GREEN VALLEY SPECIAL UTILITY DISTRICT

General Manager
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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
September 24, 2026

The Green Valley Special Utility District (GVSUD) Board of Directors met in a regular monthly meeting on September 24, 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, Brit King 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.

Frias turned meeting over to Cumby.

B. Invocation and Pledge of Allegiance.

Cumby 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. August 27, 2026, Regular Monthly Board Meeting Minutes
2. August 2026 Balance Sheet
3. August 2026 Cash Investment Report/Statement of Account Balances, until audited
4. August 2026 Financial Report, until audited

5. August 2026 Check Detail

Sherman made a motion to approve items D.1 through D.5. Seconded by McDaniels. 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)

Abe Sandoval was recognized for obtaining his Water Operator B license. Management congratulated Abe on this significant achievement and noted that he is now one step closer to obtaining his A-Level license. Abe has been with Green Valley SUD for approximately five years and serves as a foreman, regularly working throughout the service area. The Board and management expressed their appreciation for his dedication and congratulated him on this accomplishment.

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

Gage presented a brief General Manager's memo addressing current staffing and providing the District's current organizational chart. The General Manager noted that the results of the employee survey would be discussed during Executive Session under personnel matters.

      ii. Operations update. (Brian Plover)

Gage presented the Operations Report in Plovers's absence, as he was attending the Austin-San Antonio Growth Summit in New Braunfels. The report provided an update on system usage, production, meters, billing, water loss, sewer connections, and overall operations.

Total water usage for the year was reported at 4,559 acre-feet, which is considerably lower than the previous year. The decrease was attributed in part to the expiration of the 1,000 acre-foot water lease with New Braunfels Utilities in June and to the wetter weather experienced this year. The District currently has 20,426 meters, representing an increase of 114 meters from the previous month. Continued growth is expected based on the number of EDUs and homes currently under construction.

The District has produced 697 acre-feet of water so far this year. Well 4 remains under rehabilitation due to issues with its electrical connection. CPS Energy was had to install new three-phase power at the site, and the well has not yet returned to service. Gage noted that the well being offline has not negatively affected operations due to the lower water demand this year.

Billing has begun to increase as the effects of the wetter weather decrease. The most recent billing cycle totaled approximately $2.1 million, while September billing was approximately $2.4 million and will be reflected in the October report. Water loss remains at approximately 9%, which is consistent with expectations for the year. The General Manager noted that water loss records are audited annually and the District continues to maintain the necessary records for tracking purposes.

Sewer connections increased by approximately 37 during August. Wastewater flow decreased to approximately 0.14 MGD, which was lower than previous months. The decrease was attributed to the weather and issues identified within the collection system.

The Operations Report also included the standard water inventory by source, vehicle report, and leak report. Total annual water usage is expected to finish at approximately 5,500 to 6,000 acre-feet for the year.

iii. District Engineer Update (Travis Basham)

Basham provided an update on the District's current projects. There are 119 total projects, 65 in design, 48 in construction, and 6 in closeout.

A new update was added to the report showing contracted EDUs. There are currently 11,583 contracted EDUs either in design or construction, with 4,840 in construction and 6,743 in design. The EDUs were also broken out between water and wastewater for informational purposes.

A turn-page meeting was completed with the design team for the Plant 1.25 MGD Expansion. Staff comments and value engineering recommendations were discussed and will be incorporated into the final design.

The 16-inch water line along Green Valley Road is currently at 90% design. Staff is reviewing the design and expects to provide comments to the engineer by the end of the week or the following week.

Construction of the Plant 3 and Plant 8 Generator projects is progressing. The Plant 3 generator pad has been completed, and the pad at Plant 8 has also been poured with the forms removed. Progress is currently dependent on the delivery of electrical components and other materials needed to proceed.

The Plant 11 Ground Storage Tank project has a few minor outstanding items that staff is working to complete. The project is anticipated to be completed the following week, with tank filling and testing remaining before final completion.

Staff has provided 90% design comments to the design team for the Plant 10 Rehabilitation project. The initial design included a larger scope of work than anticipated, and staff is working with the design team to identify opportunities for value engineering and reduce the project cost. The goal is to develop a more cost-effective project that can ultimately be advertised for bids.

A maintenance building for the Santa Clara Wastewater Treatment Plant was recently bid. The bids received were significantly higher than anticipated, and the District does not intend to award the contract at this time. Staff will reevaluate the project and consider alternative approaches to reduce the overall cost. The project involved construction of a shell building and slab. Additional details regarding the bid may be discussed in Executive Session if necessary.

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

Budget Committee discussed the distribution of TxDOT refund funds and how those funds would be applied back to projects. The committee also discussed the distribution of lawsuit proceeds and continued work on developing an end-of-year funds policy addressing the return of funds to the participating entities.

Sherman stated he chaired the Board of Trustees meeting in the absence of President Rohan. The General Manager's evaluation was also discussed but was tabled until President Rohan could participate.

Sheman stated that the CRWA Construction Committee is focused on ensuring projects are completed within their specified contract durations. Some projects have extended beyond their anticipated timelines, and efforts are being made to ensure contract schedules are met.

4. CRWA Construction Committee

No discussion.

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

The Board of Managers is considering moving its meeting date approximately one week earlier. The change would provide additional time between the Board of Managers meeting and the Trustees meeting and would better align the governance schedule by allowing the Board of Managers meeting to occur before the Executive Committee meeting. This would allow any items the Board of Managers would like the Executive Committee to consider to be addressed before the Executive Committee sets its agenda.

Also provided was an update regarding the end-of-year funding policy. The Board of Managers provided feedback on the proposed policy and recommended moving toward a true-up budget approach. Under this approach, funds would be collected based on projected costs, with actual costs reconciled at the end of the year and any overages or shortfalls addressed through a year-end reconciliation. The Board of Managers is working closely with the Budget Committee on this approach, which is intended to improve cost projections and reduce overall expenses.

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

No discussion.

7. Committee Reports
    i. Construction Committee Memo (Nick Sherman)

Sherman reported that several items were discussed during the Construction Committee meeting. A couple of items were not covered during the previous month's Construction Committee meeting and will be addressed later in the meeting as part of Travis's report.

    ii. CRWA Construction Committee Memo (Nick Sherman)

No discussion.

    iii. Finance/Investment Committee (Shari McDaniel)

No discussion.

    iv. TASUD Update (Phil Gage)

Gage provided an update regarding a recent introductory meeting with Representative Armando Martinez. The meeting was held virtually and included four general managers. Representative Martinez serves as Vice Chair of the Texas House Committee on Natural Resources, which has jurisdiction over matters involving Texas water resources.

The group discussed water-related issues and the District's legislative priorities for the upcoming legislative session. The group expressed an interest in working with Representative Martinez on legislative matters and helping advance items through the committee process. A one-page informational handout was also developed to provide legislators with an overview of Special Utility Districts, their role in serving growing communities, and the scope of services they provide.

Gage also noted that a TASUD Board meeting is scheduled later today to discuss the organization's approach as the legislative session approaches.

F. Public hearing on the GVSUD Drought Contingency Plan. (Brian Plover)

The Board opened a public hearing at 9:19 a.m. to review the revised and updated Green Valley SUD Drought Contingency Plan.

Gage explained that the District previously combined its Drought Contingency Plan and Water Conservation Plan into one document. After reviewing the existing plan, staff determined that the previous approach did not adequately account for the District's diversified water sources, which include groundwater from multiple sources and surface water.

The revised plan continues to meet the regulatory requirements established by the Texas Water Development Board and applicable regulations. The plan addresses drought trigger conditions, demand management measures, initiation and determination of each drought stage, variances and enforcement, and public notification and education.

The primary change from the previous plan is that drought stages will be based on the District's total available water inventory rather than being triggered by a single water source. This approach accounts for the District's diversified water portfolio and allows curtailments affecting individual sources to be considered as part of the District's overall available supply.

The revised plan also incorporates a conservation and accountability approach through the District's tiered rate structure. Under normal conditions, the District would remain in Stage 0. As drought stages increase, additional charges would apply to higher levels of water use, with the intent of encouraging conservation among high-volume users while minimizing the impact on customers who are already using water efficiently. Stage 5 is reserved for catastrophic or emergency water supply conditions and is intended to be used for a short duration.

The Conservation Committee reviewed the revised plan prior to presentation to the Board. Gage recognized Plover for his work researching the state requirements and identifying and correcting issues during the review of the plan.

The Board opened the floor for public comments and questions. No public comments or questions were received.

The public hearing was closed at approximately 9:28 a.m.

G. Discussion and action on the GVSUD Drought Contingency Plan. (Brian Plover)

Roberson made a motion to approve the Drought Contingency Plan for Green Valley Utility District. Seconded by King.

Sherman asked about the rate structure for special-use agricultural customers, specifically why an additional fee would apply to usage between 25,001 and 50,000 gallons during Stage 1, while usage above 50,001 gallons would move into a different rate structure without the same additional fee. Gage explained that the agricultural rate is structured similarly to the residential rate up to the established breakpoint. Once usage reaches the breakpoint, the assumption is that additional water is being used for agricultural purposes, such

as livestock, and the rate structure changes accordingly. Staff noted that the intent is not to overly penalize customers for water used for livestock.

Sherman also asked who has authority to trigger the different drought stages. Gage explained that the stages are based on established triggers rather than a discretionary declaration. For example, Stage 1 is designed to begin when the District has utilized 50 percent of its available water inventory.

Staff further explained that the policy considers three factors when determining whether a drought stage should be implemented: the percentage of water used versus available water, the timing in relation to the calendar year, and the General Manager's discretion. The General Manager's discretion allows the District to consider circumstances such as reaching a trigger late in the calendar year when cooler weather and reduced water demand are anticipated. The three factors are intended to work together when determining whether a drought stage should be implemented.

All voted in favor. Motion passed.

H. Review and approve Operations Policy updates. (Brian Plover)

Gage explained the Operations Policy update is an administrative update to incorporate actions previously approved by the Board. At the prior two Board meetings, the Board approved changes related to leak adjustments, the grievance process, and winter averaging. The Board also approved the District's rates in September.

The updated Operations Policy consolidates these previously approved changes and incorporates the newly approved rates into the policy for publication. No new policy changes are being proposed as part of this update.

Sherman made a motion to approve the updated Operations Policy. Seconded by Roberson. All voted in favor. Motion passed.

I. Annual review and re-authorization of the GVSUD Investment Policy. (Gina Buntin)

The General Manager reported that the District's Investment Policy is reviewed and reauthorized annually. The Finance and Investment Committee continues to operate in accordance with the policy, and the District's investments are performing well.

Staff recommended that the Board continue the current Investment Policy for another year. This is the third year the policy has received the associated award, and the policy will undergo a comprehensive update next year. The current action is administrative in nature and requires the Board to review and acknowledge continuation of the existing policy for the next year.

King asked who is considered an investment officer under the policy and who is required to complete investment training. Staff explained that the investment officers are the Controller, General Manager, and Chair of the Finance and Investment Committee. Staff confirmed that all three individuals are current with the required investment training.

McDaniel made a motion to approve the annual review and re-authorization GVSUD Investment Policy. Second by King. All voted in favor. Motion passed.

J. Discussion and possible direction to staff regarding the Watershed 250 pilot program regarding cybersecurity resources for the water and wastewater industry. (Phil Gage)

Gage presented information regarding Project Watershed 250, a six-month Texas cybersecurity pilot program involving federal, state, and private-sector coordination. The program is intended to assist water utilities in identifying and addressing cybersecurity vulnerabilities, including potential vulnerabilities involving SCADA systems, networks, ERP systems, software, and related infrastructure. The program is expected to be provided to participating Texas utilities at no cost.

Participation could include penetration testing, system stress testing, recommendations for strengthening software and hardware, and access to external cybersecurity expertise. The District has already expressed interest in participating and is currently evaluating the program to determine how the testing and other activities would fit within District operations.

The District recently received a response from the state program representatives and is being scheduled for a 30-minute call to discuss participation. Staff will conduct due diligence, determine the scope of the program, and provide the Board with an update before moving forward.

The Board discussed the importance of determining how cybersecurity testing results and identified vulnerabilities would be handled, including where the information would be stored and who would have access to it. Staff agreed that these issues should be addressed during the upcoming call with the program representatives to ensure that any sensitive cybersecurity information is appropriately protected.

Roberson made a motion authorized the General Manager and staff to pursue Green Valley Special Utility District's eligibility to participate in Project Watershed 250 Pilot Program, obtain and evaluate the proposed participation terms and scope, and return to the Board for approval of any agreement, material system access, intrusive testing, or District expenditures. Second by King. All voted in favor. Motion passed.

K. Review bids and award contract for the Texas Department of Transportation (TxDOT) IH 35 NEX Waterline Relocation. (Travis Basham)

GVSUD received five qualified bids on August 13 for the I-35 NEX waterline relocation project through a competitive sealed proposal procurement method. Staff and the design team reviewed and scored the proposals and recommended awarding the project to the highest-scoring proposer, Atlas Construction Corporation, for a total construction cost of $3,497,745. The Construction Committee reviewed the bids and unanimously agreed with staff's recommendation.

The project involves relocating GVSUD water lines due to TxDOT's I-35 roadway widening and improvements just north of Cibolo Valley Drive. The work will include relocating the existing lines and boring under I-35. Approximately 85% of the project cost is reimbursable, with GVSUD responsible for certain betterments. The smaller segment of the waterline will be increased in size as part of the betterments, while the larger segment will remain the same size.

Reimbursement from TxDOT follows an established process. Staff and consultants will begin the reimbursement process early, with reimbursement requests anticipated to begin after the first pay application. The project also includes requirements for documentation related to domestically produced materials. Similar TxDOT utility relocation projects are anticipated to be presented to the Board in the coming months.

Sherman made a motion to award the NEX IH35 waterline to Atlas Construction Corporation for the amount of $3,497,74.50. Second by Roberson. All voted in favor. Motion passed.

L. Consideration and approval of a resolution requesting financial assistance from the Texas Water Development Board Water Development Fund for constructing various public improvements to the District's utility system; authorizing the District's Financial Advisors, Bond Counsel, and Engineers to coordinate the submission of the application to the Texas Water Development Board; and other matters in connection therewith. (Phil Gage)

The Board discussed Resolution No. 2026-9A, authorizing GVSUD's application for financial assistance from the Texas Water Development Board in an amount up to $74,600,000 for the Santa Clara Wastewater 1.25 MGD expansion project. Staff explained that the resolution is required to submit the financial assistance application and does not represent the final bond documents or the final amount to be borrowed.

The final borrowing amount will be determined after completion of the 100% design, bidding, and final project costs. If the application is approved, the final bond documents will be brought back to the Board for consideration with bond counsel and the financial advisor. Staff indicated that the final bond documents are anticipated to be presented around March.

Staff noted that the proposed financing is through the Texas Water Development Board Development Fund. Current estimated interest rates were discussed, with rates in the high three-percent range. The Development Fund is being pursued because the Clean Water State Revolving Fund is subject to funding limitations and would not provide an opportunity for the District to close financing within the desired project timeframe.

McDaniel made a motion to approve resolution no 2026-09-A. Second by Roberson. All voted in favor. Motion passed.

M. Consideration and possible action related to Non-Standard Water and/or Wastewater Service Agreement(s):
    1. Bexar County ESD #12 - Water Non-Standard Service Agreement
    2. Montecristo Estates - Water Non-Standard Service Agreement
    3. Pic N Pac #16 Carwash - Water Non-Standard Service Agreement
    4. Schmoekel Tract – Water Non-Standard Service Agreement
    5. Schmoekel Tract – Wastewater Non-Standard Service Agreement

Staff presented 5 NSSAs items for Board consideration. Staff recommended pulling the Schmoekel Track items, Numbers M.4 and M.5, from the current agenda and placing them on the following month's Board agenda to allow additional discussion.

Staff recommended approval of the remaining NSSAs, including Bear County ESD No. 12, Monte Cristo Estates, and Pick and Pack #16 Car Wash. These items were previously presented to the Construction Committee. Staff and Construction Committee recommends approval.

Sherman made a motion to approve items M.1 through M.3. Second by Roberson. All voted in favor. Motion passed.

Sherman made a motion to table items M.4 & M.5. Second by Roberson. All voted in favor. Motion passed.

N. Hear updates on the items below from GVSUD General Counsel. "Tex. Gov't Code Section 551.071"
    6. Pending or Threatened Litigation
    7. Legal Changes Affecting the District

Rutherford identified an additional issue affecting the District that requires Board awareness and discussion. Counsel requested that these matters be discussed in Executive Session.

The Board went into Executive Session at 9:57.

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:

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

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

The Board reconvened on open session at 11:14.

Post Executive Session:

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

R. Discussion and possible action to adjust the date for the October 2026 Board of Director's regular meeting

Sherman made a motion to reschedule the October 2026 Board meeting to October 15th at 9:00 a.m. Second by Hendrix. All voted in favor. Motion passed.

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

T. Adjournment.

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

Meeting was adjourned at 11:15 a.m.

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

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*********September 24, 2026 Board Meeting Minutes were approved on October 15, 2026*********