

**San Patricio Municipal Water District
MEETING MINUTES
December 9, 2025**

President Troy Mircovich called the meeting of the Board of Directors of San Patricio Municipal Water District to order at 2:00 p.m. with the following members and officers present:

**Troy Mircovich, President
Thomas Bridges, Vice-President
Danny Cox, Director
Yolanda Carr, Director
Mark Evans, Director
Larry Kalich, Director
Doil Kellar, Director
Brian Williams, Manager
Rebecca Klaevemann, Secretary Treasurer**

Also present were Assistant General Manager Mallory Lightsey, Jake Krumnow, O & M Manager, Cliff Ezell, HR Manager, Karen Ivey, Assistant Secretary, Newman "Tree" Baker, General Counsel, Shana Elliot, Terry Arnold, and Jaime Kypuros. President Troy Mircovich led the pledge to the American flag and Texas flag.

No public comment.

1. Minutes of November 11, 2025. A motion was made and seconded to approve the minutes of November 11, 2025.

Motion carried unanimously.

2. Fiscal Year 2026 Proposed Budget. The Fiscal Year 2026 Budget was presented at the October 28, 2025 Budget Board meeting. Secretary/Treasurer Rebecca Klaevemann sent out the 2026 proposed rate letters to all the District's Industrial and Municipal customers after the Budget Board meeting to allow a 30-day comment period. The Proposed Budget was placed as an item on the November Agenda to allow for any customer discussion. No customers were present to make comments. Secretary/Treasurer Rebecca Klaevemann stated the North Shore Country Club will update their contract with the District in January of 2026. A motion was made and seconded to approve the Fiscal Year 2026 Budget and supporting rates as presented. Motion carried unanimously.

3. Budget Amendment Fiscal Year 2025- Plant A Raw Water Reroute. Discussion by Board and staff. Bids were opened on December 4, 2024 and the low bid was provided by Bridges Specialties, Inc. for \$800,700.00. There were no change orders but an additional \$86,652.51 was spent on the portion completed by staff for Plant A chemical building control improvements. In the Fiscal Year 2025 budget that was approved there was \$340,000 for OXY's portion (OXY agreed to pay for those improvements in their future water rates) and \$160,000 for the District's portion with an additional \$40,000 for an unrelated project that was removed making the amendment to the budget line item Plant A Capital Improvements in the amount of \$347,352.51. Original Budget Plant A - \$200,000, Plant B - \$340,000 for a total of \$540,000. Total spent on Plant A Raw Water Reroute \$887,352.51 minus \$540,000 equals \$347,352.51. A motion was made and seconded to approve the amendment to the Fiscal Year 2025 budget line item Plant A Capital Improvements in the amount of \$347,352.51. Motion carried unanimously.

4. A Resolution Relating to Establishing the District's Intention to Reimburse Itself for Prior Lawful Expenditure of Funds Relating to Constructing Various District Improvements from the Proceeds of Tax-Exempt Obligations to be Issued by the District for Authorized Purposes; Authorizing Other Matters Incident and Related thereto: and Providing an Effective Date. Discussion by Board and Staff. A motion was made and seconded to approve the:

RESOLUTION (RES-004)

A RESOLUTION RELATING TO ESTABLISHING THE DISTRICT'S INTENTION TO REIMBURSE ITSELF FOR THE PRIOR LAWFUL EXPENDITURE OF FUNDS RELATING TO CONSTRUCTING VARIOUS DISTRICT IMPROVEMENTS FROM THE PROCEEDS OF TAX- EXEMPT OBLIGATIONS TO BE ISSUED BY THE DISTRICT FOR AUTHORIZED PURPOSES; AUTHORIZING OTHER MATTERS INCIDENT AND RELATED THERETO; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the Board of Directors (the Governing Body) of the San Patricio Municipal Water District (the Issuer) has entered into or will enter into various contracts pertaining to the expenditure of lawfully available funds of the Issuer to finance the costs associated with (i) (a) designing, planning, building, improving, extending, enlarging, repairing, and equipping the District's utility

system; and (b) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes (the Construction Costs), (ii) the payment of various engineering costs, including design testing, design engineering, and construction inspection related to the Construction Costs (the Engineering Costs), (iv) the payment of various architectural costs, including preparation of plans and specifications and various other plans and drawings related to the Construction Costs (the Architectural Costs), and (v) the payment of various administrative costs, including the fees of bond counsel, financial advisor, project manager, project consultant, other professionals, and bond printer (the Administrative Costs) [the Construction Costs, the Engineering Costs, the Architectural Costs, and the Administrative Costs collectively constitute the costs of the Issuer's projects that are the subject of this Resolution (the Project)]; and

WHEREAS, the provisions of Section 1201.042, as amended, Texas Government Code (Section 1201.042) provide that the proceeds from the sale of obligations issued to finance the acquisition, construction, equipping, or furnishing of any project or facilities, such as the Project, may be used to reimburse the Issuer for costs attributable to such project or facilities paid or incurred before the date of issuance of such obligations; and

WHEREAS, the United States Department of Treasury (the Department) released Regulation Section 1.150-2 (the Regulations) which establishes when the proceeds of obligations are spent and therefore are no longer subject to various federal income tax restrictions contained in the Internal Revenue Code of 1986, as amended (the Code); and

WHEREAS, the Issuer intends to reimburse itself, within eighteen months from the later of the date of expenditure or the date the property financed is placed in service (but in no event more than three years after the original expenditures are paid), for the prior lawful capital expenditure of funds from the proceeds of one or more series of tax-exempt obligations (the Obligations) that the Issuer currently contemplates issuing in the principal amount of not to exceed \$35,000,000 to finance a portion of the costs of the Project; and

WHEREAS, under the Regulations, to fund such reimbursement with proceeds of the Obligations, the Issuer must declare its expectation ultimately to make such reimbursement before making the expenditures; and

WHEREAS, the Issuer hereby finds and determines that the reimbursement for the prior expenditure of funds of the Issuer is not inconsistent with the Issuer's budgetary and financial circumstances; and

WHEREAS, the Governing Body hereby finds and determines that the adoption of this Resolution is in the best interests of the residents of the Issuer; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN PATRICIO MUNICIPAL WATER DISTRICT THAT:

SECTION 1. This Resolution is a declaration of intent to establish the Issuer's reasonable, official intent under section 1.150-2 of the Regulations and Section 1201.042 to reimburse itself from certain of the proceeds of the Obligations for any capital expenditures previously incurred (not more than 60 days prior to the date hereof) or to be incurred with respect to the Project from the Issuer's General Fund or other lawfully available funds of the Issuer.

SECTION 2. The Issuer intends to issue the Obligations and allocate within 30 days after the date of issuance of the Obligations the proceeds therefrom to reimburse the Issuer for prior lawful expenditures with respect to the Project in a manner to comply with the Regulations.

SECTION 3. The reimbursed expenditure will be a type properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles.

SECTION 4. The Issuer intends to otherwise comply, in addition to those matters addressed within this Resolution, with all the requirements contained in the Regulations.

SECTION 5. This Resolution may be relied upon by the appropriate officials at the Office of the Attorney General for the State of Texas and establishes compliance by the Issuer with the requirements of Texas law and the Regulations.

SECTION 6. With respect to the proceeds of the Obligations allocated to reimburse the Issuer for prior expenditures, the Issuer shall not employ an abusive device under Treasury Regulation Section 1.148-10, including using within one year of the reimbursement allocation, the funds corresponding to the proceeds of the Obligations in a manner that results in the creation of "replacement proceeds", as defined in Treasury Regulation Section 1.148-1, of the Obligations or another issue of tax-exempt obligations.

SECTION 7. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Governing Body.

SECTION 8. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict,

and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

SECTION 9. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 10. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Governing Body hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 11. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 12. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

PASSED, ADOPTED AND APPROVED on this the 9th day of December, 2025.

Motion carried unanimously.

5. Local, Regional, and State Water Updates. Discussion by Board and staff.

6. Brackish Groundwater Development – Emergency Conditions. Discussion by Board and staff. A motion was made and seconded to consider that the drought conditions have created a state of emergency that enables the San Patricio Municipal Water District the ability to utilize all necessary resources not to exceed \$1.5 million to continue to fulfill the mission. Motion carried unanimously.

President Troy Mircovich skipped items 7. Economic Development, item 8. Director Positions, and item 9. Personnel.

10. Manager's Reports.

a. Management Reports

- i. Water Supply & Demand**
- ii. Infrastructure & Facilities**
- iii. Municipal & Industrial Development**
- v. Personnel.**

b. Financial Report.

7. Economic Development.

8. Director Positions.

9. Personnel.

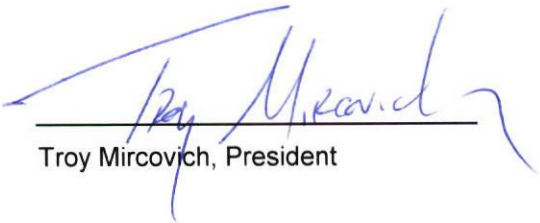
President Troy Mircovich called the meeting into executive session at 3:03 p.m. pursuant to the Texas Government Section 551.087 for Economic Development for item 7. Economic Development and Code Section 551.074 for Personnel Matters for Item 8. Directors Positions and Item 9. Personnel. The meeting was called back into open session by

President Troy Mircovich at 3:54 p.m. On Item 8 Directors Positions, a motion was made and seconded to accept Troy Mircovich's resignation as President of the Board and by Board Policy the Vice-President Thomas Bridges assumes the position of President. Motion carried unanimously.

7. **Adjourned.** The meeting adjourned at 3:56 p.m.



Karen Ivey, Assistant Secretary



Troy Mircovich, President