

**GRP Review Committee
Minutes of Regular Meeting
April 24, 2017**

The San Jacinto River Authority (SJRA) GRP Review Committee meeting was held at 11:30 a.m., April 24, 2017, at the San Jacinto River Authority GRP Division Operations Building located at 11998 Pine Valley Drive, Conroe, Texas, 77304. A notice of said meeting was posted per GRP Contract requirements. Committee members Jackie Chance, Mike Mooney, Scott Taylor, Kerry Masson, Joe Sherwin and Melanie White were present. GRP Division Manager Mark Smith, Senior O&M Utility Manager Don Sarich, Compliance & Administrative Manager Matt Corley, Deputy General Manager Ron Kelling, Technical Services Manager Steve Fenney, Administrative Assistants Lisa Yohner and Tina Felkai and General Counsel Mitchell Page were in attendance.

1. CALL TO ORDER

The meeting was called to order at 11:40 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 March 20, 2017, were before the Committee for consideration. Motion was made by Mr. Chance, seconded by Mr. Masson, motion was unanimously approved.

4. PRESENTATION REGARDING GRP DIVISION 10-YEAR PROJECT PLAN

Mr. Smith presented the Committee with an overview of the GRP Division's 10-Year Project Plan, which included each project, delivery method, funding source, project schedule, and related costs.

After presenting an overview of the GRP 10-year Project Plan, Mr. Smith addressed questions from the Committee. Mr. Masson wanted clarification regarding the Optimization Study. Mr. Smith explained the Optimization Study was already completed, but the bottle necks identified during the study were put on hold due to funding. Mr. Taylor asked if the GRP staff had a target in mind as to what the desired plant rating should be. Mr. Smith stated there is not a target in mind at this time, but the re-rating study would provide more information to better determine a target. Mr. Smith went on to state that participation in any line extension projects would depend on funds being available to participate. If no funds are available the GRP will not participate in the project.

No action was taken.

5. PRESENTATION REGARDING FISCAL YEAR 2018 DRAFT BUDGET AND AMENDED GRP RATE ORDER

Mr. Smith presented the Fiscal Year 2018 Draft Budget and Amended GRP Rate Order. Mr. Smith explained that the GRP Division objectives for FY2018 were to produce and deliver an adequate quantity of surface water to meet LSGCD rules for groundwater reduction,

ensure that surface water produced at the surface water treatment plant and delivered to the surface water receiving facilities meets TCEQ's safe drinking water standards, and to provide rates that are the lowest which consistent with good management practices. Mr. Smith then discussed Budget Assumptions, FY2017 Cash Flow and the GRP Operating Budget Expenses for FY2017 and proposed for FY2018. Mr. Smith explained the risks involved with the proposed FY2018 Budget, stating that the FY2018 Budget was developed under "Damp" conditions, which may be too optimistic. The FY2018 budget delays full funding of the Operating Fund balance, delays funding of R&R Reserve, and delays funding of Capital Reserve. Failure to fund the Capital Reserve makes the GRP unable to address possible line extension requests and AWS development. Mr. Smith went over the Conroe Litigation Impact on the budget. Due to legal costs paid out in FY2017, projected costs in FY2018, and the amount owed in the arrears by Conroe and Magnolia, it is projected to cost the GRP \$2,776,000. This amount has an effect on the rate of approximately 12.6 cents. The proposed FY2018 Rates are as follows:

- Groundwater Pumpage Fee \$2.64/1,000 gal
- Treated Surface Water Fee \$2.83/1,000 gal

Mr. Smith requested that the GRP Review Committee Members take the material provided, review the material and provide any comments at the Special Budget and Rate Workshop on May 8, 2017.

No action was taken.

6. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS ON APRIL 27, 2017

- a. 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
Ms. Felkai, Administrative Assistant, presented a compliance update. Ms. Felkai stated since the completion of the line segment W2B repair that surface water usage in March was comparable last year's usage. March, 2017 groundwater usage remained relatively the same as it was for this period last year. Ms. Felkai notified the Committee that the GRP had submitted Lone Star's annual audit.

- b. Operations Update
Mr. Sarich, Senior O&M Utility Manager, presented an operations update. Mr. Sarich stated GAC replacement will be completed this week. The plant is currently running at 21 to 22 MGD on average. Mr. Sarich stated that the GRP participated in the AWWA Best Tasting Water in Texas contest. The GRP won 1st place and will now go on to participate in the national competition, June, 2017, in Philadelphia.

c. Financial Update

Mr. Matt Corley, Compliance & Administrative Manager, presented the financial update. Mr. Corley provided that the total operating revenues for March were \$3,440,624 and operating revenues YTD were \$25,993,434, giving the GRP an unfavorable variance of (6%). Mr. Corley then provided that the total operating expenses for March were \$1,250,669 and operating expenses YTD were \$12,265,691, giving the GRP a favorable variance of 17%. Mr. Corley went on to provide that the cash balance as of March 31, 2017, was \$7,756,020 and the GRP had approximately 4.43 months of budgeted Operating Reserve.

8. DISCUSSION REGARDING FUTURE AGENDA ITEMS

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

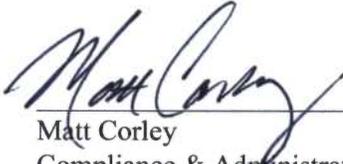
- a. Budget Workshop
- b. Vote on Recommendation of Budget and Rate for FY 2018 - May

9. FUTURE MEETING SCHEDULE

- May 08, 2017 – Budget Workshop
- May 22, 2017
- June 19, 2017
- July 24, 2017
- August 21, 2017

10. ADJOURN

Without objection, the meeting was adjourned at 12:35 pm.



Matt Corley
Compliance & Administrative Manager



Mark Smith
GRP Administrator