GREEN VALLEY SPECIAL UTILITY DISTRICT

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Board of Directors
John Frias, President
Jerry Cumby, Vice President
Robert Roberson, Secretary/Treasurer
Shari McDaniel, Director
Brit King, Director
James Hendrix, Director
Nick Sherman, Director

Regular Board Meeting Minutes
August 27, 2026

The Green Valley Special Utility District (GVSUD) Board of Directors met in a regular monthly meeting on August 27, 2026, at the GVSUD Boardroom located at 605 FM 465, Marion, Texas 78124. Board Directors present were John Frias, Nick Sherman, Robert Roberson, James Hendrix, Jerry Cumby and Shari McDaniel. GVSUD Staff present were Phillip K. Gage, Travis Basham, Gina Buntin, Kim Hutcheson, and David Gurganus. Also present was Shan Rutherford, staff attorney with Terrill & Waldrop Law Firm, and Garry Montgomery, Utility Engineering Group (UEG).

A. Establish Quorum and Call to Order.

John Frias called the meeting to order at 9:00 a.m.

B. Invocation and Pledge of Allegiance.

Frias gave the invocation and led the Pledge of Allegiance.

C. Public Comment.

None

D. Consent Agenda

All items listed below are considered to be routine and non-controversial by the Board and will be approved by one motion. There will be no discussion of these items unless a Board member so requests, in which case the item will be removed from the consent agenda and will be considered and action taken as necessary, as part of the order of business.

1. July 23, 2026, Regular Monthly Board Meeting Minutes
2. July 2026 Balance Sheet
3. July 2026 Cash Investment Report/Statement of Account Balances, until audited
4. July 2026 Financial Report, until audited
5. July 2026 Check Detail

Sherman made a motion to approve Items D.1 – D.5. Second by Roberson. All voted in favor. Motion passed.

E. Hear updates on the following items from GVSUD General Manager, Staff, and Committee Chairs.
   1. Employee Recognition (Phil Gage)

Gage recognized John Manchack for obtaining his Wastewater Operator D license. John joined the wastewater department approximately five months ago.

   2. Business and Operations:
      i. General Manager updates. (Phil Gage)

Gage reported that the District currently has 59 employees, with four vacant positions that staff continues to work toward filling. Patrick Carlson recently joined the District in the Safety and Security Administrator position, approximately two weeks ago. An updated organization chart was provided to the Board. The rate study has been completed and proposed rates will be presented to the Board, along with the proposed budget. No other significant updates were provided regarding the General Manager's memorandum.

      ii. Operations update. (Brian Plover)

The District added 106 new water meter connections during the month, bringing the total to 20,312 connections. This new meter sets nearly double the previous month, and the District remains on pace to add more than 1,000 meters for the year. Approximately 580 acre-feet of water was purchased or produced in July, remaining well within regulatory standards.

Well 4, the Trinity well, remains out of service. The contractor, Jurgenson, has identified an electrician and is evaluating two potential electrical solutions. The preferred option appears to be installing a new electrical service rather than upgrading the existing service at Plant 7, as it is expected to be more cost-effective. A proposal is anticipated within the next one to two weeks.

The Edwards Aquifer entered Stage 2 conditions on August 6. The water inventory report has been updated to reflect the current aquifer conditions and related curtailment requirements. The District also completed its first month of PFAS testing under the new TCEQ requirements. Testing will continue for the next three quarters, and results to date are well below regulatory standards with no issues identified. Additional guidance from TCEQ is expected following completion of the initial year of testing.

Water billing, 516 acre-feet were billed in July, generating approximately $1.88 million in revenue. The District recorded just over 24 acre-feet of known water loss and just over 40 acre-feet of unknown water loss. The annual unknown water loss remains at approximately 8%, which continues to be below the prior year and reflects improvement in this area.

Wastewater connections increased by 63 during the month, bringing the District total to 2,730 connections. The billing report was revised to provide greater clarity by separating miscellaneous fees that had previously been included with Martinez Creek fees. Plant utilization for the month was just under 25%.

In response to questions regarding the increase in known water loss, staff explained that the recent heavy rainfall followed by drying conditions has contributed to ground movement, resulting in additional leaks and breaks throughout the system. Staff also noted that some areas of the system need pipe upgrades, which contributed to the issues experienced during the month.

The Board discussed the new PFAS testing requirements and asked about the source of a water sample that showed trace levels of PFAS. Staff explained that the District has six required entry points for testing and that the sample in question was from a groundwater source in the Comal County area. Staff noted that the specific physical locations of the District's entry points are not publicly disclosed.

iii. District Engineer Update (Travis Basham)

The District currently has 65 projects in design, 48 in construction, and 5 in closeout, for a total of 118 projects. The 90% design for the wastewater treatment plant has been received and is currently under staff review. At Plant 11, the upgraded pumps and tank are progressing through the closeout process, with the second tank expected to be filled and disinfected the following week, which will add additional storage capacity to the system.

Progress has continued on the Plant 3 and Plant 8 generator projects. Concrete pads have been completed at both locations, and the projects are currently awaiting delivery of larger electrical components. Work on the 16-inch Lower Seguin Road and Green Valley Road water line is progressing toward the 60% design milestone, with the Green Valley Road portion expected to advance quickly from 60% to 90%. All necessary easements have been secured for the project. The Lower Seguin Road portion had been delayed pending completion of an archaeological study associated with several low-water crossings. The study has been completed with no issues identified, and the consultant has been authorized to begin negotiating easements, allowing the project to resume.

Contracts with engineering firms for capital improvement projects have been included in the report at the Board's request and will continue to be provided in future reports.

The Board discussed the 90% design for the wastewater treatment plant and the path forward for securing financing. Staff explained that a significant deadline is approaching at the end of the following month to submit an application for bond and Texas Water Development Board funding. Staff will return to the Board at the next meeting with the requested funding amount for approval. Staff noted that the requested amount could be reduced at a later date, but additional funding could not be requested after the application is submitted. In preparation, staff is continuing to review the 90% design and conduct value engineering with the Construction Committee and design team. Staff will provide additional comments and recommendations to the design team, followed by a detailed "turn-page" meeting to review the comments and work toward completion of the 100% design.

The Board emphasized the importance of staying on schedule due to the potential financial impact of delays. Staff explained that approval at the next Board meeting is critical because missing the upcoming funding application deadline could require the District to wait an additional six to twelve months for the next funding cycle. The current target is to advertise the wastewater treatment plant project for bids by the beginning of next year.

Staff clarified that the action requested from the Board at the next meeting will be approval to submit the funding application to the Texas Water Development Board and pursue the requested financing. This action will not constitute issuance of the bonds or approval of bond documents or bond counsel. Those steps will be addressed at a later stage after the funding application process

3. CRWA Board of Trustees post-meeting updates. (Shari McDaniel/Nick Sherman)

The Board of Trustees received an update regarding the Canyon Regional Water Authority (CRWA) budget. The final budget was approved after approximately five months of development, with the overall budget increasing by less than 2% compared to an increase of more than 18% in the prior year.

Sherman voted against the budget due to concerns regarding the labor or "manpower" budget category. He stated that he was unable to obtain a clear explanation for how the amount was developed and, after further review, determined that the budgeted labor amount appeared to significantly exceed the current staffing needs. It was explained that the amount had essentially been carried forward from the prior fiscal year rather than being based on a detailed analysis of current salaries and staffing requirements.

The CRWA Board President plans to establish a compensation committee to review employee salaries and ensure compensation is appropriately aligned with current positions and responsibilities. Following that review, a future budget adjustment may be considered to reduce the labor budget if appropriate. Sherman expressed interest in serving on the compensation committee. Overall, the remainder of the CRWA budget was described as being tightly controlled, with the primary concern limited to the labor budget category.

4. CRWA Board of Managers post-meeting updates. (Phil Gage)

A significant development involves the classification of the Lake Dunlap surface water treatment plant under the regulatory "BIN" classification system, which is based on levels of contaminants such as Giardia and Cryptosporidium. The plant is currently classified as BIN 2, which requires additional filter integrity testing and backwashing compared to a BIN 1 classification.

CRWA staff have been working with TCEQ to pursue a change in the plant's classification from BIN 2 to BIN 1 due to consistently low levels of Giardia and Cryptosporidium. If approved, the change is expected to reduce water usage by approximately 600 acre-feet annually and save approximately 11 man-days of operational labor each year. TCEQ will need to complete the required testing and regulatory review before the classification can be changed.

The Board recognized the CRWA staff for making significant progress on this matter and noted that the effort could provide direct labor and cost savings to the participating entities. Board members also commented positively on the increased effort and improved performance they have observed from CRWA staff and emphasized the importance of recognizing both areas requiring improvement and successful accomplishments.

5. ARWA Board of Directors post-meeting updates. (Nick Sherman)

The Board received an update regarding Alliance Regional Water Authority (ARWA) project. ARWA presented two Guaranteed Maximum Prices (GMPs) for the project, with a third GMP still pending. The ARWA Board authorized the General Manager to negotiate the final costs for the two GMPs received. As a result of negotiations, the project cost was reduced by approximately $2 million.

The overall project remains over the original budget, with the current estimated project cost at approximately $224 million. ARWA is also pursuing additional funding to address the project cost increase. The original estimate for additional funding was approximately $75 million; however, through efforts among the project sponsors, that amount has been reduced to approximately $42 million. Green Valley SUD's portion of the additional funding is estimated at approximately $4.5 million, based on its share of the CRWA allocation.

The Board was advised that ARWA Executive Director Graham Moore is expected to attend the October meeting to present the request for additional funding. The Board discussed that the additional funding requirement is allocated among the project sponsors based on their respective participation percentages. The Board also noted that the requested additional funding is separate from the current authorization to negotiate the GMPs and will be addressed as part of the upcoming funding request.

6. Committee Reports (no discussion on item 6.i to 6.iii)
    i. Construction Committee Memo (Nick Sherman)
    ii. CRWA Construction Committee Memo (Nick Sherman)
    iii. Finance/Investment Committee (Shari McDaniel)
    iv. TASUD Update (Phil Gage)

The Board received an update regarding recent activities with the Texas Alliance of Special Utility Districts (TASUD). Two draft bills are currently being developed for the upcoming legislative session. One bill would streamline the process for uncontested Certificate of Convenience and Necessity (CCN) transfers between entities by establishing a 60-day deadline for the Public Utility Commission to process an agreed transfer, after which the transfer would be deemed approved. The second bill would provide Special Utility Districts with the ability to establish single-member districts for Board elections. Four additional legislative proposals were identified during recent meetings, bringing the total to six proposals under consideration. Additional details regarding the proposed legislation will be discussed in executive session.

The Board was also briefed on a recent trip to Austin, which included meeting with Chairman Harris's chief of staff and spent the afternoon at the Texas Water Development Board (TWDB). Discussions with TWDB staff covered regional water planning, the agency's engineering review process, and concerns regarding delays in project reviews associated with TWDB funding. It was noted that extended review times can diminish the financial benefit of TWDB's favorable interest rates by increasing project costs and delaying implementation. TWDB leadership requested additional information regarding the current process, and staff offered to provide a flowchart illustrating the process from the perspective of water districts and other users. The Board was informed that the trip was productive and that staff intend to continue working with TWDB to identify opportunities to improve the funding and engineering review process.

F. Accept Certification of Unopposed Candidates and Adopt Order Calling for Cancellation of the November 3, 2026 Election of 3 Directors. (Phil Gage)

Aceptar la Certificación de Candidatos sin oposición y adoptar la Orden que solicita la cancelación de la Elección de 3 Directores del 3 de noviembre de 2026.

Sherman made a motion to accept certification of unopposed candidates and adopt order calling for cancellation of the November 3rd, 2026 election of three directors. Second by Hendrix. All voted in favor. Motion Passed.

G. Review and approve new rates for FY 2027. (Phil Gage)

The Board received a presentation regarding proposed water and wastewater rates for Fiscal Year 2027. Staff explained that the annual rate review was based on 36 months of historical data and the District's prior third-party rate study. The analysis considered water usage, rainfall, customer usage patterns, growth, inflation, operating costs, wholesale water costs, personnel, and debt service. Staff noted that water costs remain relatively consistent with the prior rate study, while wastewater costs have changed significantly due to system expansions and increased capital requirements.

Staff presented two water rate options. Option A would provide a 4% increase to base and volumetric rates, with an 8% increase for commercial accounts. Option B, which staff recommended, would maintain the current base rates, increase the first two residential and agricultural usage tiers by 4%, and apply progressively higher increases to the upper tiers to encourage conservation and better align rates with higher water usage. Commercial rates would increase by 8% under either option.

Staff explained that the proposed commercial increase is intended to correct instances where commercial customers could pay less per unit of water than residential customers under the existing rate structure. The proposed changes are intended to establish a more equitable rate structure while continuing to encourage conservation.

For wastewater, staff presented one option consisting of a 4% increase to the residential minimum charge and a 4% increase to volumetric charges. Staff also reviewed the District's winter averaging methodology and customer usage patterns as part of the rate analysis.

King made a motion to approve the water and wastewater rate increases as described and recommended by staff in option B. Second by McDaniel. All voted in favor. Motion passed.

H. Review and approve Fiscal Year 2027 Budget. (Phil Gage)

Gage presented the proposed Fiscal Year 2027 budget, noting that the budget had been reviewed extensively with the Finance and Investment Committee as well as the Conservation Committee. Growth projections remain steady, with approximately 1,000 new meters anticipated during the fiscal year. Revenue projections were adjusted to reflect a more conservative expectation for developer Water Acquisition fees following the unusually high revenue experienced in FY2026. Direct water costs are projected to increase modestly, while general operating costs are projected to decrease by approximately $500,000. Personnel expenses were budgeted based on 63 employees with an approximately 4% increase in the aggregate personnel budget, with individual compensation increases to remain merit-based.

The capital budget includes approximately $11.4 million for capital improvement projects, including the Plant 9 project, for which the District has applied for approximately $21 million in grant funding through the Texas Water Development Board. If the grant is not awarded or is awarded at a reduced amount, staff will return to the Board with an amended funding plan. The budget also includes funding for vehicles, trailers, safety equipment, the ongoing ERP upgrade, AMI improvements, meter inventory, water distribution projects, plant sustainment and restoration, and other capital needs. Staff noted that several large capital budget categories include projects that are expected to be reimbursed, including certain TxDOT-related waterline relocations and the Clearwater Wastewater Treatment Plant, which is developer-funded. Bond payments are expected to remain relatively consistent.

Overall, the FY2027 budget is projected to end approximately $133,000 ahead. The Finance and Investment Committee recommended approval of the budget and recognized staff for their work in controlling costs and preparing the budget.

McDaniels made a motion to approve the FY2027 budget. Second by Roberson. All voted in favor. Motion passed.

I. Review and approve Operations Policy updates. (Phil Gage/ Shan Rutherford)

The Board then reviewed proposed updates to the Operations Policy. The revisions included changes to water acquisition fee timing associated with new non-standard service agreements, clarification of the leak adjustment process, and additional guidance regarding winter averaging. The updates were intended to provide staff with clear and consistent procedures for addressing customer matters and provide customers with greater clarity regarding the applicable processes. The water acquisition fee language was revised to establish more predictable, time-based payment requirements, allowing the District to better project revenue. Additional minor administrative updates will be addressed in a future policy revision.

Sherman made a motion to approve the operations policy updates as presented. Second by Hendrix. All voted in favor. Motion Passed.

J. Review and approve Industrial Waste Order. (Phil Gage/ Travis Basham)

The Board discussed the proposed Industrial Waste Order and associated pretreatment standards and industrial/commercial waste survey developed by staff in preparation for anticipated commercial and industrial growth within the District. The proposed requirements are intended to establish clear discharge standards, protect the District's wastewater treatment facilities and permits, and prevent operators from receiving waste streams that exceed the District's treatment capabilities. The standards establish allowable limits for various constituents and provide for assessments when specified limits are exceeded. The requirements would be incorporated into the District's Operations Policy and applicable Non-Standard Service Agreements (NSSAs).

The Board discussed enforcement provisions, including a proposed assessment of 25% of the customer's applicable bill for certain violations, as well as the District's ability to require additional pretreatment, require testing, and ultimately terminate a service agreement for continued noncompliance. Staff explained that testing requirements would be established based on the specific characteristics of each industrial customer rather than applying the same testing frequency to every customer. The Board also discussed placing the cost of required compliance testing on the industrial customer and maintaining documentation to demonstrate that customers are meeting their approved discharge requirements.

The Board expressed support for establishing clear standards before additional industrial development occurs and emphasized the importance of protecting the District's wastewater system and treatment facilities. Following discussion, the Board requested that an additional legal question regarding the proposed Industrial Waste Order be addressed in executive session before final action is taken.

K. Consideration and possible action related to Non-Standard Water and/or Wastewater Service Agreement(s):
   1. FM 725 C-Store - Water Non-Standard Service Agreement

The Board considered Item K1, the Non-Standard Water Service Agreement for the FM 725 C-Store. Staff and Construction Committee recommended approval.

Sherman made a motion to approve Item K.1, the Non-Standard Water Service Agreement for FM 725 C-Store. Seconded by Mr. Hendrix. All voted in favor. Motion passed.

L. Hear updates on the items below from GVSUD General Counsel. "Tex. Gov't Code Section 551.071"
   1. Pending or Threatened Litigation

General Counsel stated there were several minor pending litigation additional information be provided at the following month's Board meeting.

   2. Legal Changes Affecting the District

None

The Board took a break at 10:47 a.m. The Board went into Executive Session at 1010 a.m. to discuss Items M., N, and O.

Executive Session:

Closed session in accordance with Texas Government Code Section 551.071 – 551.074 and/or 551.076, and/or matters upon which the Attorney has the duty to report under Texas Rules of Disciplinary Conduct:

M. Discuss personnel matters. "Tex. Gov't. Code Section 551.074"

N. Discussion and possible action regarding Cibolo Comprehensive Settlement Agreement compliance. "Tex. Gov't. Code Section 551.071"

O. Discuss Project Alpha. "Tex. Gov't. Code Section 551.071"

The Board reconvened in open session at 11:44 a.m. King left the meeting.

Post Executive Session:

P. Consideration and possible action on items discussed in the executive session.

Item J. - *Sherman made a motion that we approve the industrial waste order with the amendment of addition of a PFAS questionnaire as discussed in executive session. Seconded by Cumby. All voted in favor, with the exception of King who left the meeting. Motion passed.*

Q. Consideration of proposed items to be included on next month's board meeting agenda.

R. Adjournment.

McDaniels made a motion to adjourn. Second by Roberson. All voted in favor. Motion passed

Meeting was adjourned at 11:45 a.m.

I certify this to be true and correct records of the proceedings.

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*********August 27, 2026 Board Meeting Minutes were approved on September 24, 2026*********