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**SAN JACINTO RIVER AUTHORITY WINS  
IMPORTANT COURT RULING PAVING THE WAY FOR FAST-TRACK  
ENFORCEMENT OF ITS GRP CONTRACTS**

The Austin Third Court of Appeals ruled Friday in favor of the San Jacinto River Authority (SJRA) on three key issues in its lawsuit related to its GRP contracts. This ruling paves the way for an Austin trial court to use a fast-track legal proceeding to decide the legal validity of the contracts and the 2017 GRP water rates.

In 2010, the City of Conroe and almost 90 other public and private water utilities entered into a contract to implement a joint, countywide groundwater reduction plan (GRP) whereby SJRA would deliver treated surface water to supplement existing supplies and meet growing demands. The GRP contract included provisions for periodic rate increases, which would be reviewed and approved by a committee comprised of GRP participants prior to adoption by SJRA's board.

The Third Court's ruling is a crucial interim victory for SJRA in the saga that began when the City of Conroe refused to pay SJRA's 2017 GRP rate increase, despite the GRP customer committee's unanimous approval of the proposed rates. The City of Magnolia later joined Conroe in refusing to pay the full rates, leaving other GRP participants—including area cities, municipal utility districts, and ultimately citizens—to make up the shortfall. SJRA General Manager Jace Houston noted the Cities' refusal to honor their contracts has forced other GRP participants to make up over \$2,236,000 in unpaid rates.

Houston stated that the Cities' inexplicable attempt to walk away from a contract they willingly entered into would create fiscal uncertainty and repercussions for all of the GRP participants. The Cities have refused to pay on the theory that the GRP contracts (which require the Cities to pay SJRA's rates) are invalid.

"The GRP contracts secure more than \$500 million in government bonds, the vast majority of which are held by the Texas Water Development Board," noted Houston. "If the GRP cannot make its payments, then Texas taxpayers could be unfairly burdened with the debt."

In response, SJRA filed a lawsuit to determine whether the GRP contracts and the 2017 rates are valid. SJRA sued under the Expedited Declaratory Judgment Act (EDJA), which authorizes fast-track resolution.

The Cities opposed and argued that the EDJA did not cover SJRA's claims. When the trial court sided with SJRA, the Cities appealed.

The Austin Third Court of Appeals unanimously agreed with SJRA on the key issues in a comprehensive 42-page opinion. Specifically, the Court affirmed that the EDJA covers three of SJRA's four requested declarations:

- SJRA is authorized to set rates pursuant to the GRP Contracts;
- SJRA issued its fiscal year 2017 Rate Order, including the 2017 rates, in accordance with the GRP Contracts; and
- SJRA's fiscal year 2017 rates, Rate Order, and GRP Contracts are legal and valid.

The Third Court's opinion means that SJRA will return to the district court in Travis County to obtain those declarations, which would then be binding in future litigation, including a suit determining whether Conroe and Magnolia have breached their GRP contracts by refusing to pay the 2017 rate increases.

The Cities would have an uphill battle in contesting the GRP contracts. The Third Court of Appeals' opinion states that the GRP contract "approvals by the Attorney General and ensuing events are deemed by statute to render both the bonds and the GRP Contracts valid, binding, and 'incontestable' in a court or other forum" under three different statutes. The Court did note that the parties disagree as to the effect of the incontestability, an issue to be resolved in the trial court.

Houston said that the Third Court's ruling is a significant step forward for SJRA and GRP participants.

"The Third Court correctly recognized that the Legislature wanted fast resolution of these crucial validity issues. Our other GRP members have been pushing to get answers and to hold Conroe and Magnolia accountable for the payments they have been avoiding and the increased costs they've caused the GRP to incur. The Cities can't keep delaying."

The Court also held that SJRA's fourth claim—whether the Cities breached their GRP contracts by not paying the 2017 rate increases—is not covered by the EDJA. According to Houston, this latter ruling poses no problem for SJRA.

"Once the trial court rules that the contracts and rates are valid, then it is clear that the Cities are breaching the contracts by refusing to pay." Houston added, "The EDJA will allow the Court to determine validity relatively quickly. Once the contracts and rates are declared valid, SJRA can easily prove breach in a separate suit."

For additional background information about this litigation, visit our website at <http://www.sjra.net/grp/>