

**GRP Review Committee
Minutes of Regular Meeting
February 20, 2017**

The San Jacinto River Authority GRP Review Committee meeting was held at 11:30 a.m., February 20, 2017, at the San Jacinto River Authority GRP Division Operations Building located at 6627 Longmire Road, Conroe, Texas, 77304. Committee members Jackie Chance, Mike Mooney, Scott Taylor, Kerry Masson, and Melanie White were present.

1. CALL TO ORDER

The meeting was called to order at 11:32 a.m.

2. PUBLIC COMMENTS (maximum of 3 minutes per speaker)

There were no public comments.

3. APPROVAL OF MINUTES

Mr. Mooney indicated that the minutes of the GRP Review Committee meeting on January 23, 2017, were before the Committee for consideration. Motion was made by Mr. Mooney, seconded by Mr. Taylor, motion was approved, with the noted correction about removing a duplicated sentence on page two.

4. CITY OF WILLIS COOLING TOWER UPDATE

Mike Mathena, with Bleyl Engineering, updated the Review Committee on the progress being made with the City of Willis' cooling towers. A construction contract was awarded to Schier Construction Company, Inc. in the amount of \$1,096,500.00. This contract covers Water Plant No. 1 and 3 with a completion time of 240 days from notice to proceed date, which was February 2, 2017. Completion date is anticipated at September 29, 2017.

5. BUDGET POLICY PRESENTATION

Mr. Mark Smith gave a presentation covering the FY2018 GRP Budget Guidelines and Policies. For planning purposes, GRP staff is proposing using a 5% lower projected demand due to water demands in calendar year 2016 coming in below projections. Mr. Smith noted that since the GRP staff is in the preliminary stage of developing the FY18 budget, no numbers have been plugged into the rate model yet and, therefore, he does not know what impact this will have on the rate. Mr. Smith further discussed Reserve Funding and use of the Multi-Purpose Operating Reserve Fund, stating there is currently 4.33 months of budgeted operating reserves on hand. Mr. Smith further stated that the GRP is not currently funding either R&R Reserve or Capital Reserve at this time, and that neither of said reserves contains any funds at this time. Mr. Smith informed the Review Committee that there are a few items the GRP staff would like input from the GRP Review Committee on.

- a. Receive guidance from Review Committee regarding Trinity River Authority option water supply.**

In March, 2013, the GRP Review Committee approved the option agreement with the Trinity River Authority in the amount of \$237,500 a year until December, 2021. At that point in time the Option payment converts to a Reservation payment, which would be equal to 50% of the current raw water rate and totaling approximately \$2,375,000 per year in current dollars. The GRP would also need to obtain an Inner Water Basin Permit, which would require funds for legal services. The current GRP, on file with Lone Star Ground Water Conservation District, does not take this water into account until the year 2045.

The GRP staff needs to determine if this is something the committee wants to continue paying for or opt out of. This decision will have a direct impact on the GRP rate. If the decision is made to opt out, the SJRA's Raw Water Enterprise may assume the payment and control of the future water supply; if not, the water will go back to the TRA. If SJRA lets the water go back to TRA, it will likely not be available in the future. Mr. Smith asked that the GRP Review Committee to give this decision thought, and stated this item will be put on the agenda for next month. In the meantime, SJRA will meet with the Long Range Planning Committee to see what their plans are and if they would want to pay for these water rights if the GRP opts out.

- b. Receive guidance from Review Committee regarding GAC level of service.

Currently 100% of all water treated at the GRP Surface Water Treatment Facility runs through the GAC process. Due to the operational cost of this process, GRP staff is considering bypassing a certain percentage when conditions allow. This consideration is with the understanding that Participants may receive calls regarding taste and odor. Adjustments will be made by testing and observing raw water conditions; over time this will allow operations to be able to find optimal times in which GAC can be bypassed. Staff is asking for a recommendation from the Review Committee on what level of bypass they feel would be acceptable. After a brief discussion, the Review Committee recommended to bypass GAC on a 5% annual average.

6. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS ON FEBRUARY 23, 2017

- a. Consider authorizing the General Manager to execute a Supplemental Agreement to the GRP Contract with Montgomery County Municipal Utility District (MUD) No. 24.

Mr. Smith explained that Porter SUD's (Special Utility District) service area overlapped portions of Montgomery County MUD No. 24's service area. This has created a situation where Montgomery County MUD No. 24 could potentially have to pay GRP Fees to two different GRP's. Mr. Smith further explained that the area in question is undeveloped and not generating any revenue for the GRP at this time. The proposal would amend Montgomery County MUD 24's service area to exclude the portion of property served by Porter SUD. This agreement will not affect revenue in any way, as the agreement requires that Montgomery County MUD No. 24 pay their pumpage fee based on 2014 groundwater production or the current year's pumpage, whichever is greater. After brief discussion, motion was made by Mr. Chance, seconded by Mr. Masson, and unanimously passed to execute a Supplemental Agreement to the GRP Contract with the Montgomery County Municipal Utility District (MUD) No. 24.

- b. Consider authorizing the General Manager to execute a Second Supplemental Agreement to the GRP Contract with MSEC Enterprises, Inc., for water receiving facility improvements.

Mr. Smith explained that the proposed Second Supplemental Agreement with MSEC Enterprises, Inc. (MSEC) provides for the upgrades to MSEC's water receiving facility, known as Water Plant No. 1. These improvements will consist of a new 12 inch pipe (to replace the current 6 inch pipe) along with a new meter, valves, and other associated materials related to the increase in pipe diameter. SJRA agrees to pay an amount not to exceed \$116,719 for improvements to MSEC's Water Plant No. 1. This amount is 50%

of the construction cost of \$208,425 and 100% engineering cost of \$12,506, totaling \$220,931. After a brief discussion, Motion was made by Mr. Taylor, seconded by Mr. Chance, and unanimously passed to execute a Second Supplemental Agreement to the GRP Contract with MSEC Enterprises for water receiving facility improvements.

- c. Consider authorizing the General Manager, or his designee, to execute Letter(s) of Assurance to Lone Star Groundwater Conservation District for new Participants in the GRP Program, as requested, and approve the GRP Contract(s) as presented and authorize the execution of same by the General Manager.

No New Participants at this time.

7. UPDATE REGARDING GRP DIVISION

a. Compliance and Customer Service Update

Mr. Matt Corley, Compliance & Administrative Manager, presented a compliance update. Mr. Corley gave a presentation, going over the GRP timeline for the past ten years including: LSGCD requirements, 2016 GRP Water Production, 2016 GRP Water Source Totals, and the GRP Phase I Accomplishments.

b. Operations Update

Mr. Don Sarich, Senior O&M Utility Manager, presented an operations update. Mr. Sarich stated pretreat reported low turbidity in the month of February. The GAC replacement is scheduled to start on March 20, 2017. The water line repair in The Woodlands passed pressure test, and will start flushing this week. All work is still on schedule. Mr. Chance stated he had bought out a TEEX instructor to tour the plant earlier in the month and wanted to state how impressed they were the plant facilities. Mr. Chance stated the TEEX instructor stated it was one of the best plants he had ever seen.

c. Financial Update

Mr. Matt Corley, Compliance & Administrative Manager, presented the financial update. Mr. Corley provided that the total operating revenues for January were \$2,877,009 and operating revenues YTD were \$19,465,464, giving the GRP an unfavorable variance of (7%). Mr. Corley then provided that the total operating expenses for January were \$3,690,623 and operating expenses YTD were \$9,177,600, giving the GRP a favorable variance of 8%. Mr. Corley went on to provide that the cash balance as of January 31, 2017, was \$8,478,811 and the GRP had approximately 4.33 months of budgeted operating reserve.

8. DISCUSSION REGARDING FUTURE AGENDA ITEMS

Mr. Smith stated the following items will be presented in the upcoming months:

- a. Update on FY 2018 Budget and Rate Development – March
- b. FY 2018 Budget and Rate Presentation – April
- c. Vote on Recommendation of Budget and Rate for FY 2018 - May

9. FUTURE MEETING SCHEDULE

- March 20, 2017
- April 24, 2017
- May 22, 2017
- June 19, 2017

10. ADJOURN

Without objection, the meeting was adjourned at 1:07 pm.


Matt Corley
Compliance & Administrative Manager


Mark Smith
GRP Administrator