

**GRP Review Committee
Minutes of Regular Meeting
April 22, 2019**

The San Jacinto River Authority (SJRA) GRP Review Committee meeting was held at 11:30 a.m., on April 22, 2019, at the San Jacinto River Authority GRP Division Operations Building located at 11998 Pine Valley Drive, Conroe, Texas 77304. Notice of said meeting was duly posted per GRP Contract requirements. Committee members Mike Mooney, Jason Miller, Jackie Chance, Joe Sherwin, and Kerry Masson, and were present. GRP Division Manager Mark Smith, Compliance & Administrative Manager Matt Corley, GRP Senior Utility Operations & Maintenance Manager Don Sarich, Deputy General Manager Ron Kelling, Director of Finance and Administrative Services Tom Michel, GRP Customer Service and Compliance Supervisor Tina Felkai, GRP Administrative Supervisor Lisa Yohner, , and General Counsel Mitchell Page were in attendance.

1. CALL TO ORDER

The meeting was called to order at 11:30 a.m.

2. PUBLIC COMMENTS:

There were no public speakers present at the meeting.

3. APPROVAL OF MINUTES

Mr. Mooney indicated that the minutes of the GRP Review Committee meeting held on February 22, 2019, were before the Committee for consideration. Motion was made by Mr. Miller, seconded by Mr. Masson, and unanimously carried to approve.

4. UPDATES REGARDING GRP DIVISION

a. Compliance and Customer Service Update:

Ms. Felkai presented the Monthly Operations Report. She noted that the report included water use data for the month of March and stated that the GRP currently has 149 Participants. Ms. Felkai reported that the GRP staff scheduled several stakeholder meetings to discuss Lone Star Ground Water District's (LSGCD) proposed rule changes for LVGUs and the potential affect it would have on SJRA's GRP. Ms. Felkai also noted that LSGCD would be holding Town Hall meetings starting this week. One of the scheduled LSGCD town hall meetings conflicts with one of the scheduled GRP Stakeholder meetings. Staff will notify the board with all the dates of LSGCD's Town Halls. Ms. Felkai notified the Review Committee that staff would be sending out a Rate Order Notice forty-five days in advance of consideration of the amended Rate Order. This notice will go out later this week.

b. Operations and Maintenance Update:

Mr. Sarich provided an operations update. Mr. Sarich reported that staff provided a water sample for the "Best Tasting Water in Texas" at the AWWA conference again this year and won 1st runner up. Mr. Sarich stated we are producing a high quality product. Mr. Sarich, stated we had just completed our second GAC change out for this fiscal year at the cost of \$616,000 per two basins.

c. Financial Update:

Mr. Corley gave the Financial Update. Mr. Corley provided that the total operating revenues for March, 2019 were \$3,576,679 and operating revenues YTD for Fiscal Year 2019 were \$23,528,736, giving the GRP Division an unfavorable variance of 14%. Mr. Corley then provided that the total operating expenses for March 2019 were \$979,317 and operating expenses YTD for Fiscal Year 2019 were \$9,300,623, giving the GRP a favorable variance of 14%. Mr. Corley went on to provide that the fund balance, as of March 31, 2019, was \$6,992,353 and the GRP Division has approximately 4.51 months of budgeted operating funds.

Mr. Tom Michel, Director of Financial and Administrative Services, stated that after meeting with the Texas Water Development Board (TWDB), it was determined that the way we escrow the bond payments needs to be restructured. The GRP will need to start escrowing 1/12 of the annual debt service payment every month starting in October. Currently, the GRP escrows larger amounts during higher demand months because of increased revenues. The new methodology will have an effect on the GRP's cash flow.

5. GRP Rate Study

a. Status Update

Mr. Corley, gave a brief update on the GRP Rate Study, then turned it over to Ms. Angie Flores from Raftellis, who gave a presentation on the GRP's rate differential review. Angie stated the original rate differential of \$0.19/1,000 gallons was based on well operational expenses provided by Participants. These costs were used to calculate avoided cost experienced by Participants receiving surface water. The GRP now has several years of operational data in which to assist in calculating a revised rate differential. Participants receiving surface water were asked to provide well operational costs for the last three years. After analyzing three years' of Participant data, the average avoided well operational cost is \$0.42/1,000 gallons. This calculation eliminated consideration of Alkalinity costs in the wastewater treatment process due to lower percentage of surface water in raw water because of reduced surface water production. Mr. Corley stated the \$0.42/1,000 gallons is close to what North Harris County Regional Water Authority charges its Participants. It was noted that if the percentage of surface water increases in the future then the GRP may need to revisit how Alkalinity costs are addressed.

Mr. Kelling stated if the Review Committee does not object, staff will apply the \$0.42/1,000 gallon differential into the Rate Model. Staff will present the GRP's Fiscal Year 2020 Operating Budget and rates at the May Review Committee meeting.

After a brief discussion, the Review Committee members directed GRP staff to invite LSGCD's General Manager and attorney to the next Review Committee meeting to explain LSGCD's proposed rule amendments.

6. DISCUSSION REGARDING FUTURE AGENDA ITEMS

- Invite LSGCD representatives to next month's meeting on May 20, 2019

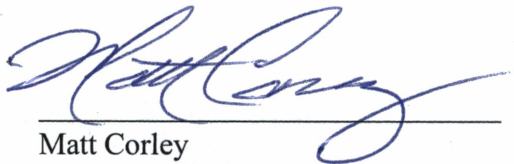
- Proposed FY 20 Operating Budget and Rates presentation at May 20, 2019 meeting
- Solicit recommendation of proposed FY 20 Operating Budget and Rates at the June 24, 2019 meeting

7. FUTURE MEETING SCHEDULE

- May 20, 2019
- June 24, 2019
- July 22, 2019
- August 19, 2019

8. ADJOURN

Without objection, the meeting was adjourned at 12:18 p.m.



Matt Corley
Compliance & Administrative Manager



Mark Smith
GRP Administrator