of Public Hearing on Tax Rate

The South Texas Water Authority will hold a public hearing on a proposed tax rate for the tax year 2023 on September 12, 2023 at

South Texas Water Authority Boardroom, 2302 E. Sage Road, Kingsville, Texas 78363. Your individual taxes may increase at a greater or lesser rate, or even decrease, depending on the tax rate that is adopted and on the change in the taxable value of your property in relation to the change in taxable value of all other property. The change in the taxable value of your property in relation to the change in the taxable value of all other property determines the distribution of the tax burden among all property owners.

Visit Texas.gov/PropertyTaxes to find a link to your local property tax database on which you can easily access information regarding your property taxes, including information about proposed tax rates and scheduled public hearings of each entity that taxes your property.

FOR the proposal: _____ (names of all members of the
 AGAINST the proposal: _____ governing body and how each
 PRESENT and not voting: _____ voted on the proposed tax rate)
 ABSENT: _____

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year		This Year
Total tax rate (per \$100 of value)	<u>0.078489</u>	/\$100	<u>0.070374</u> /\$100
	Adopted		Proposed
Difference in rates per \$100 of value		\$ <u>-0.008115</u>	/\$100
Percentage increase/decrease in rates(+/-)		<u>-10.34</u>	%
Average appraised residence homestead value	\$ <u>113500</u>		\$ <u>130245</u>
General homestead exemptions available (excluding 65 years of age or older or disabled person's exemptions)	\$ <u>5000</u>		\$ <u>5000</u>
Average residence homestead taxable value	\$ <u>108500</u>		\$ <u>125245</u>
Tax on average residence homestead	\$ <u>85.16</u>		\$ <u>88.14</u>
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-) and percentage of increase (+/-)	\$ <u>+ 2.98</u>		<u>3.50</u> %

If the proposed combined debt service, operation and maintenance, and contract tax rate requires or authorizes an election to approve or reduce the tax rate the _____ (governing body of the water district) proposes to use the tax increase for the purpose of _____ (description of purpose of increase).

If the district is a district described by Section 49.23601:

NOTICE OF VOTE ON TAX RATE

If the district adopts a combined debt service, operation and maintenance and contract tax rate that would result in the taxes on the average residence homestead increasing by more than eight percent, an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23601, Water Code.

If the district is a district described by Section 49.23602:

NOTICE OF VOTE ON TAX RATE

If the district adopts a combined debt service, operation and maintenance and contract tax rate that would result in the taxes on the average residence homestead increasing by more than 3.5 percent, an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23602, Water Code. An election is not required if the adopted tax rate is less than or equal to the voter-approval tax rate.

If the district is a district described in by Section 49.23603

NOTICE OF TAXPAYERS' RIGHT TO ELECTION TO REDUCE TAX RATE

If the district adopts a combined debt service, operation and maintenance, and contract tax rate that would result in the taxes on the average residence homestead increasing by more than eight percent, the qualified voters of the district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the voter-approval tax rate under Section 49.23603, Water Code.

The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.

Water District

Notice of Public Hearing on Tax Rate

The South Texas Water Authority Board of Directors will hold a public hearing on a proposed tax rate for the tax year 2023 on September 12, 2023 at 5:30 p.m. at the South Texas Water Authority Office located at 2302 East Sage Road, Kingsville, Texas 78363. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

- FOR** the proposal: *Names will be filled in.*
AGAINST the proposal: *Names will be filled in.*
PRESENT and not voting: *Names will be filled in.*
ABSENT: *Names will be filled in.*

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year		This Year
Total tax rate (per \$100 of value)	\$0.078489 /\$100		\$0.070374 /\$100
	Adopted		Proposed
Difference in rates per \$100 of value		-\$0.008115	/\$100
Percentage increase/decrease in rates(+/-)		-10.34%	
Average appraised residence homestead value	\$113,500		\$130,245
General exemptions available (excluding 65 years of age or older or disabled person's exemptions)	\$5,000		\$5,000
Average residence homestead taxable value	\$108,500		\$125,245
Tax on average residence homestead	\$85.16		\$88.14
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-)		+ \$2.98	
and percentage of increase (+/-)		+ 3.50%	

NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than eight percent, the qualified voters of the water district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the rollback tax rate under Section 49.236(d), Water Code.

THIS LOWER PORTION IS NOT PUBLISHED - FOR INTERNAL INFORMATION ONLY

Total of Debt Service Expenses at % collection below:	\$	369,941.00	
		100%	Kleberg
			\$ 1,548,931,070
			Nueces
Certified Taxable Value	\$	3,000,262,695	\$ 1,451,331,625
I&S Tax included in Proposed Rate Above		\$0.012330	Total
Actual M&O Tax Rate Proposed		\$0.058044	\$ 3,000,262,695
		\$0.070374	DS Requirement
			\$ 369,941
			Percent Collection 100%

2023 SOUTH TEXAS WATER AUTHORITY TAX RATE ROLLBACK WORKSHEET

	Nueces	Kleberg	Total
2022 Total Market Value of Residences	\$377,109,450	\$556,655,322	\$933,764,772
2022 Total Parcels	3,506	4,721	8,227
1 2022 average appraised value of residence homestead			\$113,500
2 2022 general exemptions available for the average homestead (excluding age 65 or older or disabled person's exemptions)			\$5,000
3 2022 average taxable value of residence homestead (line 1 minus line 2)			\$108,500
4 2022 adopted M&O tax rate (per \$100 of value)			\$0.064912
5 2022 M&O tax on average residence homestead (multiply line 3 by line 4, divide by \$100)			\$70.43
6 Highest M&O tax on average residence homestead with increase (multiply line 5 by 1.035.)			\$72.89
2023 Total Market Value of Residences	\$450,816,282	\$626,440,662	\$1,077,256,944
2023 Total Parcels	3,511	4,760	8,271
7 2023 average appraised value of residence homestead			\$130,245
8 2023 general exemptions available for the average homestead (excluding age 65 or older or disabled persons exemptions)			\$5,000
9 2023 average taxable value of residence homestead (line 7 minus line 8)			\$125,245
10 Highest 2023 M&O Tax Rate (line 6 divided by line 9, multiply by \$100)			\$0.058202 /\$100
11 2023 Debt Tax Rate			\$0.012330 /\$100
12 2023 Contract Tax Rate			\$0.000000 /\$100
13 2022 Unused Incremental Rate - subtract the 2022 actual tax rate and the 2022 unused increment rate from the 2022 voter-approved tax rate. If the number is less than zero, enter zero.			\$0.000000 /\$100
14 2021 Unused Incremental Rate - subtract the 2021 actual tax rate and the 2021 unused increment rate from the 2021 voter-approved tax rate. If the number is less than zero, enter zero.			\$0.000000 /\$100
15 2020 Unused Incremental Rate - subtract the 2020 actual tax rate and the 2020 unused increment rate from the 2020 voter-approved tax rate. If the number is less than zero, enter zero.			\$0.000000 /\$100
16 2023 Total Unused Incremental Rate - add lines 13, 14, and 15			\$0.000000 /\$100
17 2023 Voter Approved Tax Rate - add lines 10, 11, 12 and 16.			\$0.070532 /\$100

The mandatory tax election rate is the highest total tax rate a developed water district may adopt without holding an election. The mandatory tax election rate is the rate that would impose 1.035 times the amount of tax imposed by the district in the preceding year on the average appraised value of a residence homestead in the water district plus the unused increment rate. The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older.

WORKSHEET

18 2022 Average Taxable Value of Residence Homesteads - Enter the amount from Line 3.	\$108,500
19 2022 Adopted Total Tax Rate.	\$0.078489 /\$100
20 2022 Total Tax on Average Residence Homestead. Multiply Line 18 by Line 19	\$85.16
21 2023 Mandatory Election Amount of taxes per average residence homestead. Multiply line 20 by 1.035.	\$88.14
22 2023 Mandatory Election Tax Rate before unused increment. Divide Line 21 by Line 9 and multiply by \$100.	\$0.070375
23 2023 Mandatory Tax Election Rate. Add Line 16 and Line 22.	\$0.070375

Signed: Jo Ella Wagner, Finance Manager

2023 Developed Water District Voter-Approval

Form 50-860

Tax Rate Worksheet

South Texas Water Authority

(361) 592-9323

Water District Name

Phone (area code and number)

2302 E. Sage Road, Kingsville, Texas 78363

<https://www.stwa.org/>

Water District's Address, City, State, ZIP Code

Water District's Website Address

GENERAL INFORMATION: The Comptroller's office provides this worksheet to assist water districts in determining their voter-approval tax rate. The information provided in this worksheet is offered as technical assistance and not legal advice. Water districts should consult legal counsel for interpretations of law regarding tax rate preparation and adoption.

SECTION 1 Voter-Approval Tax Rate

The voter-approval tax rate for developed water districts is the current year's debt service, contract and unused increment tax rates plus the maintenance and operation (M&O) tax rate that would impose no more than 1.035 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district. The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older.

The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll or certified estimate of value and the estimated values of properties under protest. The designated officer or employee shall certify that the officer or employee has accurately calculated the tax rates and used values shown for the certified appraisal roll or certified estimate. The officer or employee submits the rates to the governing body by Aug. 7 or as soon thereafter as practicable.

If any part of the developed water district is located in an area declared a disaster area during the current tax year by the governor or by the president, the board of the district may calculate the voter-approval tax rate in the manner provided in Water Code Section 49.23601(a) and determine whether an election is required to approve the adopted tax rate in the manner provided in Water Code Section 49.23601(c). In such cases, the developed water district may use Comptroller Form 50-858 *Water District Voter-Approval Tax Rate Worksheet for Low Tax Rate and Developing Districts* to calculate its voter-approval tax rate.

Line	Worksheet	Amount/Rate
1.	2022 average appraised value of residence homestead. ¹	\$ 113500
2.	2022 general exemptions available for the average homestead. Excluding age 65 or older or disabled persons exemptions. ²	\$ 5000
3.	2022 average taxable value of residence homestead. Line 1 minus Line 2.	\$ 108500
4.	2022 adopted M&O tax rate.	\$ 0.064912 /\$100
5.	2022 M&O tax on average residence homestead. Multiply Line 3 by Line 4, divide by \$100.	\$ 70.43
6.	Highest M&O tax on average residence homestead with increase. Multiply Line 5 by 1.035. ³	\$ 72.89
7.	2023 average appraised value of residence homestead.	\$ 130245
8.	2023 general exemptions available for the average homestead. Excluding age 65 or older or disabled persons exemptions. ⁴	\$ 5000
9.	2023 average taxable value of residence homestead. Line 7 minus Line 8.	\$ 125245
10.	Highest 2023 M&O tax rate. Line 6 divided by Line 9, multiply by \$100. ⁵	\$ 0.058202 /\$100
11.	2023 debt tax rate.	\$ 0.012330 /\$100
12.	2023 contract tax rate.	\$ 0 /\$100
13.	2022 unused increment rate. Subtract the 2022 actual tax rate and the 2022 unused increment rate from the 2022 voter-approval tax rate. If the number is less than zero, enter zero.	\$ 0 /\$100
14.	2021 unused increment rate. Subtract the 2021 actual tax rate and the 2021 unused increment rate from the 2021 voter-approval tax rate. If the number is less than zero, enter zero.	\$ 0 /\$100

¹ Tex. Water Code § 49.236(a)(2)(C)

² Tex. Water Code § 49.236(a)(2)(D)

³ Tex. Water Code § 49.23602(a)(2)(A)

⁴ Tex. Water Code § 49.236(a)(2)(F)

⁵ Tex. Water Code § 49.236(a)(2)(F)

Line	Worksheet	Amount/Rate
15.	2020 unused increment rate. Subtract the 2020 actual tax rate and the 2020 unused increment rate from the 2020 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2021, enter zero.	\$ 0 /\$100
16.	2023 total unused increment rate. ⁶ Add Lines 13, 14 and 15.	\$ 0 /\$100
17.	2023 voter-approval tax rate. Add lines 10, 11, 12 and 16.	\$ 0.070532 /\$100

SECTION 2: Mandatory Tax Election Rate

The mandatory tax election rate is the highest total tax rate a developed water district may adopt without holding an election. The mandatory tax election rate is the rate that would impose 1.035 times the amount of tax imposed by the district in the preceding year on the average appraised value of a residence homestead in the water district plus the unused increment rate. The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older. ⁷

Line	Worksheet	Amount/Rate
18.	2022 average taxable value of residence homestead. Enter the amount from Line 3.	\$ 108500
19.	2022 adopted total tax rate.	\$ 0.078489 /\$100
20.	2022 total tax on average residence homestead. Multiply Line 18 by Line 19 divide by \$100.	\$ 85.16
21.	2023 mandatory election amount of taxes per average residence homestead. Multiply Line 20 by 1.035.	\$ 88.14
22.	2023 mandatory election tax rate, before unused increment. Divide Line 21 by Line 9 and multiply by \$100.	\$ 0.070375 /\$100
23.	2022 mandatory tax election rate. Add Line 16 and Line 22.	\$ 0.070375 /\$100

SECTION 3: Taxing Unit Representative Name and Signature

Enter the name of the person preparing the voter-approval tax rate and mandatory tax election rate as authorized by the governing body of the water district. By signing below, you certify that you are the designated officer or employee of the taxing unit and have calculated the tax rates in accordance with requirements in Water Code. ⁸

print here ▶ Jo Ella Wagner
 Printed Name of Water District Representative

sign here ▶ *[Signature]*
 Water District Representative

8/4/2023
 Date

⁶ Tex. Tax Code § 26.013
⁷ Tex. Water Code § 49.23602(a)(2)
⁸ Tex. Water Code § 49.23602

ATTACHMENT 7

Auditor Engagement Letter

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Exec Dir/Administrator
Date: August 4, 2023
Re: Engagement Letter-John Womack and Company-Fiscal Year 2023

Background:

Enclosed is a Letter of Engagement for Auditing Services with John Womack & Company, P.C. (Womack) for fiscal year ending September 30, 2023.

The engagement letter provides all communication that the AICPA (American Institute of Certified Public Accountants) designates as necessary for the auditor and client. The letter is practically matching last year's letter.

Analysis:

The engagement letter indicates the auditing services will be performed under \$10,000 as compared to last year's services in the amount of \$9,500, for a slight potential increase. Based on the attached letter from Womack and Company we should expect to have the audit begin by December 5, 2023 and reports should be issued no later than January 26, 2024.

Staff Recommendation:

Approve the Letter of Engagement for Auditing Services with John Womack & Company, P.C. for fiscal year ending September 30, 2023.

Board Action:

Determine whether to approve the engagement letter from John Womack & Company, P. C. for FY 2023/24 audit services not to exceed the amount of \$10,000. Review and acknowledge Womack's letter outlining the various factors of the external audit.

Summary:

An independent and external audit is necessary to ensure that fiscal accountability and proper responsibilities are maintained.

Engagement letter was not available at time of posting agenda. It will be provided prior to board meeting.

ATTACHMENT 8

Rate Study - Raftelis

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Exec Dir/Administrator
Date: August 4, 2023
Re: Water Rate Study – Raftelis 2023

Background:

Until 2021, NewGen Strategies provided a review of the Corpus Christi water rate model as well as a true-up of the city's rates in the event the city either over-or under-charged its wholesale customers including STWA, the San Pat Municipal Water District (SPMWD) and the Nueces County Water Control and Improvement District #4 (Port Aransas). Most recently, STWA shared the consultant's overall cost to review the rate model and analyze the true-up cost. This amount was split with other special water districts from our area. In 2022, NewGen was hired by the City of Corpus Christi to conduct their water rate study which excluded the STWA from using the same firm. That year NewGen's Chris Ekrut recommended utilizing the company Expergy to begin working for the STWA in the same role. (To this date, Expergy still has not provided a rate study for STWA although being paid in full for their invoice they submitted).

In 2023, after discussing with our consultants at Water Finance Exchange we were connected with a national firm, Raftelis, to discuss analyzing our water rate needs. Mr. Rodriguez from WFX felt that Raftelis' ties to south Texas would help bridge the gap of immediately understanding the makeup of our water system and the various special requirements the STWA system holds as a wholesale provider.

After several emails, phone call and zoom meetings the STWA and Angie Flores with Raftelis began discussing our needs regarding their services associated with studying the city's rate model. Ms. Flores has provided a proposal in the amount of \$5,060 for the rate model review.

Analysis:

Raftelis will review the City of Corpus Christi Rate model will make certain that the study observes industry standards for wholesale customers and STWA's contract with the City of Corpus Christi. All subjects or concerns will be reviewed with the City's consultant to ensure that Raftelis completely understand the process and methodology. After Raftelis' review, they will provide a memo to STWA outlining their findings. The study should take 6-months to complete the study and present their findings.

Raftelis provided in their original proposal three total phases to include the CC Rate Model Review, Industrial Customer Study, and Rate and Financial Planning Study.

This current proposal is seeking the Phase 1 cost but the board can determine all 3 phases are necessary and should be included together since these tasks must be completed in order to seek a better overview of our charges to the WSCs and other wholesale customers.

Staff Recommendation:

Determine whether to authorize staff to execute the service agreement with Raftelis \$5,060 for review of Corpus Christi's Rates and Model (Phase 1).

SPMWD has agreed to split the cost of Phase 1.

Board Action:

Authorize staff to execute the service agreement with Raftelis at their proposed amount of \$5,060 for review of Corpus Christi's Rates and Model (Phase 1).

Optional:

Add Phase 2 (Industrial Customer Negotiations) \$11,839

Add Phase 3 (Rate and Financial Planning Study) \$29,818

Summary:

The review and true-up is intended to ensure that the City's proposed allocated and budgeted expenses are applied properly to STWA as a wholesale purchaser from the City. The true-up should also serve to recoup any overcharges or undercharges. It is important to note, however, that the true-up will always have a one-year lag.

Our Finance Manager has recommended we approach both the Ricardo and Nueces Water Supply Districts boards to see if they are willing to sharing in this cost since determining accurate rates is important to the STWA as a Wholesale Provider and to our wholesale customers

John Marez

From: Angie Flores <aflores@raftelis.com>
Sent: Friday, July 7, 2023 2:26 PM
To: John Marez; Joella Wagner
Cc: Rogelio Rodriguez; Christopher Williams
Subject: Proposal
Attachments: Proposal_Rate Study.pdf

Hi, John and Joella. I've attached our proposal for the work that we discussed. There are three "phases" or parts to the study.

The total for all three phases is \$46,718. Below is a description of how I developed that amount.

The first phase is for the Corpus Christi review at \$5,060.

The second phase is for the work with your industrial customer. This one has the biggest unknown to it since I'm not sure how much or how little work we would need to do for that one. I budgeted that at \$11,839, which might be high.

Of course, the third phase, the rate study, and financial planning model, is the highest at \$29,819. This is a reasonable estimate to complete a comprehensive rate study with a 5-year horizon. I'm not sure if NewGen ever did a study like this for you in the past.

We can set this up however you'd like. We can do each phase as an individual project and hold off on the third phase. I can provide an engagement letter with the final scope attached for each one.

Please let me know if you have any questions.

Angie

Angie Flores Senior Manager
O 512 790 2108 / M 512 496 7356 · E aflores@raftelis.com
raftelis.com

Raftelis is a Registered Municipal Advisor within the meaning defined in Section 15B (e) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (Municipal Advisor Rule). However, except in circumstances where Raftelis expressly agrees otherwise in writing, Raftelis is not acting as a Municipal Advisor, and the opinions or views contained herein are not intended to be and do not constitute "advice" within the meaning of the Municipal Advisor Rule. This message may contain information that is confidential or privileged. If you are not the intended recipient, please advise the sender and immediately delete this message.

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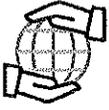
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South Texas Water Authority

Water Rate and Financial Planning Study

PROPOSAL / JULY 7, 2023





Diversity and inclusion are an integral part of Raftelis' core values.

We are committed to doing our part to fight prejudice, racism, and discrimination by becoming more informed, disengaging with business partners that do not share this commitment, and encouraging our employees to use their skills to work toward a more just society that has no barriers to opportunity.



Raftelis is registered with the U.S. Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor.

Registration as a Municipal Advisor is a requirement under the Dodd-Frank Wall Street Reform and Consumer Protection Act. All firms that provide financial forecasts that include assumptions about the size, timing, and terms for possible future debt issues, as well as debt issuance support services for specific proposed bond issues, including bond feasibility studies and coverage forecasts, must be registered with the SEC and MSRB to legally provide financial opinions and advice. Raftelis' registration as a Municipal Advisor means our clients can be confident that Raftelis is fully qualified and capable of providing financial advice related to all aspects of financial planning in compliance with the applicable regulations of the SEC and the MSRB.

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July 7, 2023

Mr. John Marez
Administrator
South Texas Water Authority
Via email: jmarez@stwa.org

Subject: Water Rate and Financial Planning Study

Dear Mr. Marez:

It was a pleasure talking to you about the South Texas Water Authority (STWA) and your need for a comprehensive rate study for your system. I understand the importance of ensuring your customers pay rates that will sustain your utility. In this proposal, I am providing you with information about Raftelis and the scope of work. Our approach will provide you with a rate study for the coming fiscal year as well as a plan for future rates. Our model will consider your various sources of revenue, including your tax revenue.

Raftelis is uniquely qualified to serve as your expert consultant based on our extensive experience successfully completing many similar studies for utilities in Texas and across the country. Our clients in Texas vary in size from small to large, with many unique situations. This gives us a unique perspective. As an industry leader, many of our peers have adopted our solutions in Texas.

Raftelis was established in 1993 to provide financial, rate, and management consulting services of the highest quality to water and wastewater utilities. Since then, Raftelis has grown to have the country's largest water and wastewater utility rate and financial consulting practice, with more than 160+ consultants. Our staff has provided rate and/or financial planning assistance to over 1,000 utilities across the United States and has conducted thousands of studies. Our consultants work with integrity and provide top-notch work for our clients. Our mission has always been focused on assisting our clients in meeting their goals of financial viability.

For this study, we have assembled a team that includes me as the Project Director/Manager and Christopher Williams as my Technical Lead. I have almost 30 years of experience in the water and wastewater utility industry. I started my career at the Texas Water Development Board and worked at the Lower Colorado River Authority before becoming a consultant almost 10 years ago. Christopher Williams has spent the last 10 years working in finance, budget, city, and county management offices throughout the United States; primarily advising executive teams with budgets greater than \$1 billion on financial decisions. He most recently was with Dallas County, Texas. Our resumes are included in this proposal.

Raftelis stands apart from other utility rate consultant firms in several ways:

- **Complex Water and Wastewater Utilities – Unparalleled Experience:** Raftelis has successfully assisted water and wastewater utilities throughout Texas and U.S. Throughout Raftelis, including this team, we have consultants that have worked in utilities like yours. We have first-hand knowledge of the challenges you face.
- **Local Knowledge – We Know Texas:** Raftelis has provided consulting services to dozens of Texas water and wastewater utilities. Our proposal shows the many other utilities we work with in Texas.

- **Staff Capabilities – Unrivaled Depth of Resources:** Over the past year, Raftelis has conducted more than 1,000 successful projects for over 600 agencies in 46 states, the District of Columbia, and Canada. Our staff consists of more than 80 highly trained utility rate consultants and staff skilled in important related areas like data analytics and stakeholder communication, who have served water, wastewater, and stormwater utilities across the U.S. and Canada. Their knowledge and experience will be applied to this project to solve STWA's most complex needs.
- **Industry Leadership – We Set the Standards:** Raftelis has a strong commitment to the industry and a long history of taking a leading role in the American Water Works Association (AWWA), Water Environment Federation (WEF), and the National Association of Clean Water Agencies (NACWA). Our project director is the immediate past chair of the AWWA Rates and Charges Committee. He has the lead role in updating the AWWA's *Principles of Water Rates, Fees and Charges*, or the *M1 Manual*. Other staff members are contributing authors of the *Manual of Practice No. 27, Financing and Charges for Wastewater Systems* (WEF Manual No. 27).

We are proud of the resources we can offer to STWA and welcome the opportunity to assist you with this engagement. I've included in this document a scope of work, budget, and timeline to address the needs we discussed on our call. If I have not addressed everything, please let me know. Likewise, if there is something that we've included that STWA may not be ready to complete, please let us know and we can revise the plan. If you have any questions, please feel free to reach out to me at 512.790.2108.

Sincerely,



Angie Flores
Senior Manager

WHO IS Raftelis

HELPING LOCAL GOVERNMENTS AND UTILITIES THRIVE

Local government and utility leaders partner with Raftelis to transform their organizations by enhancing performance, planning for the future, identifying top talent, improving their financial condition, and telling their story. We've helped more than 600 organizations in the last year alone. We provide trusted advice, and our experts include former municipal and utility leaders with decades of hands-on experience running successful organizations. People who lead local governments and utilities are innovators—constantly seeking ways to provide better service to the communities that rely on them. Raftelis provides management consulting expertise and insights that help bring about the change that our clients seek.

+ VISIT RAFTELIS.COM TO LEARN MORE



We believe that Raftelis is the *right fit* for this project. We provide several key factors that will benefit South Texas Water Authority and help to make this project a success.



RESOURCES & EXPERTISE: This project will require the resources necessary to effectively staff the project and the skillsets to complete all the required components. With more than 160+ consultants, Raftelis has the largest water-industry financial and management consulting practice in the nation. Our depth of resources will allow us to provide STWA with the technical expertise necessary to meet your objectives. In addition to having many of the industry's leading rate consultants, we also have experts in key related areas, like stakeholder engagement and data analytics, to provide additional insights as needed.



DEFENSIBLE RECOMMENDATIONS: When your elected officials and customers are considering the validity and merit of recommended changes, they want to be confident that they were developed by experts using the latest industry standard methodology. Our senior staff is involved in shaping industry standards by chairing various committees within the American Water Works Association (AWWA) and the Water Environment Federation (WEF). Raftelis' staff members have also co-authored many industry-standard books regarding utility finance and rate setting. Being so actively involved in the industry will allow us to keep STWA informed of emerging trends and issues and to be confident that our recommendations are insightful and founded on sound industry principles. In addition, with Raftelis' registration as a Municipal Advisor, you can be confident that we are fully qualified and capable of providing financial advice related to all aspects of utility financial planning in compliance with federal regulations.



HISTORY OF SIMILAR SUCCESSES: An extensive track record of past similar work will help to avoid potential pitfalls on this project and provide the know-how to bring it across the finish line. Raftelis staff has assisted 1,500+ utilities throughout the U.S. with financial and rate consulting services with wide-ranging needs and objectives. Our extensive experience will allow us to provide innovative and insightful recommendations to STWA and will provide validation for our proposed methodology ensuring that industry best practices are incorporated.



USER-FRIENDLY MODELING: A modeling tool that your staff can use for scenario analysis and financial planning now and into the future will be key for STWA going forward. Raftelis has developed some of the most sophisticated yet user-friendly financial/rate models available in the industry. Our models are tools that allow us to examine different policy options and cost allocations and their financial/customer impacts in real time. Our models are non-proprietary and are developed with the expectation that they will be used by the client as a financial planning tool long after the project is complete.



RATES THAT ARE ADOPTED: For the study to be a success, rates must be successfully approved and implemented. Even the most comprehensive rate study is of little use if the recommendations are not approved and implemented. Raftelis has assisted numerous agencies with getting proposed rates successfully adopted. We develop a message regarding the changes that is politically acceptable and convey that message in an easy-to-understand manner. We focus on effectively communicating with elected officials about the financial consequences and rationale behind recommendations to ensure stakeholder buy-in and successful rate adoption.

Firm Capabilities



FINANCE

Meet your goals while maintaining a financially sustainable organization

- Rate, charge, and fee studies
- Financial and capital planning
- Cost of service and cost allocation
- Customer assistance programs
- Affordability analysis
- Utility valuation
- Budget development
- Financial condition assessments
- Debt issuance support
- Economic feasibility and analysis



COMMUNICATION

Communicate strategically to build an informed, supportive community

- Strategic communication planning
- Public involvement and community outreach
- Public meeting facilitation
- Graphic design and marketing materials
- Media and spokesperson training
- Risk and crisis communication
- Social media strategy
- Visual facilitation
- Virtual engagement



STRATEGIC PLANNING

Set the direction for the future of your organization and community

- Organization, department, and community-based strategic planning
- Effective Board / Commission / Council governance
- Retreat planning and facilitation



ORGANIZATION

Plan for long-term sustainability and operate with maximum efficiency

- Organizational and operational assessments
- Stormwater utility development and implementation support
- Performance measurement
- Staffing analysis
- Organizational climate and culture
- Asset management and operations
- Regional collaboration and service sharing
- Process improvement



TECHNOLOGY

Use your data and technology to improve experience and gain valuable insights

- Billing, permitting, and customer information audits
- Business process development
- Data management, analytics, and visualization
- Performance measurement and dashboarding
- Software solutions
- Website development
- Information technology assessments and strategic planning
- Customer management assessments and optimization
- CIS selection and implementation
- AMR/AMI feasibility studies
- Mobile workforce management
- Meter data management
- CMMS selection and implementation
- GIS optimization services
- Fleet management systems



EXECUTIVE RECRUITMENT

Identify top talent to lead local governments and utilities

30 years
serving the
public sector

How we stack up

OUR TEAM INCLUDES

150+ consultants focused on
finance/management/communication/
technology for the public sector

2 chairs & **16** members of
AWWA and WEF utility finance and
management committees and subcommittees

& a Past-President of AWWA

RAFTELIS HAS PROVIDED ASSISTANCE FOR

1,200+ public agencies
and utilities

that serve more than

25% of the
U.S. population

including the agencies serving

38 of the nation's
50 largest cities

in the past year alone, we worked on

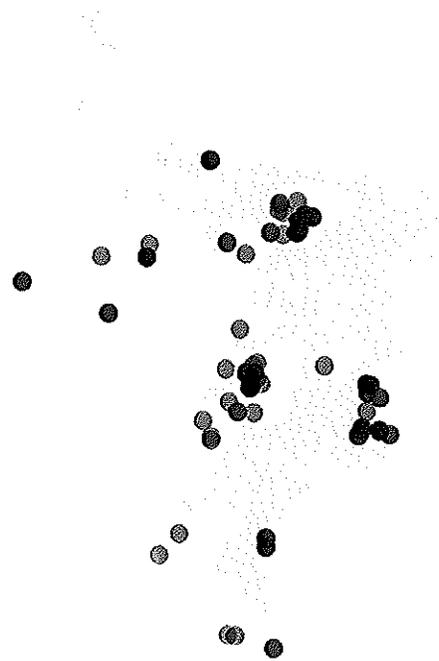
1,000+ projects for **600+** agencies in **46** states

Experience in Texas

Raftelis has the most experienced utility financial and management consulting practice in the nation.

Raftelis has unparalleled experience providing financial and rate assistance to water and wastewater utilities in Texas. This map and the list below shows some of Raftelis' Texas water and wastewater utility clients who we've assisted with financial and rate issues.

We can provide details and contacts for any of the clients below.



-
- City of Abilene
 - City of Addison
 - City of Arlington
 - City of Aubrey
 - City of Austin
 - Austin Water Utilities
 - City of Cedar Park
 - City of College Station
 - Town of Copper Canyon
 - City of Copperas Cove
 - City of Corinth
 - City of Corpus Christi
 - Creedmoor SUD
 - City of Dallas
 - City of Denison
 - City of Denton
 - Dallas Water Utilities
 - City of Donna
 - El Paso Water Utilities
 - City of Fair Oaks
 - City of Georgetown
 - Goforth SUD
 - City of Granbury
 - City of Jersey Village
 - City of Kaufman
 - City of Manor
 - City of Midland
 - North Texas Municipal Water District
 - City of Pearland
 - City of Pharr
 - City of Robinson
 - City of Roscoe
 - City of Round Rock
 - City of San Angelo
 - San Antonio Water System
 - San Jacinto River Authority
 - San Leon MUD
 - City of San Marcos
 - City of Shallowater
 - City of Wichita Falls

Project Team

WE HAVE DEVELOPED A TEAM OF CONSULTANTS WHO SPECIALIZE IN THE SPECIFIC ELEMENTS THAT WILL BE CRITICAL TO THE SUCCESS OF SOUTH TEXAS WATER AUTHORITY'S PROJECT.

Our team includes senior-level professionals to provide experienced project leadership with support from talented consultant staff. This close-knit group has frequently collaborated on similar successful projects, providing the STWA with confidence in our capabilities.

Here, we have included an organizational chart showing the structure of our project team. **On the following pages, we have included resumes for the individuals who will be providing services and their contact information.**

South Texas Water Authority

PROJECT DIRECTOR/MANAGER

Angie Flores

TECHNICAL LEAD

Christopher Williams

STAFF CONSULTANT

**To be assigned from Pool of
Consultants**

Angie Flores

PROJECT DIRECTOR/MANAGER Senior Manager



ROLE

Angie will be responsible for overall project accountability and will be available to provide quality assurance and control, industry perspective, and insights into the project.

PROFILE

Angie has worked in the water and wastewater utility industry for more than 25 years. Over this time, she has completed various cost of service and rate studies, financial planning models, and impact fee studies for cities such as Round Rock, Denton, Arlington, San Antonio Water System, Abilene, San Angelo, and Georgetown. Before beginning her work as a consultant in 2013, Angie worked for the Lower Colorado River Authority (LCRA) for 12 years. She was responsible for developing rate studies and financial planning models and participating in the business plan process for 32 water and wastewater utilities. LCRA is responsible for managing the Highland Lakes system in Central Texas and is a major wholesale electric provider. Before LCRA, Angie worked as a financial analyst at the Texas Water Development Board. The Texas Water Development Board is a financial resource for political subdivisions of the State of Texas.

KEY PROJECT EXPERIENCE

City of Round Rock (TX)

Angie has served as project manager for the City of Round Rock on several impact fees and rate studies. In 2015 and 2018, Angie updated the City's water and wastewater impact fee study. The impact fee study is completed in coordination with the City's master plan process for water and wastewater. This includes coordination with the Impact Fee Advisory Committee (Planning & Zoning Committee) and presenting reports and findings to the City Council.

Raftelis has conducted rate studies for the City since 2014. Since joining Raftelis, in 2016, Angie has been on the team for Raftelis and most recently managing the studies. In 2015, Raftelis provided an analysis that established the cost of service between retail and wholesale customers. The City has been increasing retail rates at a nominal level to achieve revenue sufficiency for water and wastewater service, but wholesale service rates had not been updated in some time. Raftelis determined cost of service and calculated wholesale rates according to the utility approach and developed a three-year phase-in of rates for 2016-2018. Raftelis also developed alternative rate structures for the residential, commercial, and irrigation customer classes. Rate structures and rates for retail and wholesale customers were approved and adopted by City Council.

In 2019, the wholesale customers of Round Rock appealed the rates of the City. The case has been filed through the Public Utilities Commission of Texas. To date, the appeal has progressed to Discovery. Angie has been managing this process.

Contact Information

- P: 512.790.2108
- E: aflores@raftelis.com

Specialties

- Financial planning modeling
- Utility cost-of-service & rate studies
- Acquisition analysis
- Conservation pricing
- Cost analysis & cost allocation
- System development/impact fee studies
- Affordability analysis
- Rate case experience

Professional History

- Raftelis: Senior Manager (2020-present); Manager (2018-2019); Senior Consultant (2016-2017)
- HDR Engineering, Inc.: Rates & Finance Lead (2013-2016)
- Lower Colorado River Authority: Senior Financial Analyst & Rates Supervisor (2001-2013)
- Texas Water Development Board: Senior Financial Analyst (1992-2001)

Education

- Bachelor of Arts in Government - The University of Texas, Austin (1991)

Professional Memberships

- AWWA
- Government Finance Officers Association of Texas

Also, currently, Raftelis is updating the City's rate study and providing rate calculations for two new wholesale customers of the City, as well as updating the City's FY 2022 Water and Wastewater Rate Study. This latest rate study calculated rates for retail and wholesale customers. No changes to the retail rates were required in this study. Wholesale customers saw a decrease in wastewater rates and an increase to the water rates.

Town of Addison (TX)

In 2016, as project manager, Angie worked with the Town of Addison to develop a financial planning model and rate study. With the need for future capital investment, the Town needed a tool to determine what rate increases may be required in the next 10 years. As part of the study, Raftelis reviewed the Town's current financial policies and made recommendations for rate changes. As a result of this initial study, the Town Council adopted rates for a 5-year period of 2017 – 2022. Raftelis has assisted the Town, as needed, to make revisions to the model to help the Town more closely estimate certain costs and future demands as more information becomes available. Raftelis is currently updating the Town's financial planning model. This will include updating consumption data, budget and Capital Improvement Plan.

City of Wichita Falls (TX)

Since 2016, Angie has worked with the City of Wichita Falls (City) to complete its wholesale rate study. The study is completed on an annual basis and follows a prescribed process developed through negotiations with the wholesale customers of the City. At the completion of the study, results are presented to the wholesale customers. In 2019, a couple of the City's wholesale customers-initiated discussions about the current rate study process. Angie worked with the customers' consultants to discuss their issues. In particular, the customers were concerned with the fluctuation in rates from year to year caused by fluctuations in consumption patterns of the wholesale and retail customers. Angie and the Raftelis team successfully negotiated a solution with the customers so that the City could revise the contracts for the wholesale customers.

In 2021, as project manager, Angie completed a retail water and wastewater rate study for the City. This study included the development of a financial planning model and cost of service analysis. Prior to this study, the City developed rates in-house. The financial planning model will be an important tool for the City considering the significant investment of a new reservoir in the future. The model will allow the City to anticipate the future rates needed to support the future debt service and allow the City to cash-fund a portion of the investment with revenue from a potential water supply fee.

City of Arlington (TX)

In 2019, Raftelis was engaged by the City of Arlington to complete a cost-of-service study that will consider water and wastewater rates. Angie worked as project manager for this study. The study included cost of service allocations to the City's customer classes. With the diversity of the City's commercial class, Raftelis considered the usage patterns of the classes and made recommendations for the class. In addition, an important aspect of the study was the development of the cost of service for fire protection. The study results showed that the customer classes were each covering their costs. The study was completed in 2021, after a pause in the study due to Covid-19.

City of Denton (TX)

In 2019, Raftelis was engaged by the City of Denton to complete a cost-of-service study that considered retail and wholesale rates. Angie worked as project manager on this study. The study included cost of service allocations to the City's customer classes. As part of the study, Raftelis will be completed a pricing objectives workshop that allowed the City to identify the goals of the Public Utility Board and City Council. Rate recommendations were made to City management in March 2021. The project was delayed due to Covid-19.

City of Midland (TX)

In 2019, Raftelis was engaged by the City of Midland to complete a rate study and financial planning model. Angie worked as project manager on this study. The City is undergoing significant capital improvements and was facing the need for rate

increases. The study considered a 5-year time period and looked at the City's water and wastewater rates. The initial rate study was completed in March 2020. In 2020, Raftelis also developed a raw water rate for a potential wholesale customer. In 2021, Raftelis updated the City's Rate Study to reflect the "new normal" after Covid-19. The study results were presented to City Management.

City of College Station (TX)

In 2019, Raftelis was engaged by the City of College Station to complete a cost-of-service study that considered water and wastewater rates. Angie served as project manager on this project. The study included the development of a financial planning model and rate design alternatives. The City is unique in that they have many multifamily connections with unique metering issues. Raftelis provided the City with alternatives for charging these customers. A report was submitted to City Management at the end of 2021. This study was delayed due to Covid-19.

City of Pearland (TX)

Angie has served as project manager for the City of Pearland on several engagements related to the City's water and wastewater rates. In 2016, Raftelis was engaged by the City to conduct a rate study for the City's water and wastewater services and develop a financial planning and rate model for ongoing and future use by City staff. Raftelis developed the model for FY 2017 and conducted a cost allocation and rate design study during model development. The City is a rapidly growing community located on the outskirts of Houston, TX. The City is fortunate to have significant area for continued growth in the City's western service area. Three key study components were 1) scenario analysis for financing the capital improvement program (CIP), 2) evaluating the fixed cost recovery, and 3) user-friendly functionality in the financial planning rate model.

The City is facing significant capital investment and re-investment to address rapid growth as well as aging infrastructure. The City, which has approximately 40,000 accounts, developed a CIP of more than \$360 million from 2017-2021. To assist the City with this critical challenge, Raftelis developed sophisticated financing scenario analysis functionality into the financial planning and rate model. This enables the City to evaluate different levels of funding as well as multiple financing instruments each year.

The City wanted Raftelis to evaluate its current water and wastewater rate structures and suggest alternatives. One of the City's objectives was to increase revenue stability. Raftelis evaluated the fixed costs of the utility compared to the level of fixed cost recovery from fixed charges. Raftelis discovered an imbalance, which is typical for almost all utilities. Raftelis evaluated fixed charges to increase revenue stability and provided alternatives that increase by meter size, which was ultimately implemented.

Finally, the City has very knowledgeable staff that had been using the previous rate model for nearly ten years. Due to a number of changes in budgeting, cost accounting, and with the significant CIP financing issues mentioned above, the City decided it was an appropriate time to have a qualified consultant develop a new model for their use for the next ten years. Raftelis kept this premise in mind during every step of development so that we provided the City with a fully functioning, yet user-friendly and adaptable, updateable financial planning and rate model. City staff have successfully used this model on their own for the FY 2018 update. Raftelis has continued to work with the City to review the model as staff has updated it. This review is typically a quality check to ensure that the model continues to work as initially set up.

In 2020, Raftelis did a Utility Billing Process review. The objectives of this review included assessing the organization and structure of Pearland's utility billing and meter services groups to determine where enhancements could be made to improve performance, streamline operations and improve customer service. Raftelis reviewed the meter-to-cash processes for performance gaps and inefficiencies and identify recommended changes to address these areas. Raftelis also compared Pearland's meter-to-cash operations with national industry data and peers, noting any significant differences. Further,

Raftelis analyzed a subset of billing data to confirm the accuracy of bills in the sample. Raftelis provided a report with its findings and recommendations.

In 2021, Raftelis updated the City's financial planning model. Through this update, Raftelis made modifications to the model to enhance its capital planning portion of the model. Since the initial development, the City had estimated debt service during its budget process. The model now reflects the newest process. Raftelis also worked with City staff to extract consumption data in the format needed to update consumption in the model every year. This will allow for better estimates for future revenues.

San Jacinto River Authority (TX)

Angie has served as project manager for several studies for the San Jacinto River Authority (SJRA). Starting in 2013 while at another firm, Angie participated in the development of a financial planning model that allows for a 10-year forecast given various "what-if" assumptions with a focus on the capital program and SJRA's Groundwater Reduction Plan (GRP) program. Differentiated rates for surface water and groundwater customers of the system were calculated. This study also considered the development of financial reserve policies for the GRP. The recommended policies were based on a benchmarking study completed by Angie.

In 2018, Angie completed a raw water rate study for SJRA. This study considered rates for the Raw Water Enterprise. A financial planning model was developed that would allow SJRA to see the impact to rates for a 10-year period and allows for the consideration of various capital projects. The model also provides for the calculation of the City of Houston costs as required by contract.

In 2019, Angie completed an update for the GRP program. This included developing a new model that considers capital plans, growth, as well as considers shortfalls caused by non-paying customers. This study included completing a risk assessment for revenues and consumption and provided recommendations to mitigate revenue risk on the system.

In 2021, Angie again managed the update to the raw water model. This update included adding features for inputting additional operations and maintenance divisions and modifications to the City of Houston allocation.

City of San Angelo (TX)

Angie has served as project manager and completed two water and wastewater rate updates for the City of San Angelo. Raftelis was engaged by the Water Utilities Department in 2015 to complete a financial planning and cost-of-service study. Raftelis conducted a review of the City's financial policies and developed a comprehensive long-term financial plan to ensure sufficient funding of operations, capital improvements, and debt service costs. Annual revenue was determined that satisfied debt service ratios and bond covenant requirements. Also, a phase-in of rate revenue adjustments for both the water and water reclamation services were determined that resulted in each service operating on a self-sustaining basis. Raftelis conducted a cost-of-service study that identified the cost to the Utility for serving the distinct customer classes and worked with City staff to evaluate alternative rate structures that more accurately addressed current utility objectives. Raftelis developed a recommended rate structure and set of rates that was approved by City Council. Raftelis has updated this study and reviewed the rate plan annually through 2019.

City of Abilene (TX)

Angie has worked with the City of Abilene as a project manager since joining Raftelis. The first study was to develop a raw water rate for a potential new customer of the City. The second study was a water and wastewater financial planning model and cost-of-service study. The study, which was the first for the City in many years, provided the City information for setting rates in the future as capital investment becomes necessary. Included in this study was the development of a financial planning model that is used by the City each year. In 2020, Raftelis completed another study to determine the cost of

providing wholesale treated water from the City of Abilene. The City will use the results of this study to negotiate with future wholesale customers.

City of Roscoe (TX)

In 2019, Angie served as project manager for a rate study for the City of Roscoe. The water and wastewater rate study considered rate design changes for its commercial water and wastewater customers. Rate recommendations were presented to the City Council in 2020.

Porter Municipal Utility District (TX)

In 2019, Angie served as project manager for a water rate study for the Porter Municipal Utility District. This was the first rate study completed in some time and considered the adoption of residential and non-residential rates. Rate recommendations were presented to the MUD Board in 2020.

San Antonio Water System (TX)

Raftelis has been engaged by the San Antonio Water System (SAWS) to complete a cost-of-service study. Angie served as project manager on the study. SAWS updates the cost-of-service study every five years. As project manager, Angie led the effort of the cost-of-service model as well as developing the presentations to the Rate Advisory Committee (RAC) in coordination with SAWS staff. The RAC met several times to provide comments on the cost-of-service process and results. Raftelis completed a Rate Advisory Committee Report and suspended the study due to Covid-19.

City of Richmond (TX)

As a subconsultant to KIT Professionals, Inc., Angie served as the project manager to complete a water and wastewater rate study and impact fee study for the City of Richmond (City) as part of a master plan update. The water/wastewater rate study considered rates for the City's retail and wholesale system, which included a Groundwater Reduction Program (GRP). The City provides water service through a groundwater system as well as a surface water treatment plant that is part of the GRP. As part of the study, Raftelis developed a financial planning model that allowed the City to consider various timelines for the capital projects identified in the master plan. The timing variation considered the impact to rates. Finally, Raftelis completed an impact fee update for the City. The City Commission approved both the rate recommendation and impact fee recommendation from the study.

Brownsville Public Utilities Board (TX)

At the successful conclusion of its 2013-2018 strategic plan, the Brownsville Public Utility Board (BPUB) retained Raftelis to assist with the development of an updated five-year strategic plan. BPUD is a large publicly owned electric, water, and wastewater service provider to more than 180,000 customers in south Texas. Angie is serving as the project's financial subject matter expert, as well as a co-facilitator for internal and external stakeholder engagement exercises, including employee focus groups and external stakeholder interviews. Raftelis is also tasked with developing and delivering an online strategy management system that will allow the organization to continuously measure, monitor, and report organizational progress and performance as it implements its new strategic plan.

City of Pharr (TX)

While with a previous employer, Angie was engaged to complete a water and wastewater rate study for the City of Pharr (City). The City had not completed a rate study in several years and had some capital improvements that would be required in coming years. Angie worked with Javier to develop a financial plan that considered the revenue requirements of the City as well as the upcoming capital improvements. Angie coordinated with the City's financial advisor and finance director to ensure that all coverage requirements were being met as new bonds would be required to fund capital improvements. Angie provided the results to City management for use in determining which rate increases to present to Council.

In 2019, Angie once again completed a rate and cost-of-service study for the City. Due to a significant capital program, the City was facing the need for rate increases. Raftelis developed a financial planning model that will allow the City to forecast capital expenditures and see what the future impact to rates will be. Angie presented a rate recommendation to the City Council in July 2019.

City of Three Rivers (TX)

In 2017, Angie participated as a Rate Expert for the City of Three Rivers (City) in a rate appeal against the City. This included reviewing the cost-of-service study originally prepared by the City's consultant, attending hearings at the State Office of Administrative Hearings, and coordination with staff at the Public Utility Commission. Angie also participated in the successful negotiation of a settlement with the appellants. Most recently, Angie developed a rate study and financial planning model for the City's water and wastewater utility. This included coordination with City staff, Council and other consultants.

City of Copperas Cove (TX)

In 2017, Angie worked with the City of Copperas Cove (City) to develop a financial planning model and cost-of-service study. The City will be able to utilize the financial planning model for planning in the future. The cost-of-service study provided the city with rate alternatives for their various customer classes.

City of Manor (TX)

In 2017, the City of Manor (City) engaged Raftelis to complete a financial planning model and rate study. The City had completed a rate study about three years prior and was not generating the amount of revenue that had been estimated for the rate increases adopted. In this study, it was important that it be determined why the City was seeing the shortfalls in revenue and adjust accordingly. Raftelis performed the required analysis and provided the City with a financial plan and rates that considered the City's most recent consumption patterns, which had changed since the previous study. The City has grown significantly in recent years and will begin requiring capital improvements. This study provided the City with the information it will need to fund future capital investments. The City Council approved rates in April 2018. Also, through a scope addition, Raftelis reviewed a rate study provided by one of the City's wholesale water providers as it was proposing a rate increase.

City of San Marcos (TX)

Over the course of five years, Angie has completed the annual update for the City of San Marcos' (City) rate study and financial planning model for the water, wastewater and electric utility. She works closely with City staff to complete the update and participates in meetings with the City Utility Advisory Board and City Council.

City of Georgetown (TX)

Angie updated the City of Georgetown's (City) water and wastewater impact fee study in 2015 and 2018. This includes coordination with the Impact Fee Advisory Committee (Planning & Zoning Committee) and presenting reports and findings to the City Council.

City of Granbury (TX)

Angie managed the completion of a Water and Wastewater Impact Fee study for the City of Granbury (City). The study required coordination with the City's engineer, Enprotec/Hibbs & Tood, Inc., City Staff and the Capital Improvement Advisory Committee. The final impact fee recommendation was presented to City Council.

El Paso Water Utilities (TX)

Angie worked with the El Paso Water Utilities (EPWU) to develop a Customer Assistance Program. Angie developed the policies adopted by the EPWU for the Customer Assistance Program, where EPWU will coordinate with a local agency to disburse funds to low-income residents.

City of Universal City (TX)

Angie developed an update of water and wastewater capital recovery fees for the City of Universal City (City). This included coordination with the Impact Fee Advisory Committee (Planning & Zoning Committee) and presentation of the report and findings to the City Council.

City of Corpus Christi (TX)

During her tenure at HDR, Angie completed the annual update to the City of Corpus Christi's (City) rate study and financial planning model. This included coordination with City staff and management. The study calculates rates for water (including raw water, treated water and retail rates), wastewater and gas utilities.

Liberty Utilities (TX)

In 2018, Angie participated in the Silverleaf Resorts, Inc., case against Liberty Utilities. While Angie was not the rate expert, she provided support to Bill Stannard of Raftelis in helping write testimony and do research. The issues raised by Bill included the proposed capital structure and return on equity, the proposed rate design and the appropriateness of a phase in of the significant increase requested. The Public Utilities Commission of Texas recently ruled favorably for Silverleaf.

RELEVANT PROFESSIONAL EXPERIENCE

Lower Colorado River Authority: Senior Financial Analyst and Rates Supervisor (2001-2013)

While at Lower Colorado River Authority (LCRA), Angie participated in the acquisition of 18 water and wastewater systems in the Hill Country Region of the LCRA service area. After acquisition of the systems, Angie developed a regional rate model for 16 of the water systems. She participated in cross-functional team that considered the impacts of adopting a regional rate, including proactive discussions with Texas Commission on Environmental Quality (TCEQ) staff, who was the regulatory agency with appellate jurisdiction in Texas at the time. During her time at LCRA, Angie was responsible for the development of business plan forecasts and rates for the water and wastewater systems, including developing operating budgets and estimating future debt service based on the system's 10-year Capital Improvement Plan. When rate increases were implemented, Angie was responsible for the customer communication plan and responsible for presentations made to the LCRA Board of Directors. The rate communication process took place over a 3-month time period where LCRA held open houses, townhalls and one-on-one meetings with the leaders of the communities.

While also at LCRA, Angie was responsible for developing rates for the West Travis County Regional Water and Wastewater System, which served a population of over 20,000 people. In 2012, the customers of the West Travis County System appealed the rates adopted by the LCRA. Angie participated as the expert witness for rate design in the appeal of retail rates. Although Angie was only the expert witness on rate design, she testified in the State Office of Administrative Hearings for two days about various topics, including the revenue requirement and the cost-of-service study.

In addition, Angie participated on a team responsible for developing the Liberty Hill wastewater system. Her responsibilities included the financial forecast for the system, calculating the appropriate rates for the customers of the system and contract negotiations with developers. On a biannual basis, Angie reviewed and updated the rate study and provided updates to the customers of the system.

Further, Angie was responsible for developing and communicating annual budgets to the 4 wholesale customers of various LCRA water and wastewater systems. This included preparing annual reports about the system and developing operating budgets in accordance with the contractual requirements. These annual reports and budgets were presented to management of the wholesale systems and oftentimes included negotiating rates with the customers.

ADDITIONAL PROJECT LIST

- El Paso Water Utilities (TX) -- Customer Assistance Program
- City of Universal City (TX) -- Water and Wastewater Impact Fee Study
- City of Corpus Christi (TX) -- Water and Wastewater Rate Study
- City of Missoula (MT) -- Acquisition Analysis
- City of Corpus Christi (TX) -- EPA Financial Capability Analysis
- City of Pueblo (CO) -- EPA Financial Capability Analysis
- City of Liberty Hill (TX) -- Water and Wastewater Rate Study (Retail and Wholesale)
- City of San Marcos (TX) -- Economic Development Analysis
- City of Midland (TX) -- Reclaimed Water Rate Study
- Lower Colorado River Authority, Hill Country Regional Rates
- Lower Colorado River Authority, West Travis County Regional Water/Wastewater System Rates
- Lower Colorado River Authority, Liberty Hill Regional Wastewater System
- Lower Colorado River Authority, Wholesale Contract Systems
- Lower Colorado River Authority, West Travis County Regional Water/Wastewater System (TX) -- Impact Fee Study

PRESENTATIONS

- "Sharing Our Resources -- How Abilene Priced Its Newest Service," Texas Water 2018

DEPOSITIONS/TESTIMONY

- SOAH Docket No. 582-08-2863, TCEQ Docket No. 2008-0093-UCR, "Appeal of Retail Water and Wastewater Rates of the Lower Colorado River Authority"

Christopher Williams

TECHNICAL LEAD Senior Consultant

ROLE

Christopher will complete the rate analysis and develop the financial planning model.

PROFILE

Christopher began consulting with Raftelis in January 2023 as a Senior Consultant. Prior to joining Raftelis, he served as the first Budget System Administrator for Dallas County, Texas and led continuous improvement initiatives; including modernizing and leading the \$1.8 billion budget process for the 9th most populous county in the country. In addition to serving as a local government budget and evaluation professional with Dallas County, he was a core team member with the "best in class" Office of Management & Budget with Mecklenburg County (\$1.9 billion); and the Metropolitan Government of Nashville & Davidson County (\$2 billion). Throughout Christopher's career, he has been able to conduct budget and financial analysis, data modeling, financial forecasting, project management, strategic planning, and messaging for each organization.

A public servant at heart, Christopher is motivated by solving complex problems affecting communities, residents, and governing bodies entrusted with good governance. During the Pandemic, Christopher partnered with the University of North Carolina – School of Government, to coordinate a learning and development session on budgeting in the pandemic. While in North Carolina, he served as President (2020-2021) and Vice President (2017-2020) for the North Carolina Local Government Budget Association.



Specialties

- Financial leadership & messaging budgeting & financial analysis
- Data modeling (Power BI) & financial forecasting
- Project management
- Strategic planning

Professional History

- Raftelis: Senior Consultant (2023-Present)
- Dallas County: Budget System Administrator (2020-2022)
- Mecklenburg County: Enterprise Management Analyst (2015-2020)
- Metropolitan Government of Nashville & Davidson County: Finance Officer II (2013-2015)

Education

- Master of Public Administration - Western Kentucky University (2010)
- Bachelor of Arts in Political Science, Minor in Broadcast Journalism - Western Kentucky University (2009)

Certifications

- Certified Municipal Finance Officer
- Lean Six Sigma (Green Belt)
- Team Leadership Certification

Professional Memberships

- Government Finance Officers Association
- North Carolina Local Government Budget Association; Past President

Work Plan

The following proposed work plan is based on our experience completing studies for other Texas communities and cities. Our approach includes three phases. In the first phase, we will complete a high-level rate calculation to allow you to set a rate sufficient to meet your FY 2024 budget. In the second phase, which will run concurrently to the first, we'll assist with developing the rate for an industrial customer onboarding your system. The third phase will consist of developing a comprehensive 10-year financial planning model to allow you to forecast the future financial requirements of the system.

Project Initiation and Management

An important aspect of any project is the management of the scope of work, budget, and timeline. We believe in strong project management to ensure that we meet and address all your needs. Raftelis will be in frequent communication with staff regarding data requests, data validation, and data decisions. Much of this can be accomplished through conference calls, emails, and demonstrations using collaboration tools like Microsoft Teams or Zoom. These efforts provide consistent and competent project management to ensure that all deadlines and objectives are promptly and efficiently met. We believe in a no-surprises approach so that you are always aware of the project status.

Prior to beginning the phases of this scope of work, Raftelis will meet with STWA staff to ensure that we all have a thorough understanding of the goals for each phase. This meeting will allow the project team and staff to meet each other and understand each team member's role.

Phase 1 – Corpus Christi Rate Model Review

Raftelis will review the City of Corpus Christi Rate model and Report. Our review will ensure that the study adheres to industry standards for wholesale customers and STWA's contract with the City of Corpus Christi. Any issues or questions will be discussed with the City's consultant to ensure that we thoroughly understand the process and methodology. After our review, we will provide a memo to STWA outlining our findings.

Phase 2 – Industrial Customer Negotiations

Raftelis will assist STWA in determining an appropriate rate for its new industrial customer. Below are the tasks for this Phase.

Task 1: Data Review

Raftelis will review all available utility information regarding the industrial customer in this task. This includes any engineering analysis that has been completed. The most recent contract draft will also be reviewed. Raftelis will gain a full understanding of the relationship between STWA and the industrial customer.

Raftelis will provide a data list of documents that will be necessary to calculate a rate based on the information gathered above. This will include budgets, consumption data for existing customers, capital plans, and asset lists.

Task 2: Rate Calculation

Using the most appropriate methodology, Raftelis will calculate a rate for the industrial customer. The methodology used will depend on the relationship between STWA and the industrial customer. This can be defined through the contract terms, type of water commitment, and facilities required to provide service.

Task 3: Reports and Presentations

Raftelis will provide a technical memo outlining our rate recommendation as support for the initial rate to the customer. The memo will also provide procedures for the future calculation of the rate. The results will also be communicated to the attorneys preparing the contracts.

Raftelis will also present the rate study results to the STWA Board of Directors, as needed. This will be done in person.

Phase 3: Rate and Financial Planning Study for STWA

This phase includes the development of a financial planning model and provides a forecast of rates for a 5-year period.

Task 1: Project Initiation and Management

The key outcomes for Task 1 are:

- A plan for project delivery that effectively and efficiently meets the needs of the STWA in a thorough, effective, and timely manner (Task 1.1)
- An in-depth understanding (on the part of the Raftelis team) of the operations of the utility and the receipt and review of the relevant data needed for the study (Task 1.2)
- Quality and accurate deliverables provided on time and on budget (Task 1.3)

Task 1.1: Project Initiation and Stakeholder Engagement

The project team will conduct a kick-off meeting with STWA staff to confirm the project approach, work plan, schedule, and priorities. A successful kick-off meeting ensures that STWA staff and the project team agree on the project's goals and expectations. We will develop a kick-off meeting package that contains the meeting agenda and presentation materials to guide the discussion. Following the meeting, we will provide a brief memorandum summarizing the discussion and any action items.

Task 1.2: Initial Data Request, Review and Evaluation of Data, and Supplemental Data Requests

We will provide a data request upon receipt of notice to proceed from the STWA. Prior to the kick-off meeting, we will thoroughly review the data provided by the STWA. This review is critical for two reasons. First, it is critical to appropriately use the most accurate data possible. This means clearly communicating the types of data we need from the STWA and ensuring we received what we requested and are using it for the appropriate purpose. A miscommunication regarding the data can cause significant deviations between expectations and actual results. Raftelis staff will work closely with the STWA's point person in each area (e.g., finance, operations, and customer service) to ensure that we all agree on the intended use of what is being provided. Second, we have found that beginning to work with the data provided by our clients in advance makes for a much more productive kick-off meeting as it allows us to begin framing preliminary analyses, formulate any questions, and come fully prepared to discuss any issues. Even though we may request additional data or clarification as the study progresses, we will minimize the additional data requests and will strive to balance the time and effort required to provide the data with the relative impact it has on the analysis.

Task 1.3: Ongoing Project Management and Quality Assurance/Quality Control

Effective ongoing project management ensures that STWA staff are receiving the support they need at all times. This means regular and responsive communication, timely provision of deliverables, and prompt communication of any issues or challenges. One of Raftelis' key project management objectives is to serve as an asset to STWA staff, enhancing their capabilities and bringing a broader industry perspective to bear on any challenges. Our project management team includes senior Raftelis staff who have successfully collaborated on numerous engagements of a

similar size and complexity. This team is prepared to continue to leverage our institutional knowledge to support the critical work performed by STWA going forward.

Quality assurance and quality control (QA/QC) is critical to the success of the project because errors undermine the credibility of the process and ultimate recommendations. Our QA/QC process is as follows:

First, we verify the data used for the study. Verification is critical because the data, while accurate for its original intended purpose, may reflect adjustments or anomalies that we would not want to include in our projections. The opposite is also sometimes true in that manual adjustments are occasionally made which are not reflected in the detailed data we receive. One example is detailed customer billing data, which may contain billing errors that are later manually corrected but may or may not be reflected in the detailed data we receive. One check on this issue involves calculating revenues for a recent historical period and comparing them against actual results. If the results are materially different, we can examine the data more closely to identify what may be causing the issue.

Verification also involves clear communication between the Raftelis team and STWA staff to ensure that we are correctly interpreting what we have received and are using it appropriately. We look to establish a staff “subject matter expert” on certain sources of data. We will then work with this person to ensure that they understand what we have requested, that we have received what we asked for, and that we’re using it appropriately. This step is critical because data used for the wrong purpose, even if accurate, will compromise the results.

Second, we verify the accuracy of the calculations. When possible, we have an experienced consultant who is not involved in the project to review the calculations. This reviewer can mark up the rate model and schedule a call with the project team to review their findings. This is not a methodological review, but a check on the calculations themselves. We also involve utility staff early in the process. We provide copies of the rate calculations throughout the engagement to allow staff to review, ask questions, and identify any issues of misinterpretation. Finally, we create internal error checks within the rate model. Wherever something is summarized, allocated, or otherwise manipulated, we use conditional formatting to ensure the integrity of the calculations. This is also helpful to avoid any future issues with utility staff’s use of the model.

Finally, we ensure the methodology used for the study is appropriate. In addition to the accuracy of the data and calculations, we want to ensure that the product delivered to the STWA meets industry standards and is defensible.

Task 2: Financial Plan Development

The financial plans identify the overall level of revenue necessary to fund operations and maintenance expenses (O&M), routine repair and replacement capital expenditures, and repayment of debt service (current and future) while achieving the STWA’s financial management objectives. Determining the revenue requirement involves a detailed cash flow forecast, which compares projected baseline revenues to projected expenditures and identifies any adjustments to revenues that may be necessary to fund utility operations in a financially sustainable manner. This will involve the following subtasks: a projection of revenue under existing rates (Task 2.1); a projection of O&M expense (Task 2.2); a projection of routine and major capital expenditures (Task 2.3); and a projection of revenue adjustments based on a detailed cash flow analysis (Task 2.4).

The projections we typically develop include the balance of the utility’s current fiscal year, plus the following 5 fiscal years. To the extent that STWA has identified major capital improvements or incremental increases in O&M which lie outside of the 5-year window, we can extend the plans to include the additional years at no additional cost to STWA.

Task 2.1: Projection of Revenue Under Existing Rates

Raftelis will develop revenue projections under existing rates and projected customer usage that will be developed in Task 2.2. This will serve as a revenue baseline if no adjustments to rate levels or structures are made. In Task 2.5, we will compare these baseline revenue projections to projected expenditures to determine the overall level of revenue necessary (including revenue increases) to fund these projected expenditures and achieve STWA's financial performance objectives.

Revenues typically consist of operating and non-operating revenues. Operating revenues consist principally of rate revenues derived from the services provided by the utility to customers. Operating revenues are directly affected by the level of rates and charges, the service levels provided, and purchased water costs, which are passed through directly to customers. We will forecast other operating revenues using a trend analysis with adjustments to reflect known changes historically experienced and anticipated changes during the forecast period.

We will compare these revenues to the operating and capital expenses forecast in Tasks 2.3 and 2.4 to understand the sufficiency of existing revenues to fund projected expenditures.

Task 2.2: Consumption

Projecting future demand is one of the most difficult tasks that a utility faces each year. The reason for this is that several unforeseeable factors can affect consumption. For water, a particularly rainy or dry season, and unforeseen population growth or decline will dramatically affect consumption. However, projecting consumption is also a utility's most important task. These projections directly affect rates, which, in turn, determine how much cash a utility will collect. If a utility overestimates consumption, then rates will be too low leading to revenue under-recovery, a deficit, and decreasing fund balances. Yet, if a utility underestimates consumption, then revenue over recovery occurs and this can be met with public scrutiny because of unjustly high rates.

We will study available historical consumption of the STWA's different customers in order to arrive at a corresponding usage and growth rate for each type. As a result of these analyses, Raftelis will be able to develop consumption projections for the forecast period under various scenarios, resulting in an optimistic, pessimistic, and most likely projection. Raftelis will then calculate the revenues under current rates at projected consumption levels (optimistic, pessimistic, and most likely) to understand the potential realizable revenues. We will then compare these



OPTIMIZING CAPITAL SPENDING

Revenue requirements are only as good as the operating and capital spending needs and assumptions that go into them. If there is uncertainty in operating or capital spending needs, then revenue requirements, cost of service, and the associated rates being requested may be too high or too low. If your utility is concerned with capital spending needs and would like a third-party review of your needs and/or assumptions, Raftelis' subject matter experts in capital project development and delivery are here to help. Likewise, if your utility is interested in opportunities to take advantage of the new Integrated Planning Law added to the Clean Water Act in 2019, Raftelis can help. Contact us to discuss these value-added services, which can be provided under an optional task or a separate scope of work.

revenues to the revenue requirements forecast in the financial plan developed in Task 3 to understand the magnitude of the potential shortfall under the current rates.

Task 2.3: Projection of O&M Expense

The STWA's budgets (for the current year and any available future years) will serve as the starting point for the projection of O&M expense. We typically make three adjustments to project O&M expenses for the forecast period: budget performance adjustments, incremental expense adjustments, and inflationary adjustments.

Budget performance adjustments will be made based on a detailed review of budgeted O&M expenses compared to actual performance. To the extent that the utility tends to outperform in certain areas (i.e., spend less than budgeted), we will discuss potential adjustments so that the projection of baseline O&M (i.e., before any incremental expenses and inflationary adjustments) is a reasonable reflection of what is likely to occur.

The current budget may include one-time expenses that are not expected to be incurred in the future. In this case, the one-time expense will either be excluded from future years or, if it occurs periodically, normalized in future years. To the extent that the current year budget represents a snapshot plan for the year in question, **incremental expense adjustments** ensure future years carry forward the appropriate level of O&M expense. The current budget may also exclude incremental changes in operating expenses anticipated to occur in the future.

After accounting for budget performance and any incremental expenses, **inflationary adjustments** account for expected future inflation in O&M expenses. Inflationary adjustments will be based on the best and most relevant data possible. Expenses driven by customer growth and usage will be adjusted based on the projections in Task 2.1. Personnel costs will be adjusted based on planned compensation adjustments from STWA. For expenses with less detailed data, we will rely on historical trends, discussions with STWA staff, and our experience working with similar utilities throughout the United States.

Task 2.4: Projection of Routine and Major Capital Expenditures

This task involves developing a capital improvement financing plan that identifies the STWA's capital projects (routine and major) and the mix of cash and debt¹ used to finance them. The cash flow impact of the capital financing plan is incorporated into the cash flow analysis in Task 2.4 as annual cash outlays (i.e., PAYGO or revenue-funded capital) and new debt service. To develop the capital financing plan, we will review the STWA's approved capital improvement plan (CIP) and work with STWA staff to ensure that the appropriate level of investment is balanced against the potential rate implications. To the extent that the CIP is in current year dollars, we will include adjustments for future construction cost inflation based on an analysis of trends for the appropriate cost indices (e.g., Engineering News-Record). We will also incorporate any projects that the STWA already has in progress from prior approved CIPs that will be completed in the first few years of the forecast period.

The CIP financing plan we develop for the STWA will incorporate routine repair and replacement expenditures and major capital improvements. Raftelis will incorporate the STWA's policy for funding routine expenditures and major capital improvements with reserves. Debt funding of capital improvements will be estimated based on the amount of reserves available. We will work with STWA staff to recommend CIP financing alternatives that will achieve STWA's

¹ Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, all firms that provide debt issuance support services, including financial feasibility studies, must be registered with the SEC and MSRB to legally provide official opinions and related services. Raftelis' registration allows our clients to be confident that Raftelis is fully qualified and capable of providing financial advice related to debt issuances in compliance with the applicable regulations of the SEC and the MSRB.

financial management objectives. The projected capital costs, including PAYGO and any new debt service, will be incorporated into the cash flow projections in Task 2.5.

Task 2.5: Utility Cash Flow Forecasts and Revenue Adjustments

We will develop a detailed cash flow forecast for the multi-year planning horizon. This forecast will compare existing revenues (Task 2.1) to forecast expenditures (Tasks 2.3 and 2.4), identifying any deficiencies in funding under existing revenues. Throughout Task 2.5, we will discuss the STWA's existing financial policies and objectives (formal and informal). This will include reviewing the utility's performance relative to key financial ratios (e.g., days cash, capital structure, and debt service coverage). Throughout these discussions, we will provide recommendations to ensure that STWA's financial management strategies align with industry best practices.

We will structure rate adjustments to achieve the STWA's strategic financial management objectives and maintain alignment with best financial management practices regarding debt service coverage ratios and reserve balances. Revenue adjustments will be smoothed where possible, mitigating the impact on customers in any given year. The ultimate outcome of Task 2.5 will be identifying the overall level of revenue required (including any adjustments to revenue) to fund the provision of safe and reliable service in a financially sustainable manner. This revenue requirement will be used to support the development of the proposed rates in Task 3.

Task 3: Water Cost-of-service Analysis and Rate Calculation

We will tailor the STWA's utility's cost-of-service analysis to incorporate the unique attributes of system operations, operating, and capital spending. This tailored cost of service will be premised on the principles set forth in state and local laws, the AWWA's *Manual M1, Principles of Water Rates, Fees, and Charges*, and other Legal precedents.

The first step of a cost-of-service analysis is to complete a cost functionalization to allocate costs to the various functions within the utility. For example, in the water utility, these categories may include source of supply, treatment plant, transmission, and distribution. The next step is the classification of costs based on cost-causative parameters. In water, these parameters would be average day demand, maximum day demand, maximum hour demand, meters, and customer service. Finally, the cost of serving each customer class will be determined based on each class's usage characteristics. Raftelis will discuss with the STWA whether this task and allocation analysis is necessary for each utility.

Task 3.1: Rate Calculation

After the revenue requirements have been functionalized, classified, and allocated, we will use the consumption analysis performed in Task 2 and combine it with the new revenue requirements to calculate rates reflecting the STWA's specific rate goals and objectives. In identifying these goals and objectives, Raftelis will evaluate the STWA's current rate structures and discuss how they compare to industry standards.

We will project these rates for the forecast period to ensure that all covenant requirements are met and to ensure that customer impacts of rate increases do not lead to rate shock. At this task's end, we will meet with STWA staff. Raftelis will review the entire cost-of-service and rate-setting process at this meeting and present preliminary rates. Prior to the meeting, STWA staff will be provided with the draft rate model and preliminary rates so that they will be able to review our methodology and suggest changes. We will discuss all suggested changes and then work with the STWA to develop final rate recommendations to incorporate into the STWA's rate ordinances.

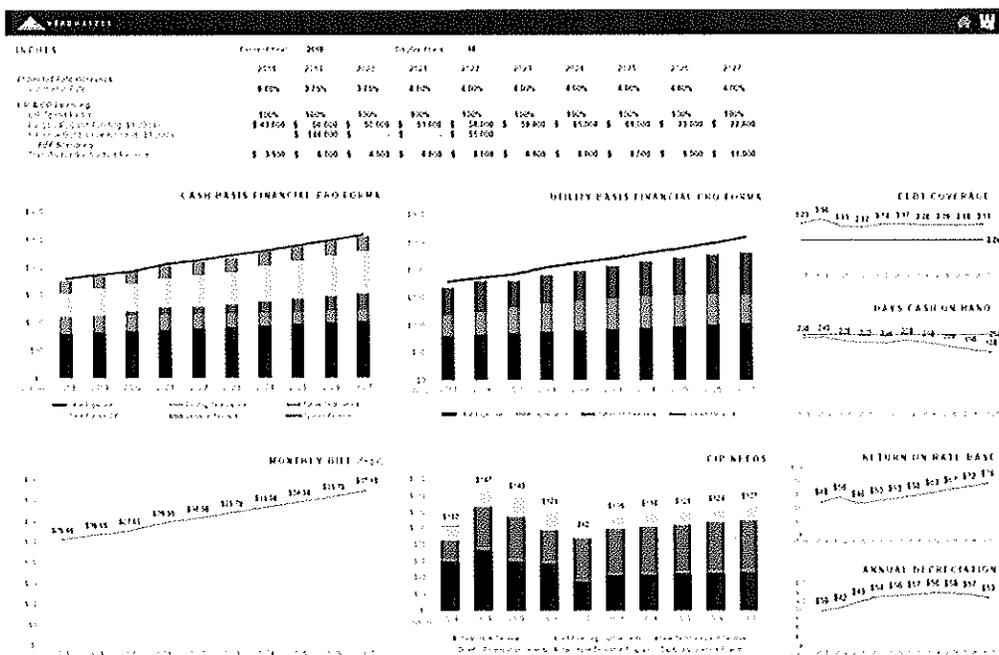
Task 3.2: Comparison of Costs by Customer Class

Based on the rate structures identified in this task, we will compare the cost of service to rate recovery under the new and existing rates. This will allow the STWA to understand any inequities in the existing rate structure as well as how any proposed changes to the rate structure address those inequities.

Task 4: Rate Model Development

At the heart of any successful cost-of-service and rate study is the computer model that is used to develop revenue requirements; perform cost functionalization, classification, and allocation; and calculate rates. The model must be sophisticated enough to perform the complex calculations involved in a comprehensive cost-of-service and rate analysis and yet still be simple enough to allow for future updates by STWA staff.

The model will incorporate the rate structures and rate calculation methodologies that are identified during Task 4. During the course of the project, STWA staff will be provided with working copies of rate model drafts in Microsoft Excel so that they will be able to provide input into the development of the model. Once the project is complete, the STWA will be provided with fully functioning copies of the model and Raftelis personnel will train members of the STWA staff in its use.



Raftelis will develop a customized financial model that incorporates a dashboard to allow you to easily run scenarios and see the impacts in real time. Shown here is a sample dashboard that we developed for another project.

Task 5: Reports and Presentations

Draft Report

The draft report will document the rate development process, describe any recommended changes to the existing rate structures and the reason for such changes, and present the cost-of-service and rate study results. An electronic copy of the draft report will be presented to STWA staff for their review and comment.

Final Report

Raftelis will incorporate the STWA staff's comments on the draft report into a final report. Upon finalization of the report, the STWA will be provided with an electronic copy of the report. In addition to the final report, the STWA

will also be provided with electronic copies of the final rate model in Microsoft Excel. Raftelis will also deliver a model training workshop for STWA staff.

Presentations

We will prepare a PowerPoint presentation summarizing the rate study process, findings, and recommendations in a clear and concise manner. We will provide a draft of this presentation to STWA staff for their review and comment prior to delivering the final version.

Raftelis will also present our findings using this presentation for STWA Board of Directors.

Schedule

Raftelis will complete the scope of services within the timeframe shown in the schedule below. The proposed schedules are provided by Phases.

TASKS	2023					2024		
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
Phase 1: Corpus Christi Rate Model Review	●	●						
Phase 2: Industrial Customer Negotiations	●							
Phase 3: Rate and Financial Planning Study								
Task 1: Project Initiation and Management			●					
Task 2: Financial Plan Development				●	●			
Task 3: Water Cost of Service Analysis and Rate Calculation					●	●		
Task 4: Rate Model Development				●		●		
Task 5: Reports and Presentations							●●	

- *In-person Meetings*
- *Web Meetings*
- *Deliverables*

Budget

Based on the scope of work described above, Raftelis proposes a total budget of \$46,718. It is our practice to bill monthly based on actual time and expenses. Total fees and expenses will be limited to the not-to-exceed amount unless specific approval for an adjustment in scope is received. The budget breakdown is as follows:

Phase 1 - \$5,060

Phase 2 - \$11,839

Phase 3 - \$29,819

Tasks	Hours					Total	Total Fees & Expenses
	Web Meetings	In-person Meetings	AF	CW	CS		
Phase 1: Corpus Christi Rate Model Review	3		4	16		20	\$5,060
Phase 2: Industrial Customer Negotiations	2	1	16	24		40	\$11,839
Phase 3: Rate and Financial Planning Study						0	\$0
Task 1: Project Initiation and Management		1	8	4		12	\$4,599
Task 2: Financial Plan Development	1		4	16		20	\$5,060
Task 3: Water Cost of Service Analysis and Rate Calculation	1		4	16		20	\$5,060
Task 4: Rate Model Development	1		4	24		28	\$6,980
Task 5: Reports and Presentations	2	1	8	16	4	28	\$8,119
Total Meetings / Hours	10	2	48	116	4	168	
			Hourly Billing Rate	\$295	\$230	\$150	
			Total Professional Fees	\$14,160	\$26,680	\$600	\$41,440
						Total Fees	\$41,440
						Total Expenses	\$5,278
						Total Fees & Expenses	\$46,718

AF - Angie Flores
 CW - Christopher Williams
 CS - Creative Services

ATTACHMENT 9

Third Amendment – NWSC/STWA Water Supply Contract

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Exec Dir/Administrator
Date: August 4, 2023
Re: Third Amendment-Amended and Restated Water Supply Contract-STWA_NWSC

Background:

In April 2022, TCEQ conducted a regularly scheduled Investigation of the Nueces Water Supply Corporation. During that finding several areas of concern were noted with one Alleged Violation. The concern noted involved the amended amount of water connection at the Central Pump Station located on FM 2826 in Nueces County. The last amended amount certified by STWA and NWSC showed a capacity of 300 connections. The alleged findings showed 16 additional connections, which exceeded the previous amended documentation between STWA and NWSC and on file when TCEQ reviewed the appropriate documentation for this facility.

This item is a matter of amending our mutual water contracts and having them approved by both boards. Our legal counsel Bill Flickinger reviewed the amendment, made revisions and provided to the NWSC for their August 3, 2023 meeting to amend.

Analysis:

The amended provided and adopted by the NWSC on August 3, 2023 is identical to the one presented to the STWA board. Once adopted and signed by both parties the amendment will be provided to TCEQ and should address their Unresolved Alleged Violation.

Staff Recommendation:

Determine whether to amend the Water Supply Contract between the South Texas Water Authority and Nueces Water Supply Corporation.

Board Action:

Approve the Third Amendment to Amended and Restated Water Supply Contract between STWA and NWSC. Increasing from 300 to 316 water connections.

Summary:

Based on the information provided by TCEQ for adequate compliance documentation. The revised agreement was drafted by our legal counsel, presented and approved by NWSC and now awaits for STWA approval.

Once the agreements are signed they will be forwarded to TCEQ for their review and final approval to comply with the Alleged Violation for NWSC.

John Marez

From: Melinda Collins <Melinda.Collins@tceq.texas.gov>
Sent: Tuesday, July 11, 2023 10:27 AM
To: josegraveley@yahoo.com
Cc: jmarez@stwa.org; Melanie Edwards; Kelli Sleger
Subject: Notice of Compliance with Notice of Violation Investigation 1911872
Attachments: 1911872.pdf

Dear Mr. Graveley,

The Texas Commission on Environmental Quality (TCEQ) Corpus Christi Region Office is utilizing electronic correspondence. Please find attached the letter notifying you of the results of the investigation.

Please reply to this email, with the attachment, to indicate your receipt.

Thank you,

Melinda Collins
Administrative Assistant IV, SECC Coordinator
Texas Commission on Environmental Quality (TCEQ)
500 N. Shoreline Blvd., Ste. 500
Corpus Christi, Texas 78401-0318
Melinda.Collins@tceq.texas.gov
Phone: 361.881.6900



Jon Niermann, *Chairman*
Emily Lindley, *Commissioner*
Bobby Janecka, *Commissioner*
Kelly Keel, *Interim Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 11, 2023

EMAIL RECEIPT REQUESTED

Mr. Jose Graveley
Board President
South Texas Water Authority
2302 E Sage Dr
Kingsville, Texas 78363

Via Email

Re: Notice of Compliance with Notice of Violation (NOV) dated *May 24, 2023*:
South Texas Water Authority, 2302 E Sage Road, Kingsville (Kleberg County), Texas
Regulated Entity No.: 102683323, TCEQ ID No.: 1370035, Investigation No.: 1911872

Dear Mr. Graveley:

This letter is to inform you that the Texas Commission on Environmental Quality (TCEQ) Corpus Christi Regional Office has received adequate compliance documentation on May 25, 2023, to resolve the alleged violation documented during the investigation of the above-referenced regulated entity conducted from February 6 to March 31, 2023. Based on the information submitted, no further action is required concerning this investigation.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Ms. Kelli Sleger at the Corpus Christi Regional Office at 361-881-6900.

Sincerely,

A handwritten signature in black ink, appearing to read "Melanie Edwards".

Melanie Edwards
Water Section Manager
Corpus Christi Regional Office

ME/KS/mjd

cc: Mr. John Marez, Executive Director - via email

Jon Niermann, *Chairman*
Emily Lindley, *Commissioner*
Bobby Janecka, *Commissioner*
Kelly Keel, *Interim Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 11, 2023

EMAIL RECEIPT REQUESTED

Ms. Alice Black, President
Nueces Water Supply Corporation
2302 E Sage Rd
Kingsville, Texas 78363-3328

Re: Unresolved Alleged Violations for File Record Review at:
Nueces WSC, 2302 E Sage Road, Kingsville (Kleberg County), Texas
Regulated Entity No.: 101261147, TCEQ ID No.: 1780052, Investigation No.: 1911843

Dear Ms. Black:

The Texas Commission on Environmental Quality (TCEQ) Corpus Christi Region Office has previously requested that you submit compliance documentation for the alleged violations noted during the investigation of the above-referenced water system conducted on March 24, 2023. We have received acceptable compliance documentation from you for all of the alleged violations except those listed in the enclosed summary. Please be advised that you are responsible for correcting these remaining problems. These unresolved alleged violations will be placed in your file to be evaluated during any subsequent investigation.

If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Kelli Sleger in the Corpus Christi Region Office at 361-881-6900.

Sincerely,

A handwritten signature in black ink, appearing to read "Melanie Edwards".

Melanie Edwards
Water Section Manager
Corpus Christi Region Office

ME/KS/mjd

Enclosure: Summary of Unresolved Investigation Findings

cc: Mr. John Marez, Executive Director - via email

Summary of Investigation Findings

NUECES WSC

2302 E SAGE RD

KINGSVILLE, NUECES COUNTY, TX 78363

Investigation #

1911843

Investigation Date: 07/10/2023

Additional ID(s): 1780052

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 808976

Compliance Due Date: 05/30/2022

30 TAC Chapter 290.45(b)(2)(E)

Alleged Violation:

Investigation: 1803986

Comment Date: 04/19/2022

Failed to provide a total storage capacity of 200 gallons per connection.

During the investigation conducted on March 9, 2022, the investigators determined that the total storage capacity for the Central Pressure Plane was insufficient. Specifically, Nueces WSC owns a divided interest of STWA's two GSTs. The Bill of Sale between the two water systems states that Nueces WSC owns up to the amount of 200 gallons per connection for 300 connections, which equates to a maximum of 0.060 MG. As of October 1, 2021, the Central Pressure Plane serves 316 connections. For 316 connections, a total of 0.0632 MG is required. Nueces WSC is operating with a 5% total storage capacity deficiency.

Investigation: 1902191

Comment Date: 05/19/2023

During the investigation conducted on March 24, 2023, this outstanding alleged violation was evaluated.

The water system has not provided a total storage capacity of at least 0.0632 MG or amended the purchase water contract to allot for greater than 300 connections for the Central Pressure Plane. This violation remains outstanding.

Investigation: 1911843

Comment Date: 07/10/2023

During a file record review conducted on July 10, 2023, the status of this outstanding alleged violation was evaluated.

The water system plans on amending the purchase water contract to allot for a sufficient amount of storage capacity; however, an amended contract has not been submitted. This violation remains outstanding.

Recommended Corrective Action: To achieve compliance, the facility must provide a total storage capacity of at least 200 gallons per connection.

ALLEGED VIOLATION(S) NOTED AND RESOLVED ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 844326

30 TAC Chapter 290.46(n)(2)

Alleged Violation:

Investigation: 1902191

Comment Date: 05/19/2023

Failed to maintain an accurate and up-to-date map of the distribution system so that valves and mains can be easily located during emergencies.

During the investigation on March 24, 2023, the investigators documented that the Nueces WSC distribution map was not accurate. Specifically, the distribution lines serving the LCS Detention Center and the KB Foundation were not included on the map.

During a file record review conducted on July 10, 2023, the status of this outstanding alleged violation was evaluated.

Recommended Corrective Action: To achieve compliance, the water system must maintain an accurate and up-to-date map of the distribution system so that valves and mains can be easily located during emergencies.

Resolution: On May 25, 2023, the water system submitted photographs showing that the distribution system map was updated to include the lines serving the KB Foundation and the LCS Detention Center.

**THIRD AMENDMENT TO
AMENDED AND RESTATED WATER SUPPLY CONTRACT
BETWEEN SOUTH TEXAS WATER AUTHORITY AND
NUECES WATER SUPPLY CORPORATION**

This Third Amendment to Amended and Restated Water Supply Contract between South Texas Water Authority and Nueces Water Supply Corporation (the "Third Amendment") is by and between South Texas Water Authority, a governmental agency, conservation and reclamation district and body politic and corporate, having been created under Chapter 436 Acts of the 66th Legislature, Regular Session, 1979 of the Laws of the State of Texas, all pursuant to Article XVI, Section 59 of the Texas Constitution (the "Authority"), and Nueces Water Supply Corporation, a Texas nonprofit corporation, in Nueces County, Texas (the "Wholesale Customer"). The Wholesale Customer and the Authority are referred to individually as a Party, and collectively as the Parties.

RECITALS

WHEREAS, the Wholesale Customer and the Authority entered into that certain Amended and Restated Water Supply Contract, signed on behalf of the Authority on May 5, 2016, and signed on behalf of the Wholesale Customer on April 12, 2016 and that certain First Amendment to Amended and Restated Water Supply Contract effective November, 2018 and that certain Second Amendment to Amended and Restated Water Supply Contract effective August _____, 2023 (collectively, the "Contract"); and

WHEREAS, the Parties want to further amend that Contract to provide for additional storage capacity for Wholesale Customer at the Central Pump Station to comply with the requirements of the Texas Commission on Environmental Quality.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Wholesale Customer and the Authority agree as follows.

I.

Effect of Amendment

The attached Amended Bill of Sale is hereby approved and added to Exhibit "E" of the Contract to increase the storage capacity allocated to Wholesale Customer at the Central Pump Station to serve 316 connections.

As hereby amended, the Contract shall continue in effect pursuant to its terms.

II.

Effective Date

This Third Amendment shall be effective as of the date on which it has been signed by both Parties.

The Parties have executed this Third Amendment in multiple counterparts, each executed copy shall be considered as an original, by their respective duly authorized representatives.

SOUTH TEXAS WATER AUTHORITY

By: _____
Name: _____
President, Board of Directors
Dated: _____, 2023

ATTEST:

Name: _____
Secretary, Board of Directors

[AUTHORITY'S SEAL]

NUECES WATER SUPPLY CORPORATION

By: *Clece J. Brack*
Name: Alice J. Brack
President, Board of Directors
Dated: August 3, 2023

ATTEST:

Kathleen Lowman
Name: Kathleen Lowman
Secretary, Board of Directors

[CORPORATION'S SEAL]

AMENDED BILL OF SALE

Date: _____, 2023

Seller: SOUTH TEXAS WATER AUTHORITY

Seller's Mailing Address: 2302 E. Sage Road
Kingsville, Kleberg County, Texas 78363

Buyer: NUECES WATER SUPPLY
CORPORATION

Buyer's Mailing Address: 2302 E. Sage Road
Kingsville, Kleberg County, Texas 78363

Consideration: \$10.00 and other good and valuable consideration, the receipt of which is hereby acknowledged.

Transferred Properties: A divided interest for the exclusive use of Nueces Water Supply Corporation in the capacity of Seller's 63,000-gallon ground storage tank and 33,000-gallon ground storage tank shown on Exhibit "A" attached hereto, for up to the amount of 200 gallons per connection, for 316 connections, as the term "connection" is defined in 30 TAC § 290.38(14) which divided interest shall be prorated on the total number of connections served by the Nueces Water Supply Corporation from those ground storage facilities and the total number of connections served from those ground storage facilities, on October 1 of each year.

Reservations from Transfer: None

Exceptions to Transfer and Warranty: None

Seller, for the Consideration and subject to the Reservations from Transfer and the Exceptions to Transfer and Warranty, sells, transfers, and delivers the Transferred Properties to Buyer, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Buyer and Buyer's heirs, successors, and assigned forever. Seller binds Seller and Seller's heirs and successors to warrant and forever defend all and singular the Transferred Properties to Buyer and Buyer's heirs, successors, and assigns against every person

whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Seller but not otherwise, except as to the Reservations from Transfer and the Exceptions to Transfer and Warranty.

WITH THE EXCEPTION OF THE WARRANTIES OF TITLE, INCLUDING THE WARRANTY THAT NO LIENS EXIST ON THE TRANSFERRED PROPERTIES EXCEPT AS RECITED, SELLER HAS MADE NO AFFIRMATION OF FACT OR PROMISE RELATING TO THE TRANSFERRED PROPERTIES THAT HAS BECOME ANY BASIS OF THIS BARGAIN, AND FURTHER, SELLER HAS MADE NO AFFIRMATION OF FACT OR PROMISE RELATING TO THE TRANSFERRED PROPERTIES THAT WOULD CONFORM TO ANY SUCH AFFIRMATION OR PROMISE. SELLER DISCLAIMS ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE WHATEVER WITH RESPECT TO THE TRANSFERRED PROPERTIES. THE TRANSFERRED PROPERTIES ARE SOLD ON AN "AS IS" BASIS.

This Amended Bill of Sale replaces and supersedes that certain Bill of Sale dated June 23, 2015 between the Parties for capacity in the ground storage tanks at the Central Pump Station.

When the context requires, singular nouns and pronouns include the plural.

NUECES WATER SUPPLY CORPORATION

By: Alice J Black
President

ATTEST:

By: Kathleen Louman
Secretary

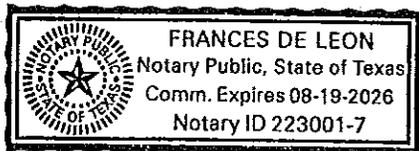
[SEAL]

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF Kleberg §

This instrument was acknowledged before me on August 3, 2023 by Alice J Black, as President of NUECES WATER SUPPLY CORPORATION, on behalf of said corporation.



[SEAL]

Frances De Leon
Notary, State of Texas

Commission Expires: 08-19-2026 My

ATTACHMENT 10

Resolutions 23-20

RESOLUTION 23-20

RESOLUTION APPROVING THE THIRD AMENDMENT TO AMENDED AND RESTATED WATER SUPPLY CONTRACT BETWEEN THE SOUTH TEXAS WATER AUTHORITY AND NUECES WATER SUPPLY CORPORATION

STATE OF TEXAS §
§
COUNTY OF NUECES §

WHEREAS, the Board of Directors of Nueces Water Supply Corporation (the "Corporation") and South Texas Water Authority (the "Authority") previously entered into that certain Amended and Restated Water Supply Contract, signed on behalf of the Authority on May 5, 2016, and signed on behalf of the Corporation on April 12, 2016, and that certain First Amendment to Amended and Restated Water Supply Contract effective November 2018 and that Second Amendment to Amended and Restated Water Supply Contract effective August ____, 2023 (collectively, the "Contract"); and

WHEREAS, The Corporation and Authority wish to further amend the Contract as set forth in the attached THIRD AMENDMENT TO AMENDED AND RESTATED WATER SUPPLY CONTRACT BETWEEN THE SOUTH TEXAS WATER AUTHORITY AND NUECES WATER SUPPLY CORPORATION (the "Third Amendment").

NOW, THEREFORE, BE IT RESOLVED that the Corporation hereby approves the attached Third Amendment, and the President of the Corporation is hereby authorized and directed to execute the attached Third Amendment and the Amended Bill of Sale attached to it on behalf of and as act of the Corporation.

Duly adopted this the ____ day of _____, 2023.

President

ATTEST:

Secretary

[SEAL]

ATTACHMENT 11

KCAD Ballot

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Exec Dir/Administrator
Date: August 4, 2023
Re: Kleberg County Appraisal District Ballot - STWA

Background:

On August 1, 2023 the STWA board voted to select Frances Garcia as the board's nominee for the KCAD Election held this year. As a Conservation and Reclamation District the STWA is entitled to 125 votes. These votes can be cast in part or whole for one or multiple candidates. The KCAD Board Elections are held in odd numbered years.

Analysis:

The board has met all current timeframes to ensure the STWA has a nominee for this year's ballot. The KCAD will collect votes until August 15, 2023. The board must take action during this meeting since it is the last scheduled meeting held prior to the deadline.

Staff Recommendation:

Cast your votes and submit the official ballot to KCAD prior to August 15th.

Board Action:

Determine to cast part or all of 125 votes for the candidate(s) on the KCAD ballot

Summary:

Casting your votes allows the STWA to participate in the bi-annual elections. Having a member on behalf of the STWA interest would help ensure your concerns are being conveyed to the KCAD board and their administration.

Whoever is elected as a KCAD Board Member they have the responsibility to represent all taxpayers and taxing entities within Kleberg County.

ELECTION
OF
BOARD OF DIRECTORS
FOR THE
KLEBERG COUNTY APPRAISAL DISTRICT
FOR THE 2024 – 2025 TERM
CONSERVATION AND RECLAMATION DISTRICTS
BALLOT

CANDIDATE

VOTES

Ms. Frances Garcia



*CERTIFICATION OF ALL ELIGIBLE CONSERVATION
AND/OR RECLAMATION DISTRICTS*

*THAT ARE IMPOSING TAXES IN KLEBERG COUNTY
and*

THAT PARTICIPATE IN KLEBERG COUNTY APPRAISAL DISTRICT

*Taxing Unit: Kenedy County Ground Water
Conservation District*

*I, Ernestina (Tina) Flores, Chief Appraiser of
Kleberg County Appraisal District, do hereby
Certify the 2023 list of eligible conservation
and reclamation districts and their number of
votes listed below.*

Eligible Conservation Districts

Kenedy County Ground Water Conservation District

Votes: 5

Eligible Conservation and Reclamation Districts:

South Texas Water Authority

Votes: 125



*Ernestina Flores, R.P.A.
Chief Appraiser of Kleberg County*

Received By:

Date: 6-7-23 _____

Date: -----

*(Please sign and send a signed copy of this page to Kleberg County
Appraisal District)*

KLEBERG COUNTY APPRAISAL DISTRICT
P.O. BOX 1027 * 502 E. KLEBERG * KINGSVILLE, TEXAS 78364
PHONE: (361) 595-5775 * FAX: (361) 595-7984

July 31, 2023

RECEIVED
AUG 03 2023
SOUTH TEXAS WATER AUTHORITY

South Texas Water Authority
Attn: Jose M. Graveley, President
2302 E. Sage Rd.
Kingsville, Texas 78363

Dear Mr. Graveley:

Please consider this the prepared nominating ballot listing all the nominees of the conservation and reclamation districts alphabetically by surname. The board of directors of each district shall determine its votes for nominees by resolution and submit the resolution to the chief appraiser before August 15, 2023. The person on the ballot with the most votes from the conservation and reclamation districts wins the nomination if the nominee received more than 10 percent of the votes entitled to be cast by all of the conservation and reclamation districts in the appraisal district, and shall be named on the ballot with the candidates nominated by the other taxing units. The chief appraiser shall resolve a tie vote by any method of chance.

Sincerely,



Ernestina "Tina" Flores, R.P.A.
Chief Appraiser

Enclosures

Cc: John Marez, Administrator

ATTACHMENT 12

Resolution 23-21

SOUTH TEXAS WATER AUTHORITY

Resolution 23-21

RESOLUTION CASTING THE SOUTH TEXAS WATER AUTHORITY'S VOTE FOR CONSERVATION AND RECLAMATION DISTRICTS FOR THE ELECTION OF THE KLEBERG COUNTY APPRAISAL DISTRICT BOARD OF DIRECTORS.

WHEREAS, nominations have been received by the Kleberg County Appraisal District,
and

WHEREAS, the South Texas Water Authority, as a conservation and reclamation district established under Art. XVI, Sec. 59 of the Texas Constitution, is eligible to vote for the Board of Directors of the Kleberg County Appraisal District as prescribed in the State Property Tax Code,
and

WHEREAS, the Authority has been allocated 125 votes in accordance with accepted norms for the allocation of votes among taxing jurisdictions in Kleberg County.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the South Texas Water Authority casts the following votes for the nominees:

<u>Nominee</u>	<u>Votes</u>
Frances Garcia	_____

Duly adopted this 8th day of August, 2023.

JOSE M. GRAVELEY, PRESIDENT

ATTEST:

IMELDA GARZA, SECRETARY/TREASURER

ATTACHMENT 13

Seven Seas

Memo

To: South Texas Water Authority Board of Directors
From: John Marez, Exec Dir/Administrator
Date: August 4, 2023
Re: Non-Binding Agreement with SSW

Background:

Seven Seas Water is an international company exploring non-traditional water sources for public and private companies seeking to expand or improve access to potable water. SSW is currently in an agreement with the City of Alice (TX) to establish a brackish water desal plant located 30 miles NW of the Kingsville.

For close to a year, the STWA has pursued partnerships to expand our access to Subject Matter Experts (SMEs) in the fields of water finance, engineering and water sourcing. This agreement allows the STWA to seek a non-binding partnership with SSW to expand our understanding and options to, alternative water sources to serve our community.

Analysis:

The board has directed staff during our long-term planning (Strategic Plan) and various meetings to seek out what alternative water supplies are available to reduce the regional water usage from CCW (Corpus Christi Water) system. SSW is an established company that has produced successful desal projects in the Caribbean and as previously mentioned has their City of Alice project completing its final phases of clearance from TCEQ.

Staff Recommendation:

Review the agreement and determine if the options provided allow the STWA to explore alternate water sources.

Board Action:

Determine to approve agreement and allow SSW to proceed with searching for funding and design options for an alternate water source.

Summary:

Seven Seas Water is an established company that has completed projects mainly focused on desalination facilities. This agreement, while non-binding, allows SSW to explore options on behalf of the STWA to determine future feasibility of a system similar to existing projects.

SPECIAL DISTRICT LOCAL LAWS CODE

TITLE 6. WATER AND WASTEWATER

SUBTITLE X. DISTRICTS WITH COMBINED POWERS

CHAPTER 11006. SOUTH TEXAS WATER AUTHORITY

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 11006.001. DEFINITIONS. In this chapter:

- (1) "Authority" means the South Texas Water Authority.
- (2) "Board" means the board of directors of the authority.
- (3) "Cities" means the cities of Agua Dulce, Bishop, Driscoll, and Kingsville.
- (4) "Director" means a member of the board.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.002. NATURE OF AUTHORITY. The authority is a conservation and reclamation district created under Section 59, Article XVI, Texas Constitution.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.003. FINDINGS OF BENEFIT AND PUBLIC PURPOSE. (a) The authority is created to serve a public use and benefit.

(b) All land and other property in the authority will benefit from the works and projects to be accomplished by the authority under powers conferred by Section 59, Article XVI, Texas Constitution.

(c) The accomplishment of the purposes stated in this chapter will benefit the people of this state and improve their properties and industries.

(d) The authority, in carrying out the purposes of this chapter, will be performing an essential public function under the constitution of this state.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER B. AUTHORITY TERRITORY; ANNEXATION

Sec. 11006.051. AUTHORITY TERRITORY. (a) The authority is composed of the territory described by Section 2, Chapter 436, Acts of the 66th Legislature, Regular Session, 1979, as that territory may have been modified under:

(1) this subchapter or its predecessor statute, Section 7, Chapter 436, Acts of the 66th Legislature, Regular Session, 1979;

(2) Subchapter J, Chapter 49, Water Code; or

(3) other law.

(b) The boundaries of the authority form a closure. A mistake does not affect:

(1) the authority's organization, existence, or validity;

(2) the authority's right to issue any type of bond for a purpose for which the authority is created or to pay the principal of and interest on the bond;

(3) the authority's right to impose a tax; or

(4) the legality or operation of the authority, its bonds, or its governing body.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.052. ANNEXATION OF TERRITORY. (a) Territory may be annexed to the authority as provided by this section.

(b) The board may annex territory or a municipality under this section only if a petition requesting annexation is signed by 50 registered voters of the territory or municipality to be annexed, or a majority of the registered voters of that territory or municipality, whichever is fewer, and is filed with the board. The petition must describe the territory to be annexed by metes and bounds, or otherwise, except that if the territory is the same as that contained in the boundaries of a municipality, the petition is sufficient if it states that the territory to be annexed is the territory contained in the municipal boundaries.

(c) If the board determines that the petition complies with Subsection (b), that the annexation would be in the best interest of the territory or municipality and the authority, and that the authority will be able to supply water or have water supplied to the territory or municipality, the board shall:

(1) adopt a resolution stating the conditions, if any, under which the territory or municipality may be annexed to the authority; and

(2) set a time and place to hold a hearing on the question of whether the territory or municipality to be annexed will benefit from:

(A) the improvements, works, or facilities owned or operated or contemplated to be owned or operated by the authority; or

(B) the other functions of the authority.

(d) At least 10 days before the date of the hearing, notice of the adoption of the resolution stating the time and place of the hearing must be published one time in a newspaper of general circulation in the territory or municipality proposed to be annexed. The notice must describe the territory in the same manner in which Subsection (b) requires the petition to describe the territory.

(e) Any interested person may appear at the hearing and offer evidence for or against the annexation.

(f) The hearing may proceed in the order and under the rules prescribed by the board and may be recessed from time to time.

(g) If, at the conclusion of the hearing, the board finds that the property in the territory or municipality will benefit from the present or contemplated improvements, works, or facilities, the board shall adopt a resolution making a finding of the benefit and calling an election in the territory or municipality to be annexed.

(h) The resolution must state:

(1) the date of the election;

(2) each place where the election will be held; and

(3) the proposition to be voted on.

(i) At least 10 days before the date set for the election, notice of the election must be given by publishing a substantial copy of the resolution calling the election one time in a newspaper of general circulation in the territory or municipality proposed to be annexed.

(j) If a majority of the votes cast at the election are in favor of annexation, the board by resolution shall annex the territory or municipality to the authority.

(k) An annexation under this section is incontestable except in the manner and within the time for contesting elections under the Election Code.

(l) The board is not required to call an election if:

(1) a petition requesting annexation is signed by all residents and landowners of the territory or municipality to be annexed, the same as provided by law for conveyance of real property; and

(2) the petition:

(A) states that the petitioners:

(i) approve their share of the outstanding bonds or other obligations and the unissued bonds, if any, of the authority; and

(ii) authorize the board to set rates sufficient to pay their share of the debt and impose taxes sufficient to pay those bonds, if authorized; and

(B) is filed in the office of the county clerk of each county in which the authority is located.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER C. BOARD OF DIRECTORS

Sec. 11006.101. COMPOSITION OF BOARD; TERMS. (a) The authority is governed by a board of nine directors. The directors occupy numbered places on the board. The Commissioners Court of Kleberg County shall appoint directors for Places 1, 3, 5, 7, and 9, and the Commissioners Court of Nueces County shall appoint directors for Places 2, 4, 6, and 8.

(b) Directors serve staggered two-year terms, with the terms of the directors occupying Places 1, 2, 3, and 4 commencing at 12:01 a.m. on April 1 of each even-numbered year and the terms of the directors occupying Places 5, 6, 7, 8, and 9 commencing at 12:01 a.m. on April 1 of each odd-numbered year.

(c) In March of each year, the appropriate commissioners court shall appoint directors to the appropriate places on the board.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.102. QUALIFICATIONS FOR OFFICE. (a) To be eligible to be appointed or to serve as a director, a person:

(1) must be a resident, qualified voter of:

(A) the authority; and

(B) the county from which the person is appointed; and

(2) may not:

(A) hold another public office; or

(B) be an officer or employee of the authority.

(b) Of the directors appointed by the Commissioners Court of Nueces County:

- (1) one must be a resident of the municipality of Agua Dulce;
- (2) one must be a resident of the municipality of Bishop;
- (3) one must be a resident of the municipality of Driscoll; and
- (4) one must be appointed at large and may be a resident of any of those municipalities.

(c) A director is eligible for reappointment.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.103. VACANCIES. Any vacancy occurring on the board shall be filled for the unexpired term by appointment in the manner in which the vacating director was appointed.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.104. REMOVAL FROM OFFICE. After reasonable notice and a public hearing, the board may remove a director from office for misfeasance, malfeasance, or wilful neglect of duty. Reasonable notice and a public hearing are not required if the notice and hearing are expressly waived in writing.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.105. BOND. Each director shall execute a good and sufficient bond for \$5,000 that is:

- (1) payable to the authority; and
- (2) conditioned on the faithful performance of the director's duties.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.106. BOARD RESOLUTIONS; VOTING. (a) The authority shall act by resolutions adopted by the board.

(b) All directors are entitled to vote.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.107. OFFICERS AND ASSISTANTS. (a) The board shall elect a president, vice president, secretary, and treasurer at the first meeting of the board in April of each year or at any time necessary to fill a vacancy.

(b) The board shall elect the president and vice president from among the directors.

(c) The president serves for a one-year term.

(d) The offices of secretary and treasurer:

(1) may be held by one person; and

(2) are not required to be held by a director.

(e) The board may appoint as assistant board secretary one or more persons who are not directors.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.108. DUTIES OF OFFICERS AND ASSISTANTS. (a) The board president shall preside at board meetings and perform other duties prescribed by the board.

(b) The board vice president shall perform the duties of the president when the president is not present or is otherwise incapacitated.

(c) The board secretary is the official custodian of the minutes, books, records, and seal of the board and shall perform other duties and functions prescribed by the board. An assistant board secretary may perform any duty or function of the board secretary.

(d) The board treasurer shall perform duties and functions prescribed by the board.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.109. MEETINGS. The board shall have regular meetings at times specified by board resolution and shall have special meetings when called by the board president or by any three directors.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.110. PERSONAL LIABILITY OF DIRECTORS. A director is not personally liable for a bond issued or contract executed by the authority. Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER D. POWERS AND DUTIES

Sec. 11006.151. GENERAL POWERS. The authority may exercise any power necessary or appropriate to achieve the purposes of this chapter, including the power to:

- (1) sue and be sued and plead and be impleaded in its own name;
- (2) adopt an official seal;
- (3) adopt and enforce bylaws and rules for the conduct of its affairs;
- (4) acquire, hold, use, and dispose of its receipts and money from any source;
- (5) select a depository or depositories;
- (6) acquire, own, rent, lease, accept, hold, or dispose of property, or an interest in property, including a right or easement, by purchase, exchange, gift, assignment, condemnation, sale, lease, or otherwise, in performing authority duties or exercising authority powers under this chapter;
- (7) hold, manage, operate, or improve property;
- (8) lease or rent any land, building, structure, or facility from or to any person;
- (9) sell, assign, lease, encumber, mortgage, or otherwise dispose of property, or an interest in property, and release or relinquish a right, title, claim, lien, interest, easement, or demand, regardless of the manner in which acquired, and conduct a transaction authorized by this subdivision by public or private sale, with or without public bidding, notwithstanding any other law;
- (10) issue bonds, provide for and secure the payment of the bonds, and provide for the rights of the holders of the bonds in the manner and to the extent authorized by this chapter;
- (11) request and accept any appropriation, grant, allocation, subsidy, guaranty, aid, service, material, or gift from any source, including the federal government, the state, a public agency, or a political subdivision;
- (12) operate and maintain an office;

(13) appoint and determine the duties, tenure, qualifications, and compensation of officers, employees, agents, professional advisors, and counselors, including financial consultants, accountants, attorneys, architects, engineers, appraisers, and financing experts considered necessary or advisable by the board; and

(14) exercise any power granted by Chapter 383, Health and Safety Code, or Chapter 30, Water Code.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.152. PERMITS. (a) The authority may obtain, through appropriate proceedings, an appropriation permit or a diversion permit from the Texas Commission on Environmental Quality.

(b) The authority may acquire a water appropriation permit from a permit owner by contract or otherwise.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.153. GENERAL POWER OF PUBLIC AGENCIES AND POLITICAL SUBDIVISIONS TO CONTRACT WITH AUTHORITY. A public agency or political subdivision of this state, including the cities, may enter into a contract or agreement with the authority, on terms agreed to by the parties, for any purpose relating to the authority's powers or functions. Approval, notice, consent, or an election is not required in connection with the contract or agreement.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.154. CONTRACTS TO SUPPLY WATER. (a) The authority may contract with public agencies or political subdivisions, including the cities, to supply water to them. The authority may sell water inside or outside the boundaries of the authority.

(b) Contracts under Subsection (a) may provide that the contractual payments by the political subdivisions:

(1) will be payable from revenue or the imposition of taxes or both; and

(2) will constitute the purchase of the authority's system at the time all indebtedness incurred by the authority for acquisition,

construction, improvement, and extensions of the system is paid in full.

(c) The authority may contract with a public agency or political subdivision for the rental or leasing of or for the operation of the water supply, water, and filtration or purification facilities of the entity for the consideration agreed to by the authority and the entity.

(d) A contract under Subsection (a) or (c) may:

(1) be on the terms and for the time agreed to by the parties;
and

(2) provide that it will continue in effect until bonds specified in it and refunding bonds issued in lieu of the bonds are paid.

(e) The authority may enter into contracts or agreements with the Nueces River Authority and the City of Corpus Christi for the purchase of water.

(f) The authority and the City of Corpus Christi may enter into contracts or agreements for the sale of water and the operation and maintenance of the authority's water lines if considered advisable.

(g) Public agencies or political subdivisions of this state, including the cities, may enter into contracts or agreements with the authority for a water supply.

(h) Approval, notice, consent, or an election is not required in connection with a contract or agreement described by Subsection (e), (f), or (g).

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.155. SOURCES FOR WATER; ACQUISITION OF LAND; STORAGE CAPACITY. (a) The authority may acquire or construct, inside or outside the authority, any work, well, plant, transmission line, or other facility necessary or useful to divert, impound, drill for, store, treat, or transport water to the cities for municipal, domestic, agricultural, industrial, or any other useful purposes.

(b) The authority may develop or otherwise acquire underground sources of water.

(c) The authority may acquire land, or an interest in land, inside or outside the authority for any reservoir, work, well, plant, transmission line, or other facility necessary or useful to impound, store, treat, or transport water to the cities and others for municipal, domestic, agricultural, industrial, mining, oil flooding, or any other useful purposes.

(d) The authority may lease, purchase, or otherwise acquire rights in and to storage and storage capacity in any reservoir constructed or to be constructed by any person.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.156. CONVEYANCE OF LAND TO AUTHORITY. A public agency or political subdivision of this state, including the cities, may lease, sell, or otherwise convey its land or an interest in its land to the authority for the consideration that the parties agree is adequate. Approval, notice, consent, or an election is not required in connection with the conveyance.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.157. SURPLUS PROPERTY. Subject to the terms of a resolution or deed of trust authorizing or securing bonds issued by the authority, the authority may sell, lease, rent, trade, or otherwise dispose of property that the board considers not needed for an authority purpose.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.158. EMINENT DOMAIN. (a) To carry out a power conferred by this chapter, the authority may exercise the power of eminent domain to acquire the fee simple title to land, or any other interest in land, and other property and easements, inside or outside the authority, including land or an interest in land needed for a reservoir, dam, or flood easement above the probable high-water line around a reservoir.

(b) The authority must exercise the power of eminent domain in the manner provided by Chapter 21, Property Code.

(c) The authority is a municipal corporation for the purposes of Chapter 21, Property Code.

(d) The board shall determine the amount and the type of interest in land, other property, or easements to be acquired.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.159. COST OF RELOCATING OR ALTERING PROPERTY; RIGHTS-OF-WAY AND EASEMENTS. (a) If the authority's exercise of its eminent domain, police, or other power requires relocating, raising, lowering, rerouting, or changing the grade of or altering the construction of any railroad, electric transmission, telegraph, or telephone line, conduit, pole, property, or facility or pipeline, the action shall be accomplished at the sole expense of the authority. The term "sole expense" means the actual cost of the raising, lowering, rerouting, or change in grade or alteration of construction to provide a comparable replacement without enhancing the facility, after deducting from the cost the net salvage value derived from the old facility.

(b) The authority has all necessary or useful rights-of-way and easements along, over, under, and across all public, state, municipal, and county roads, highways, and places for any of its purposes. The authority shall restore a used facility to its previous condition as nearly as possible at the sole expense of the authority.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.160. OTHER AUTHORITY POWERS. The authority has the same power as is conferred by general law on municipal utility districts and on water control and improvement districts with reference to entering land, making surveys, and attending to other business of the authority.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER E. GENERAL FINANCIAL PROVISIONS

Sec. 11006.201. DEPOSITORY. (a) The board shall designate one or more banks inside or outside the authority to serve as the depository for the authority's money.

(b) Authority money shall be deposited in the depository designated by the board, except that:

(1) bond proceeds and money pledged to pay bonds, to the extent provided in a resolution or trust indenture authorizing or securing authority bonds, may be deposited with another bank or trustee named in the bond resolution or trust indenture; and

(2) money shall be remitted to each paying agent for the payment of principal of and interest on the bonds.

(c) To the extent that money in a depository bank or a trustee bank is not insured by the Federal Deposit Insurance Corporation, the money must be secured in the manner provided by law for the security of municipal money.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.202. INVESTMENT OF AUTHORITY MONEY. The board may invest authority money in obligations and make time deposits of authority money in the manner determined by the board or in the manner permitted or required in a resolution or trust indenture authorizing or securing authority bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.203. AUTHORITY ACCOUNTS. The authority shall maintain a complete system of the authority's accounts.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.204. AUTHORITY FACILITIES EXEMPT FROM TAXATION AND ASSESSMENT. The authority is not required to pay a tax or assessment on its facilities or any part of its facilities.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER F. BONDS

Sec. 11006.251. AUTHORITY TO ISSUE BONDS. (a) The authority may issue bonds payable from and secured by revenue or ad valorem taxes, or both revenue and ad valorem taxes, of the authority to carry out any power or authority conferred by this chapter. The bonds must be authorized by a board resolution.

(b) The bonds must be issued in the manner and under the terms of the resolution authorizing the issuance of the bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.252. FORM OF BONDS. Authority bonds must be:

- (1) issued in the authority's name;
- (2) signed by the president or vice president; and
- (3) attested by the secretary.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.253. MATURITY. Authority bonds must mature not later than 50 years after the date of their issuance.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.254. ELECTION FOR BONDS PAYABLE FROM AD VALOREM TAXES.

(a) Bonds, other than refunding bonds, payable wholly or partly from ad valorem taxes may not be issued unless authorized by a majority of the authority voters voting at an election held for that purpose.

(b) The board may call an election under this section without a petition. The resolution calling the election must specify:

- (1) the time and place at which the election will be held;
- (2) the purpose for which the bonds will be issued;
- (3) the amount of the bonds;
- (4) the form of the ballot; and
- (5) other matters the board considers necessary or advisable.

(c) Notice of the election must be given by publishing a substantial copy of the resolution calling the election in a newspaper of general circulation in the authority. The notice must be published once each week for two consecutive weeks. The first publication must be not later than the 14th day before the date of the election.

(d) The authority may issue bonds not payable wholly or partly from ad valorem taxes without an election.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.255. BONDS SECURED BY REVENUE; ADDITIONAL BONDS. (a) Authority bonds issued may be secured by a pledge of all or part of the authority's revenue or by all or part of the revenue of one or more

contracts made or other revenue or income specified by board resolution or a trust indenture securing the bonds: The pledge may reserve the right, under conditions specified by the pledge, to issue additional bonds that will be on a parity with or subordinate to the bonds then being issued.

(b) The authority may issue bonds secured by both taxes and revenue of the authority described by Subsection (a).

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.256. BONDS PAYABLE FROM AD VALOREM TAXES. (a) If bonds are issued payable wholly or partly from ad valorem taxes, the board shall annually impose a tax on the taxable property in the authority in an amount sufficient to pay the principal of and interest on the bonds when due but not to exceed 20 cents on the \$100 valuation of taxable property in the authority.

(b) The board may adopt the rate of a tax imposed under Subsection (a) for any year after giving consideration to the money received from the pledged revenue that may be available for payment of principal and interest, to the extent and in the manner permitted by the resolution authorizing the issuance of the bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.257. ADDITIONAL SECURITY. (a) Authority bonds, including refunding bonds, that are not payable wholly from ad valorem taxes may be additionally secured, at the discretion of the board, by a deed of trust or mortgage lien on physical property of the authority and all franchises, easements, water rights and appropriation permits, leases, and contracts and all rights appurtenant to the property, vesting in the trustee power to:

- (1) sell the property for the payment of the debt;
- (2) operate the property; and
- (3) take other action to further secure the bonds.

(b) A purchaser under a sale under the deed of trust lien, if one is given:

- (1) is the absolute owner of property, facilities, and rights purchased; and
- (2) is entitled to maintain and operate the property, facilities, and rights.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.258. TRUST INDENTURE. (a) Authority bonds, including refunding bonds, that are not payable wholly from ad valorem taxes may be additionally secured by a trust indenture. The trustee may be a bank with trust powers located inside or outside this state.

(b) A trust indenture, regardless of the existence of a deed of trust or mortgage lien on property, may:

(1) provide for the security of the bonds and the preservation of the trust estate as prescribed by the board;

(2) provide for amendment or modification of the trust indenture;

(3) provide for the issuance of bonds to replace lost or mutilated bonds;

(4) condition the right to spend authority money or sell authority property on the approval of a licensed engineer selected as provided by the trust indenture; and

(5) provide for the investment of authority money.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.259. CHARGES FOR AUTHORITY SERVICES. (a) If authority bonds payable wholly from revenue are issued, the board shall set and from time to time revise the rates of compensation for water sold and services provided by the authority. The rates must be sufficient to:

(1) pay the expenses of operating and maintaining authority facilities;

(2) pay the principal of and interest on the bonds when due; and

(3) maintain the reserve fund and other funds as provided in the resolution authorizing the bonds.

(b) If bonds payable partly from revenue are issued, the board shall set and from time to time revise the rate of compensation for water sold and any other services provided by the authority. The rate must be sufficient to ensure compliance with the resolution authorizing the bonds or the trust indenture securing the bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.260. USE OF BOND PROCEEDS. (a) The authority may set aside an amount of proceeds of the sale of authority bonds for:

- (1) the payment of interest expected to accrue during construction not to exceed three years;
- (2) a reserve interest and sinking fund; and
- (3) other funds as may be provided in the resolution authorizing the bonds or in the trust indenture.

(b) The authority may use proceeds from the sale of bonds to pay any expense necessarily incurred in accomplishing the purpose of the authority, including:

- (1) any expense of issuing and selling the bonds; and
- (2) the amount needed to operate the authority during construction of the improvements.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.261. APPOINTMENT OF RECEIVER. (a) On default or threatened default in the payment of the principal of or interest on authority bonds that are payable wholly or partly from revenue, a court may, on petition of the holders of outstanding bonds, appoint a receiver for the authority.

(b) The receiver may collect and receive all authority income, employ and discharge authority agents and employees, take charge of money on hand, and manage the proprietary affairs of the authority without consent or hindrance by the board.

(c) The receiver may be authorized to sell or contract for the sale of water or to renew contracts with the approval of the court that appointed the receiver.

(d) The court may vest the receiver with any other power or duty the court finds necessary to protect the bondholders.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.262. REFUNDING BONDS. (a) The authority may issue refunding bonds to refund outstanding authority bonds and interest on those bonds.

(b) Refunding bonds may:

- (1) be issued to refund bonds of more than one series;

(2) combine the pledges for the outstanding bonds for the security of the refunding bonds; or

(3) be secured by a pledge of other or additional revenue or mortgage liens.

(c) The provisions of this subchapter regarding the issuance of other bonds, their security, and the remedies of the holders apply to refunding bonds.

(d) The comptroller shall register the refunding bonds on surrender and cancellation of the bonds to be refunded.

(e) Instead of issuing bonds to be registered on the surrender and cancellation of the bonds to be refunded, the authority, in the resolution authorizing the issuance of the refunding bonds, may provide for the sale of the refunding bonds and the deposit of the proceeds in a bank at which the bonds to be refunded are payable. In that case, the refunding bonds may be issued in an amount sufficient to pay the principal of and interest and any required redemption premium on the bonds to be refunded to any redemption date or to their maturity date, and the comptroller shall register the refunding bonds without the surrender and cancellation of the bonds to be refunded.

(f) An election is not required to authorize the issuance of refunding bonds.

(g) The authority may also issue refunding bonds under any other applicable law.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.263. LIMITATION ON RIGHTS OF BONDHOLDERS. The resolution authorizing the bonds or the trust indenture securing the bonds may limit or qualify the rights of the holders of less than all of the outstanding bonds payable from the same source to institute or prosecute litigation affecting the authority's property or income.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11006.264. BONDS EXEMPT FROM TAXATION. An authority bond, the transfer of the bond, and the income from the bond, including profits made on the sale of the bond, are exempt from taxation in this state.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff.
April 1, 2017.

Sec. 11006.265. DETACHMENT OF AUTHORITY TERRITORY AFTER ISSUANCE OF
BONDS. Territory may not be detached from the authority after the issuance
of bonds payable from revenue or taxes, or both revenue and taxes.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff.
April 1, 2017.