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July 2, 2026

Mr. Eric Burnett
President, Board of Directors
Nueces River Authority
539 S Highway 83
Uvalde, TX 78801

Dear Mr. Burnett:

Thank you for meeting with me on June 11, 2026, to discuss the Nueces River Authority's Harbor Island Desalination Project. I appreciate you taking the time to walk me through the project milestones and schedule and to provide those materials for my records.

I am writing today because I have since reviewed the recent news reporting on the NRA's finances, along with bank statements I requested from the agency, and I have a number of concerns and follow-up questions I would like the Board to address.

The KRIS 6 News article, "Nueces River Authority's desalination pipeline stalls as agency's funds run low, federal aid unconfirmed," published on July 1, raised questions and concerns I believe warrant a response:

- Board member Dan Suckley stated at the June 25 meeting that the agency is "conceivably... out of money at the end of August in desal," and CFO Robin Murray did not dispute this, confirming it is true absent additional payments.
- The article reports that the NRA has been spending significantly more than it has been taking in, and that this trend is consistent with the prior fiscal year.
- Several previously reliable revenue sources have ended or been frozen, including the McMullen County utilities contract, a watershed education contract worth more than \$100,000, and a Texas Department of Agriculture colonia planning grant (a loss of roughly \$150,000).
- Funds intended for the desalination project — non-refundable reservation fees paid by member cities and water districts — have reportedly been used to cover general agency operating costs, including the majority of the Executive Director's salary.

- Renewal payments from at least three customer entities are late or uncertain, and at least one city (Kyle) has indicated it may not renew its contract.
- The Board has not received a full-year cash flow projection despite requesting one more than a year ago, and was instead given only a three-month snapshot at the June 25 meeting.

These are serious issues, and as a State Senator with a direct interest in the agency's financial stability, I would appreciate the Board's assurance that they are being addressed with urgency and transparency. Additionally, on June 2, 2026, I requested the April and May 2026 monthly bank account statements for all financial accounts maintained and administered by the NRA.

I have completed my review of the bank statements, which I received on June 16, 2026. Of the eleven accounts provided, several are restricted to very specific purposes and cannot reasonably be used to cover general operations — among them the Leakey-related accounts, the SB 8 Regional Flood Planning account, the Green Lake Drainage Project account, and the SB 1 Coastal Bend account.

The General Operating accounts and the Harbor Island Desal Construction account appear to offer more flexibility, but the funding available in them is limited relative to the agency's ongoing salary and operating obligations. Based on the recent activity in those accounts, I estimate that combined salaries and other recurring monthly expenses (payroll taxes, vendor and contract payments, software, fleet, lease, and debt service) are running at a pace that these accounts alone could not sustain for more than a few months without new revenue coming in.

Given the information above, I would ask that Mr. Byrum or Ms. Murray provide the following:

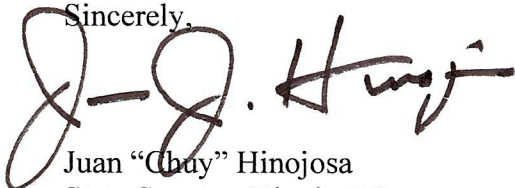
- The agency's current total monthly recurring expenses, broken out by category — including salaries and payroll taxes, contract obligations (e.g., engineering, IT/software, professional services), and other operating expenses — for each fund/account.
- A specific description of the actions the agency is planning to take to ensure it does not run out of money in the Desal fund or elsewhere, including any contingency plan should the anticipated federal or state funding not materialize on the timeline Mr. Byrum has described.
- Whether any of the agency's current contracts — including the lease agreement with the Port of Corpus Christi, the engineering agreement with Lockwood, Andrews & Newnan and any vendor, or financing agreements — carry early termination penalties or fees, and if so, the amount of NRA's potential exposure.
- The full-year cash flow projection that Board member Suckley has requested, which I understand has not yet been provided.

- A clear, written accounting of what funding request(s), if any, have actually been submitted to the state or federal government for the Harbor Island project — by whom, to whom, in what amount, and in what form.
- A status update on renewal payments currently outstanding or in question from customer cities and water districts, and the agency's plan if several of those contracts are not renewed.
- Copies of the monthly financial reports the Board began requiring in May.
- Whether the Board has considered, or plans to consider, borrowing to bridge any shortfall in the Desal fund, as Mr. Byrum reportedly suggested — and if so, on what terms and from what source.

I want to be clear that I remain supportive of the desalination effort and understand the urgency of the region's water supply needs. At the same time, I would respectfully remind the Board that the NRA's core mission is the conservation and development of the Nueces River and the region's broader water resources — not any single project. Based on the news reporting and the financial records I have reviewed, it appears that mission may have taken a backseat in the pursuit of the Harbor Island project, to the point of putting the agency's day-to-day operations and its other, purpose-specific accounts at risk. I would encourage the Board to ensure that the desalination project's ambitions remain in line with what the agency can actually afford, and with its responsibility to the communities it was created to serve.

I appreciate your attention to these questions and request a written response. Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,



Juan "Chuy" Hinojosa
State Senator, District 20

Cc: The Honorable Greg Abbott, Governor of Texas
The Honorable Dan Patrick, Lt. Governor of Texas
The Honorable Charles Perry, Chairman of the Senate Committee on Water, Agriculture,
and Rural Affairs
The Honorable Adam Hinojosa, State Senator, District 27
The Honorable Todd Hunter, State Representative, District 32
The Honorable Denise Villalobos, State Representative, District 34
The Honorable J.M. Lozano, State Representative, District 43
Bryan McMath, Executive Administrator of the Texas Water Development Board
Kelly Keel, Executive Director of the Texas Commission on Environmental Quality
Jane D. Bell, NRA Board of Directors from Nueces County

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Debra Y. Hatch, NRA Board of Directors from Nueces County
Eliza Santos McElhaney, NRA Board of Directors from Nueces County
The Honorable Daniel R. "Dan" Suckley, NRA Board of Directors from Nueces County
Dr. Chasey M. Sanchez, NRA Board of Directors from Jim Wells County
Howard A. "Tony" Wood, NRA Board of Directors from Jim Wells County