



**GRP Division**

**Proposed Fiscal Year 2020 Operating Budget:**

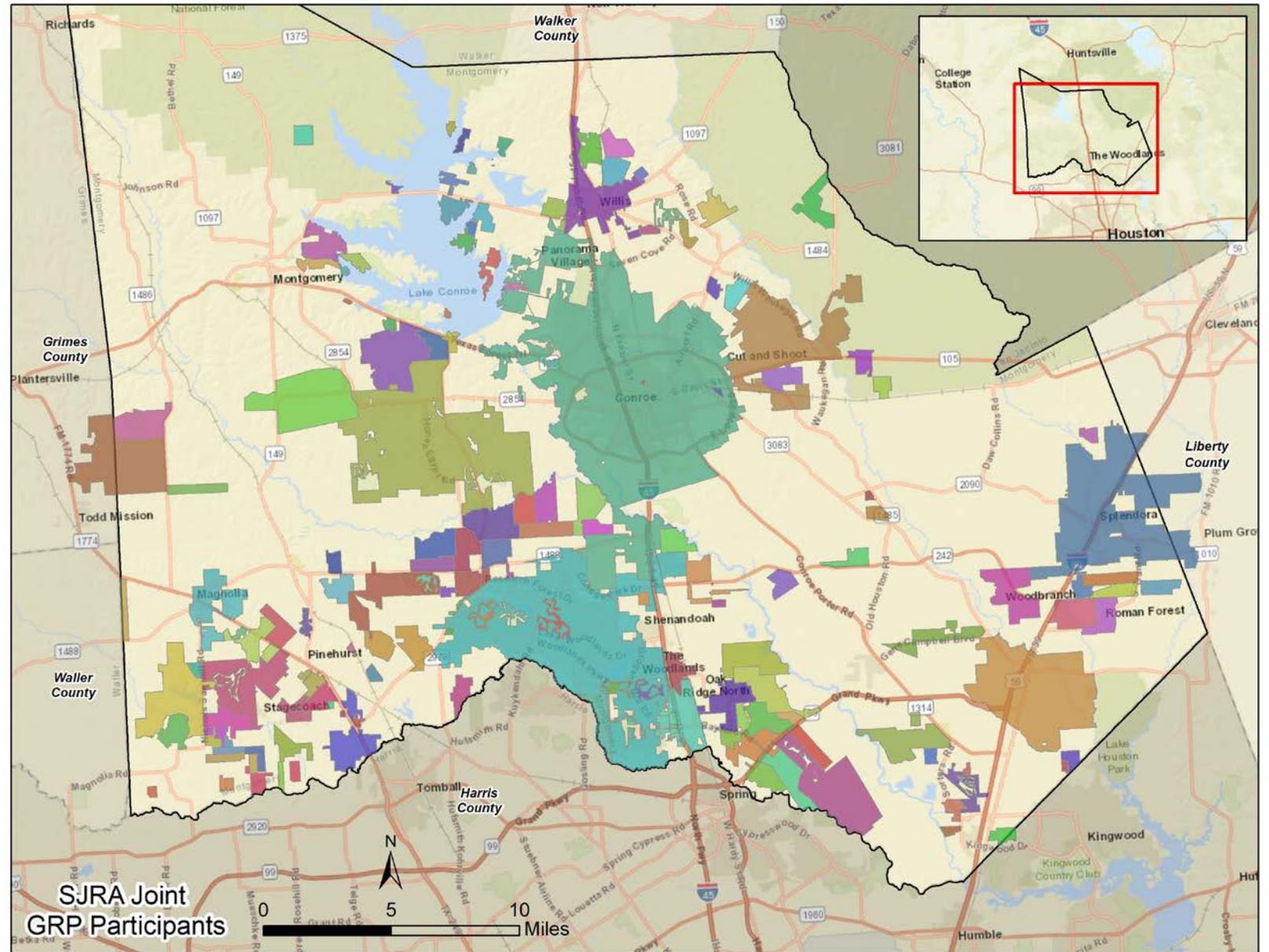
**Budgeting During Uncertainty**

**GRP Review Committee**  
**May 20, 2019**

**SJRA Board Meeting**  
**May 23, 2019**

# Joint GRP Participants

- 80 GRP Contracts
- 149 Large Volume Groundwater User (LVGU) Systems





# Current GRP FY 2019 Rates

- **Groundwater Pumpage Fee**                      **\$2.64/1000 gal**
- **Treated Surface Water Fee**                      **\$2.83/1000 gal**

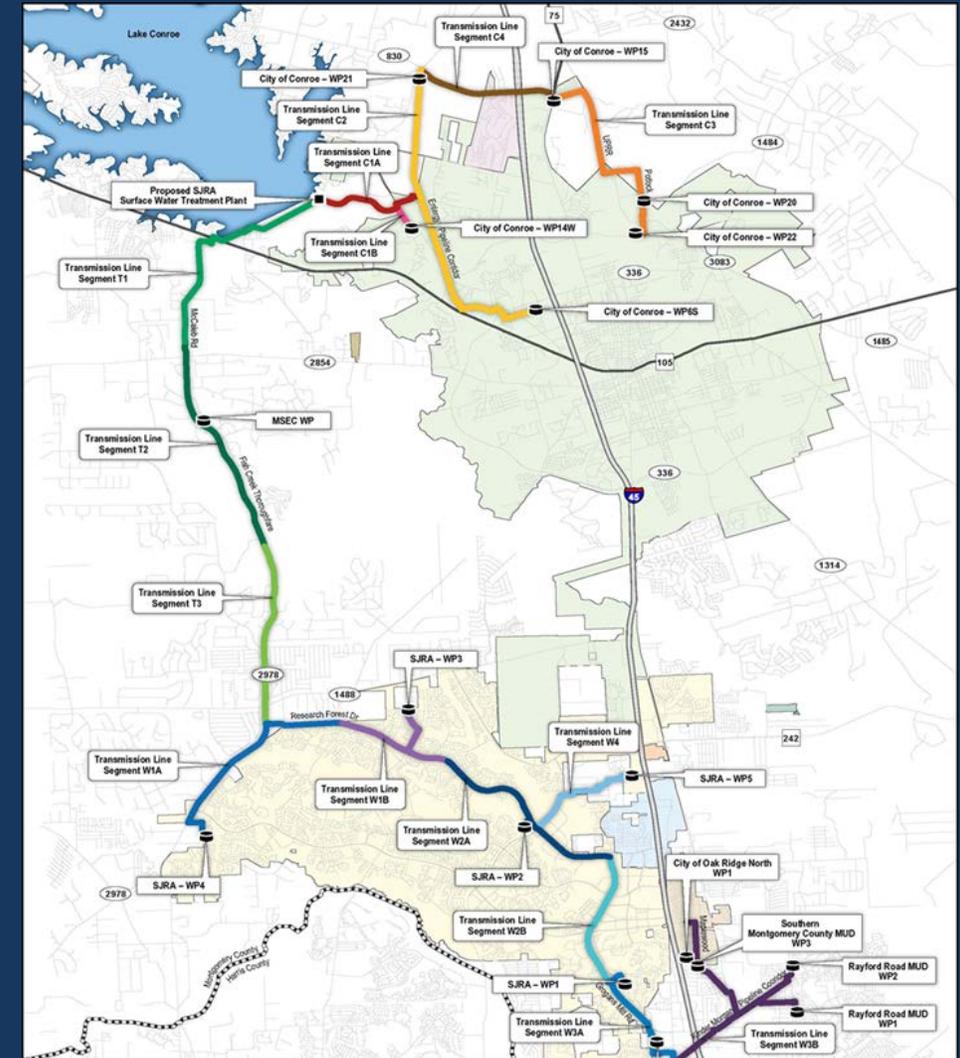
*Budgeted Total Demand = 52.72 MGD or 19.24 billion gallons*

*Treated Surface Water Production = 12 MGD Annual Average*

# Budgeting During Uncertainty

## FY 2020 Budget and Rate Development Goals

- Develop the FY 2020 Operating Budget following a concept of responsible management of \$500 MM GRP assets.
- Produce 12 mgd of surface water and deliver to 7 Participants.
- Develop a GRP Pumpage Fee and Surface Water Fee assessed to meet revenue requirements.



# Uncertainty? Maybe Not



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Austin, TX 78711-3231, www.twdb.texas.gov  
Phone (512) 463-7947, Fax (512) 475-2053

May 16, 2019

Samantha Reiter  
Interim General Manager  
Lone Star Groundwater Conservation District  
655 Conroe Park North Drive  
Conroe, Texas 77303

Dear Ms. Reiter:

We have completed our review of the Lone Star Groundwater Conservation District (district) groundwater management plan adopted by the district on March 12, 2019 and received by the Texas Water Development Board (TWDB) on March 18, 2019. We reviewed the plan to determine if it contains the information required under Texas Water Code § 36.1071(a) and (e). Based on our review, the plan is not administratively complete and, therefore, is not approved. This determination and the reason for the action are based on the following two deficiencies:

1. The management plan does not have specific and time-based management objectives or performance standards that the district will use to achieve the goal of addressing the desired future conditions adopted under Texas Water Code § 36.108 (as required by Texas Water Code § 36.1071(a)(8) and 31 Texas Administrative Code § 356.51 and § 356.52(a)(1-3)).

Section 10.8 of the management plan describes plans for tracking desired future conditions after *new* desired future conditions are adopted through the joint planning process at some time in the future. Section 7 describes how the desired future conditions adopted in 2016 were found in a contested case hearing to be no longer reasonable and that the district signed a final order agreeing to this decision. This section further concludes that "...no reasonable DFCs are available for inclusion in the management plan." While the 2016 desired future conditions were found to be no longer reasonable, desired future conditions *were* adopted by Groundwater Management Area 14 under § 36.108 in 2010 and, therefore, are the desired future conditions to be addressed in the plan. Before resubmitting the plan, please revise this section so that it addresses the desired future conditions as adopted in 2010.

#### Our Mission : Board Members

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas : Peter M. Lake, Chairman | Kathleen Jackson, Board Member | Brooke T. Paup, Board Member  
: Jeff Walker, Executive Administrator

Ms. Samantha Reiter  
May 16, 2019  
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2. The management plan does not include an estimate of the modeled available groundwater in the district based on the desired future condition adopted under Texas Water Code § 36.108 (as required by Texas Water Code § 36.1071(e)(3)(A) and 31 Texas Administrative Code § 356.52(a)(5)(A)).

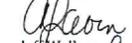
The modeled available groundwater estimates in GAM Run 16-024 MAG are based on desired future conditions adopted in 2016 that were found to be no longer reasonable, as described above. For purposes of the management plan, the desired future conditions adopted by Groundwater Management Area 14 in 2010 are the desired future conditions to be addressed in the plan. As the modeled available groundwater estimates in GAM Run 10-038 MAG are based on the 2010 desired future conditions, they are the modeled available groundwater estimates that should be included in the management plan.

In Appendix D of the management plan, and where it is mentioned elsewhere in the text, please replace GAM Run 16-024 MAG with GAM Run 10-038 MAG. Once Groundwater Management Area 14 establishes desired future conditions in the upcoming round of joint groundwater planning and the TWDB issues a new modeled available groundwater report, the district can submit an amended groundwater management plan with the new modeled available groundwater estimates.

Should you wish to correct the above deficiencies, you have 180 days to resubmit the plan. To facilitate any final review of a plan, we encourage you to take advantage of our management plan pre-review process prior to submitting an adopted plan. Or you may appeal this decision to the Board by notifying me in writing of your intent to appeal within 60 days of receiving this letter. You can find procedures for an appeal in 31 Texas Administrative Code § 356.55.

Should you have any questions or concerns, please contact Natalie Ballew, Manager of our Groundwater Technical Assistance Program, at 512-463-2779 or [natalie.ballew@twdb.texas.gov](mailto:natalie.ballew@twdb.texas.gov).

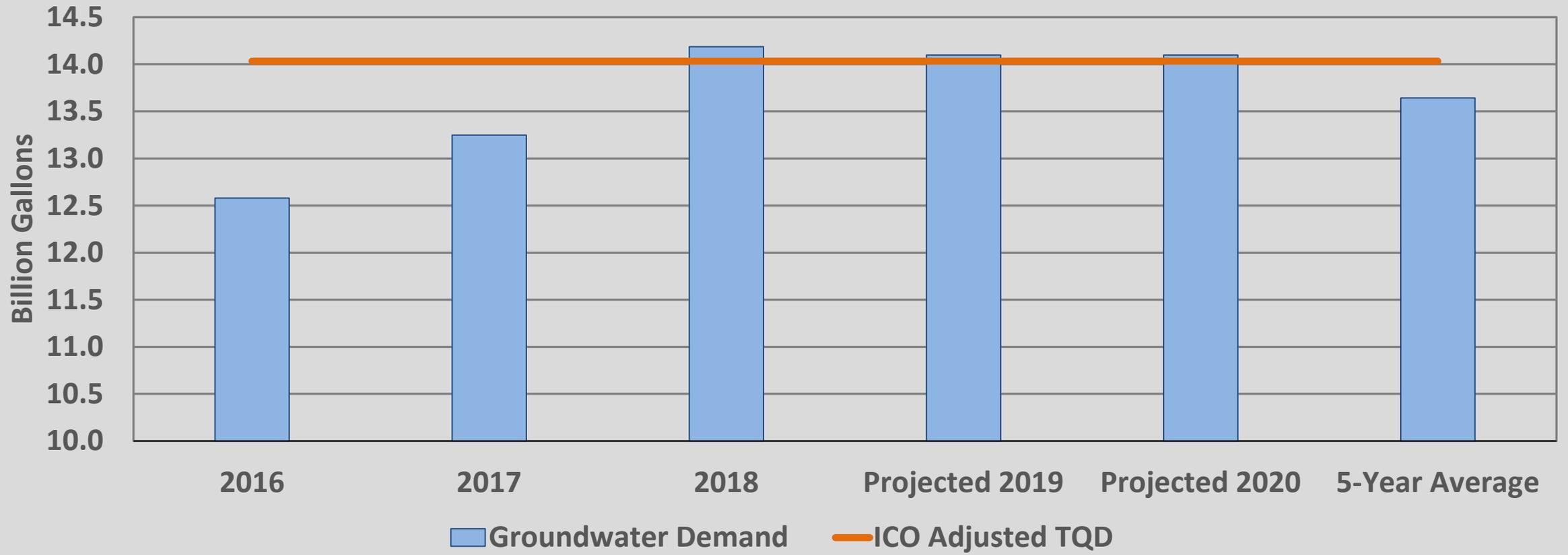
Sincerely,

  
Jeff Walker  
Executive Administrator

c w/o enc: John T. Dupnik, P.G., Deputy Executive Administrator of Water Science & Conservation  
Natalie Ballew, GIT, Groundwater  
Stephen Allen, P.G., Groundwater  
Abiy Berehe, Texas Commission on Environmental Quality  
Peggy Hunka, Texas Commission on Environmental Quality

## TWDB Rejects Lone Star Groundwater Conservation District's Draft Management Plan

# Compliance Overview



# Impactful Changes to FY 2020 Operating Budget

## Reduction in Expenses

- Quantity of GAC Changes
- Three vacant FTEs
- Professional Services

## Revenue Impacts

- Reduction in Projected Demands
- Anticipated Uncollected Revenue

## Increase in Expenses

- Chemicals
- Maintenance Contracts
- Cost of GAC Change Outs
- City of Houston Water Reservation Fee

# FY 2019 Budget/Projections

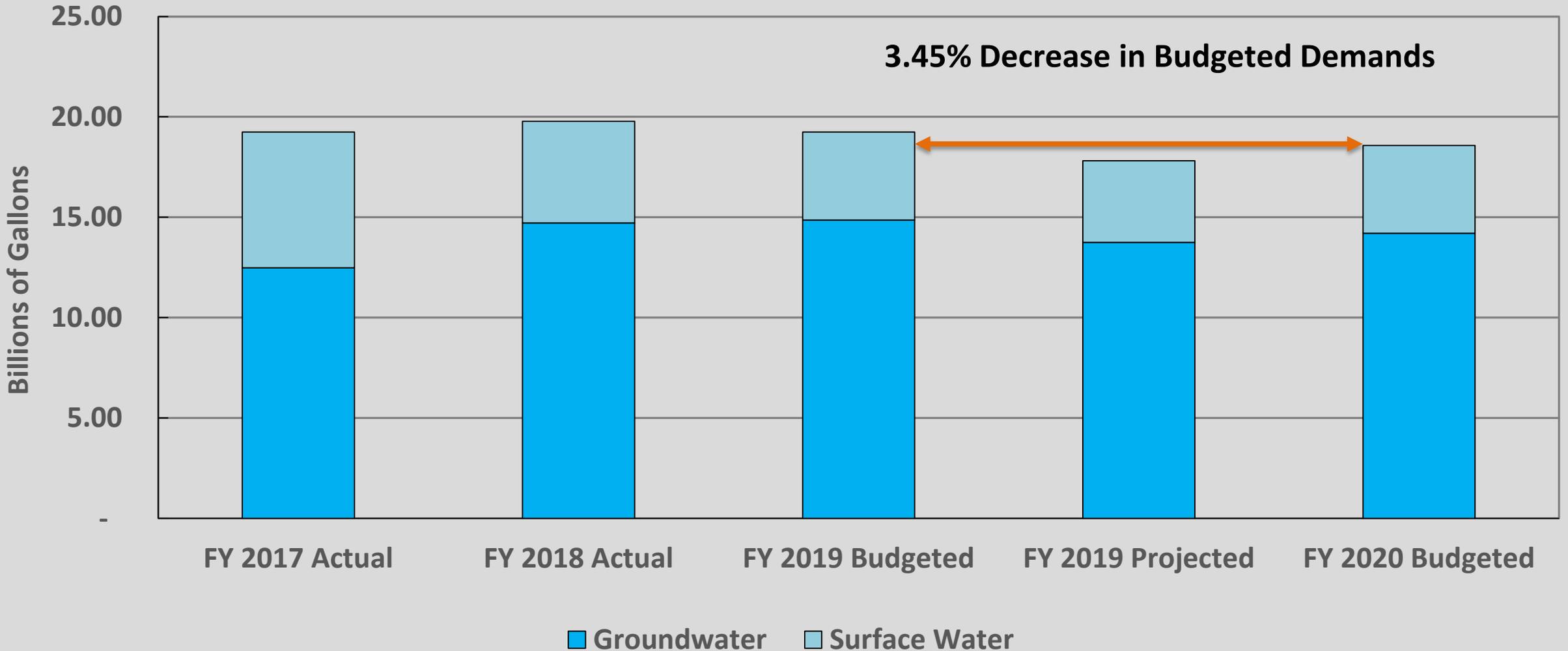
*(As of April 2019)*



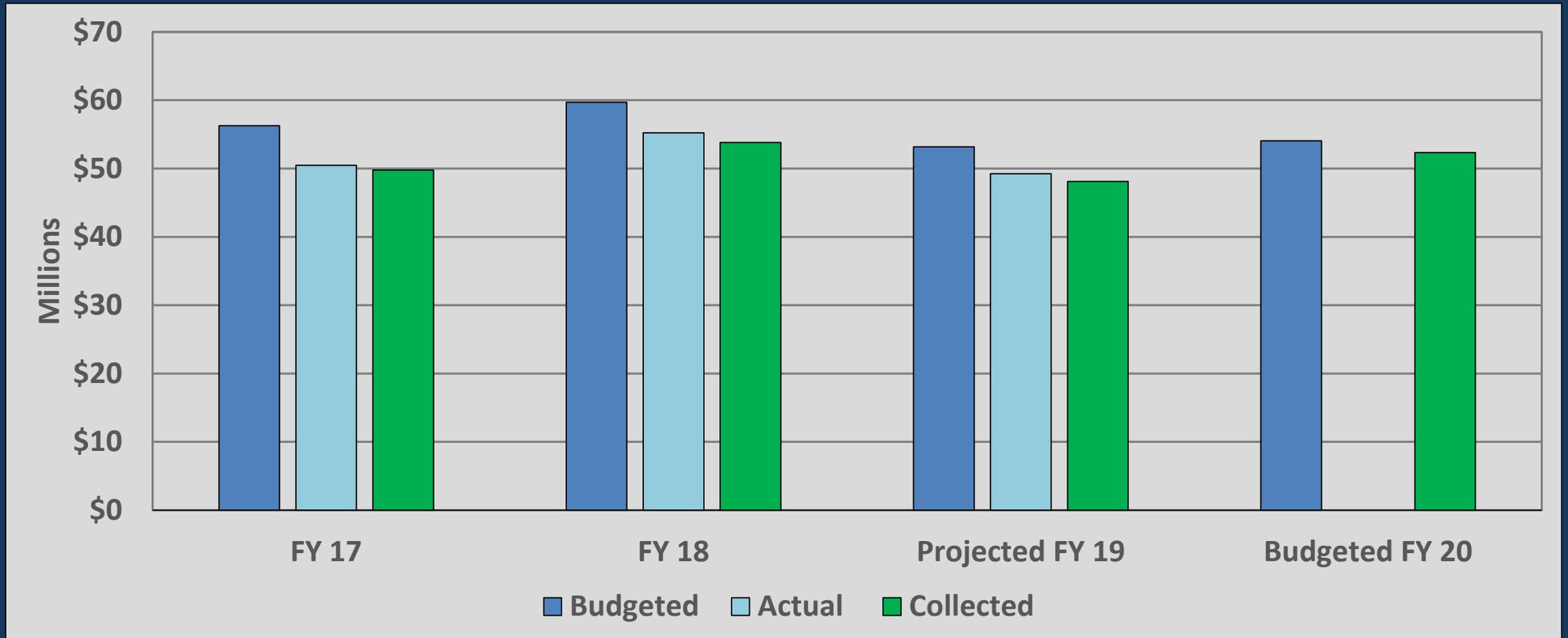
Category	FY19 Budget	FY19 Projected
Operating Revenues	\$ 53,193,280	\$ 49,237,025
Other Revenue	\$ 14,808	\$ 14,808
O&M Expenses	\$ 19,116,988	\$ 16,905,000
Debt Service	\$ 34,525,702	\$ 34,525,702
Capital Items/Prepaid COH Credit	\$ (399,867)	\$ (399,867)
<b>Change to Fund Balance</b>	<b>\$ (34,735)</b>	<b>\$ (1,779,002)</b>

*\* Change to Fund Balance does not include uncollected revenue.*

# GRP Water Demands



# GRP Operating Revenue



\* Total uncollected revenue (FY 17 through April 2019) = \$3,074,387

\*\* Projected uncollected revenue for FY 2020 = \$1,726,605

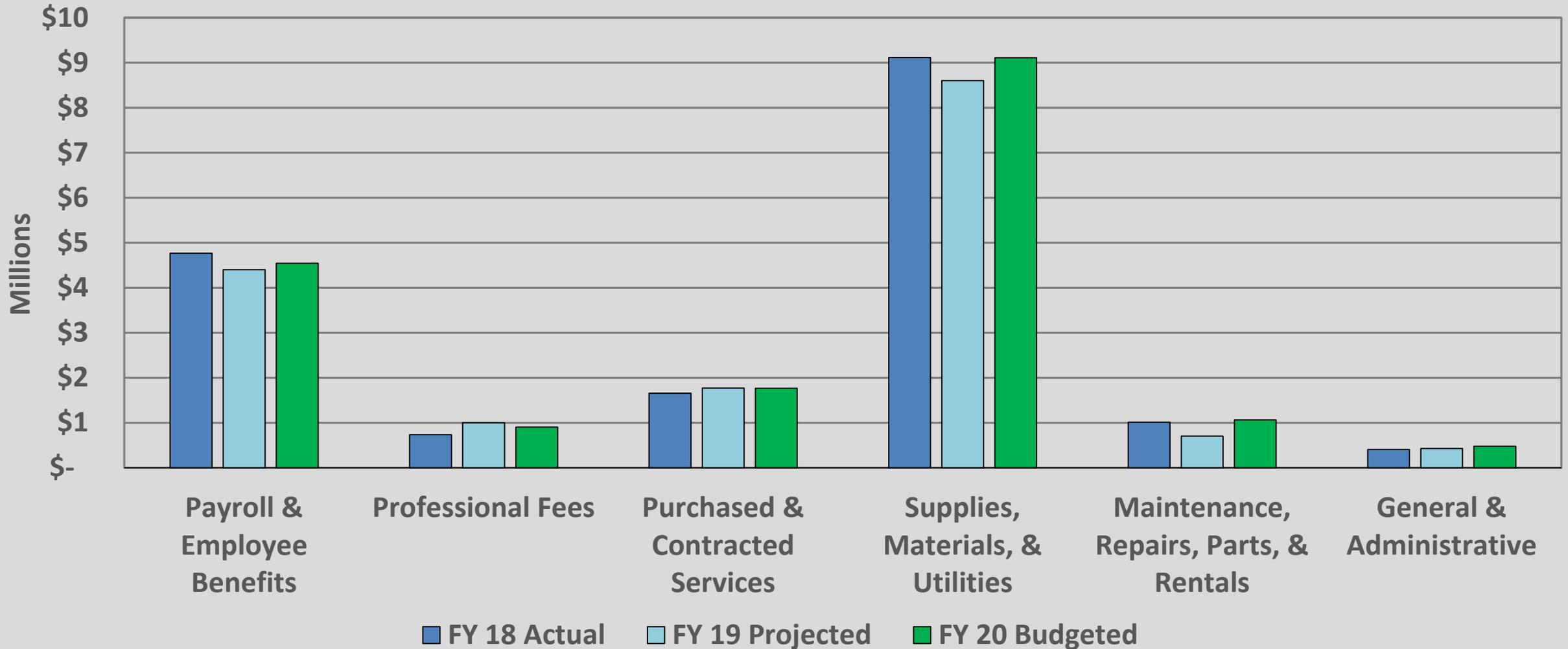
# GRP O&M Expenses



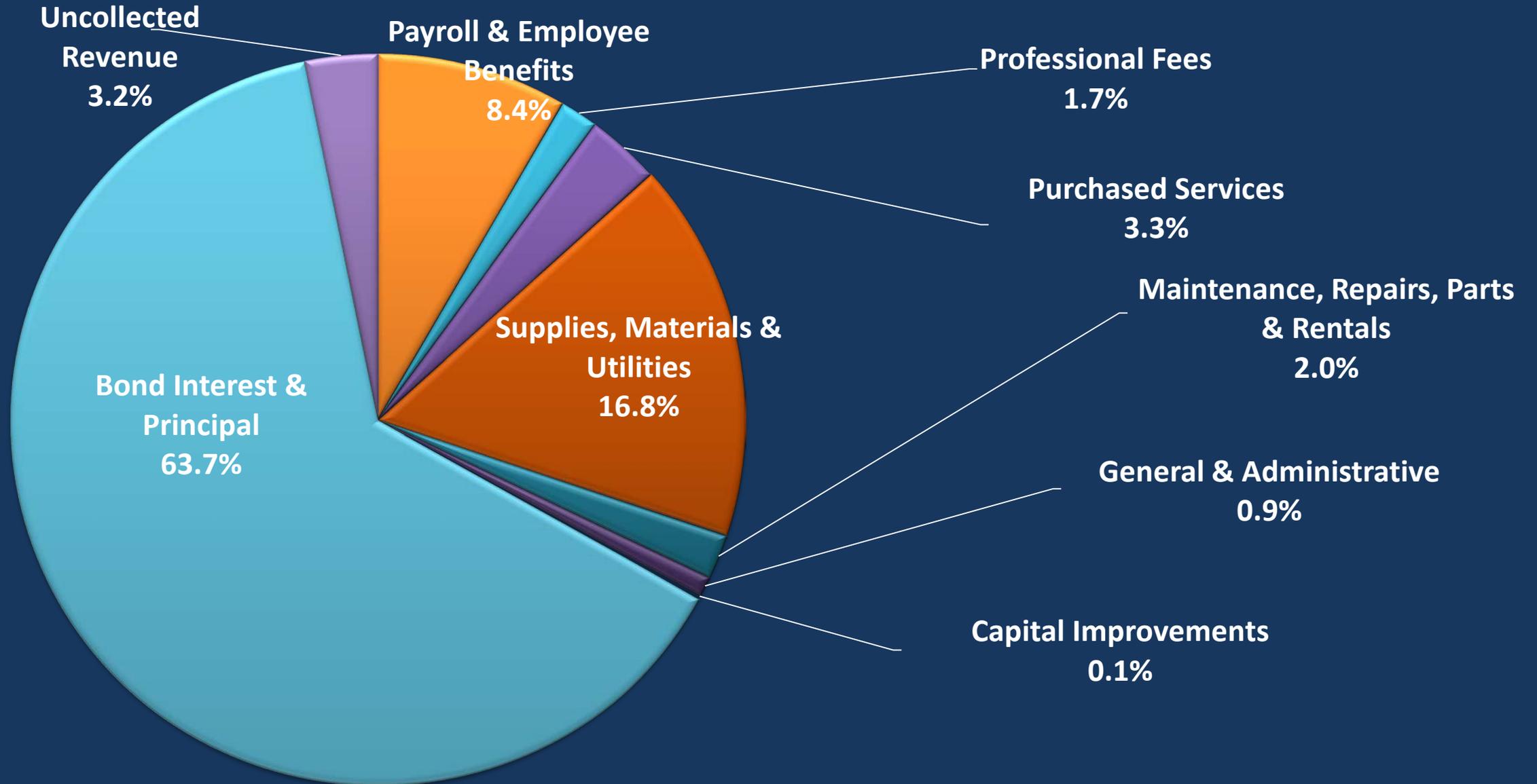
Category	FY18 Actual	FY19 Projected	FY20 Budget
Payroll & Employee Benefits	\$ 4,764,748	\$ 4,400,000	\$ 4,544,712
Professional Fees	\$ 733,911	\$ 1,000,000	\$ 901,500
Purchased & Contracted Services	\$ 1,657,632	\$ 1,772,000	\$ 1,765,719
Supplies, Materials, & Utilities	\$ 9,115,771	\$ 8,604,000	\$ 9,109,820
Maintenance Repairs, Parts & Rentals	\$ 1,013,369	\$ 702,000	\$ 1,061,750
General & Administrative	\$ 405,005	\$ 427,000	\$ 476,390
<b>Total GRP O&amp;M Expenses</b>	<b>\$ 17,690,436</b>	<b>\$ 16,905,000</b>	<b>\$ 17,859,891</b>

*\* FY19 & FY20 are based on a surface water production rate of 12 MGD.*

# GRP O&M Expenses



# GRP Rate Composition



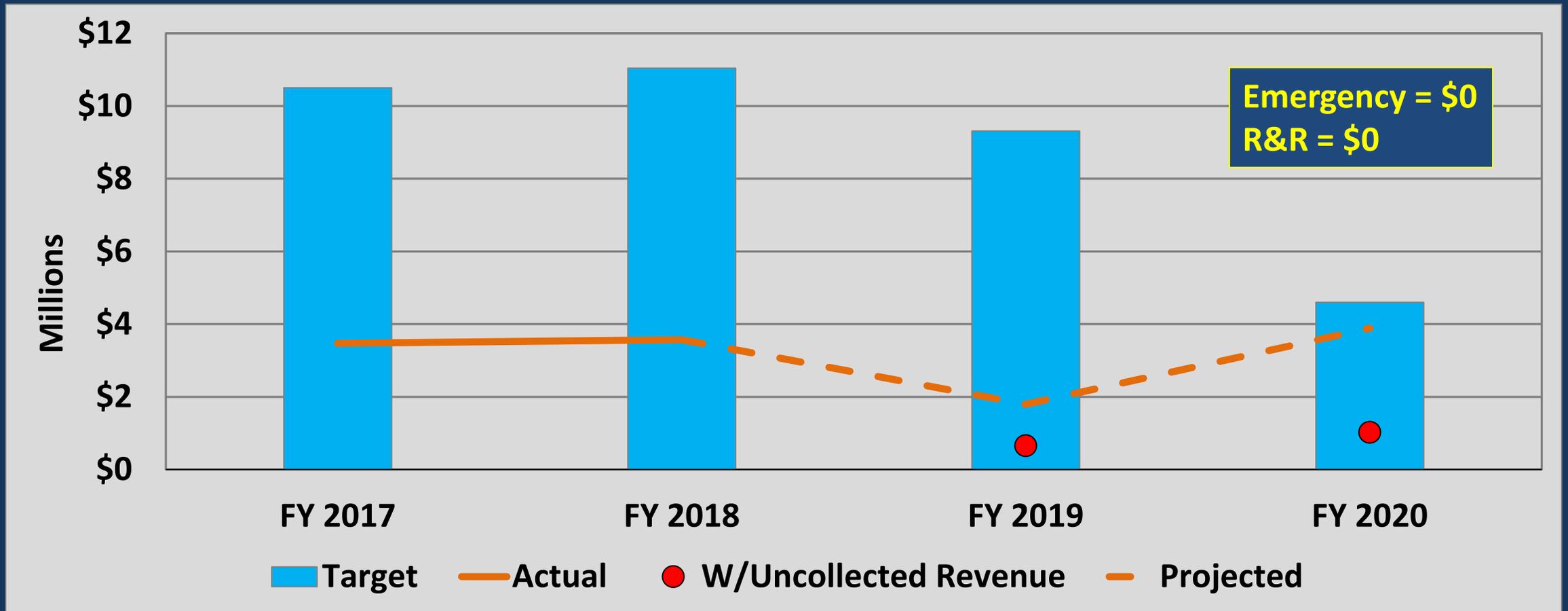


# FY 2020 Debt Service

	<b>TWDB</b>	<b>Open Market</b>	<b>Total</b>
Principal	\$ 11,771,667	\$ 2,590,000	\$ 14,361,667
Interest	\$ 16,743,734	\$ 3,431,350	\$ 20,175,084
<b>Total</b>	<b>\$ 28,515,401</b>	<b>\$ 6,021,350</b>	<b>\$ 34,536,751</b>

# Operating Fund Balance

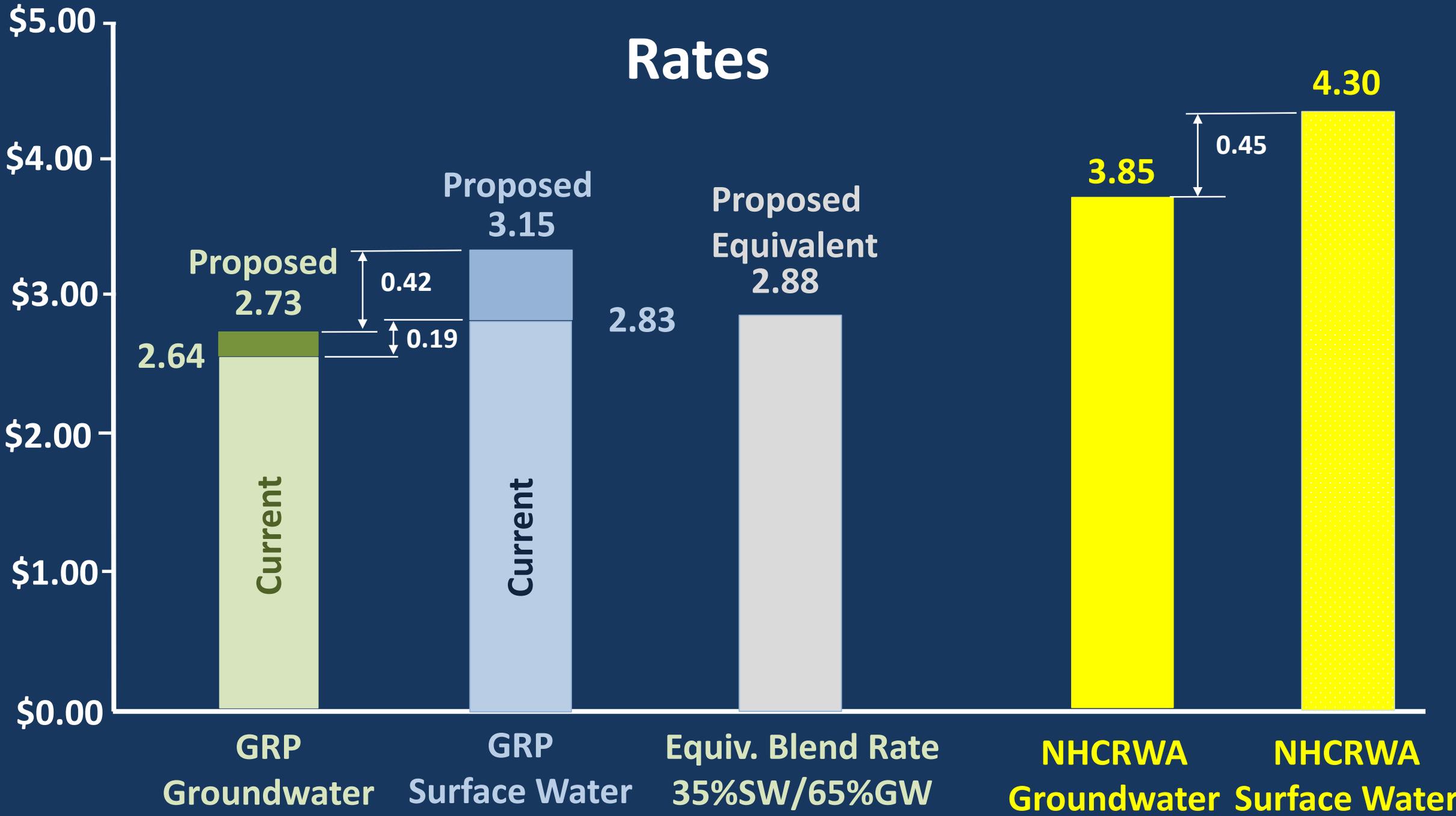
(As of August 31<sup>st</sup>)



\* Proposed changes to reserve structure and targets are included, starting in FY 2020.

# Rates

Per 1,000 Gallons

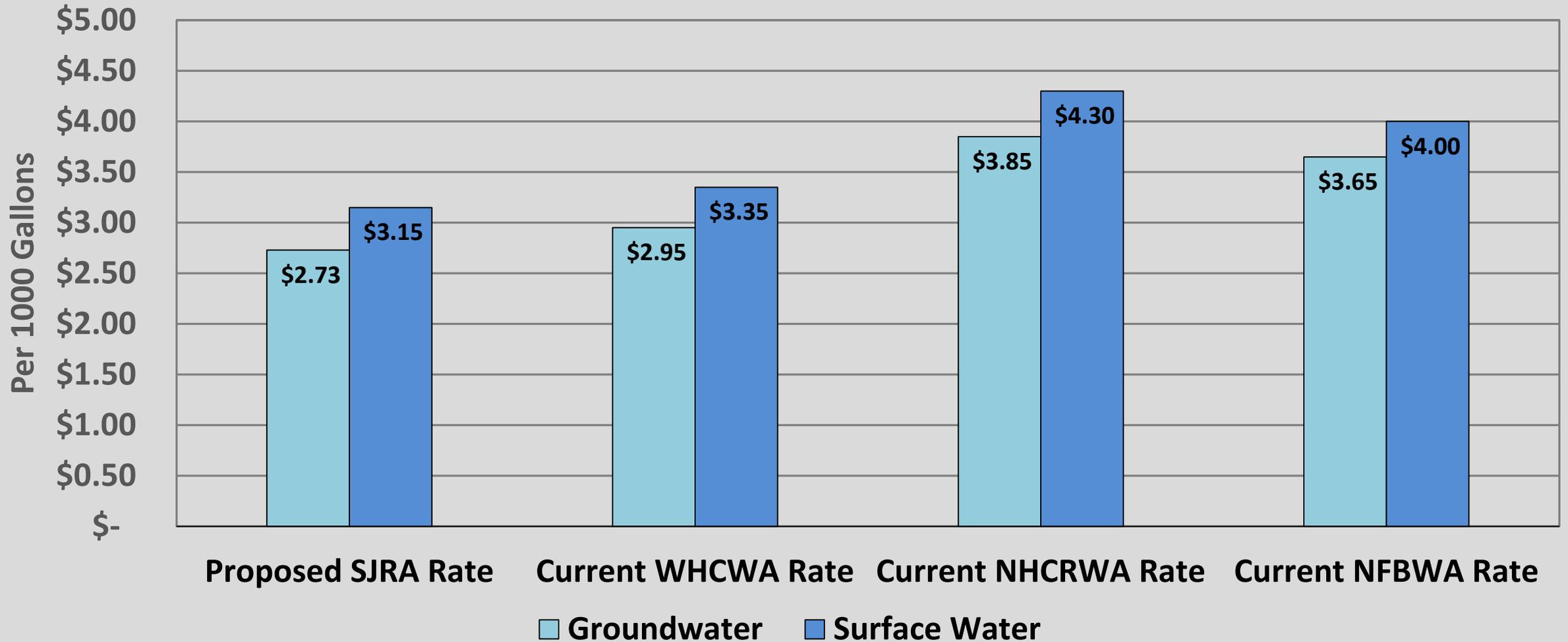




# Proposed FY 2020 Rates

- **Groundwater Pumpage Fee**                      **\$2.73/1000 gal**
- **Treated Surface Water Fee**                      **\$3.15/1000 gal**

# 2019 Regional Rate Comparison



# Questions?



# Amended Rate Order for Participants

- **Rates**

- Groundwater Pumpage Fee                      \$2.73/1000 Gallons
- Treated Surface Water Fee                      \$3.15/1000 Gallons

*\* Rates effective September 1, 2019*

- **Definitions**

- **Conservation District Permitting**