

**GRP Review Committee  
Minutes of Regular Meeting  
May 20, 2019**

The San Jacinto River Authority (SJRA) GRP Review Committee meeting was held at 11:30 a.m., on May 20, 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, Kerry Masson, and Melanie White were present. All six of the GRP Review Committee Members were present and accounted for. 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 11:41 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 April 22, 2019, were before the Committee for consideration. Motion was made by Mr. Masson, seconded by Mrs. White, and unanimously carried to approve.

**4. UPDATE FROM LONE STAR GROUNDWATER CONSERVATION DISTRICT**

Ms. Samantha Stried Reiter, Interim General Manager and General Council, Ms. Stacey Reece were in attendance. Ms. Reece addressed the GRP Review Committee Board Members stating she had three updates. Ms. Reece stated that the LSGCD created two study groups, a Technical Study Group and a Non-Technical Study Group. The purpose of these groups are to become familiar with the current rules, propose new rules, and advise the LSGCD Board. These two groups will report back to the board on proposed rule changes. The second update was that LSGCD received a letter from the Texas Water Development Board (TWDB) rejecting LSGCD's proposed draft management plan. LSGCD is currently working on their response to the TWDB. Ms. Reece concluded by stating the law suit brought against LSGCD by the City of Conroe and Quadvest had been finalized and the judge signed off on the ruling. There were no comments or questions from the GRP Review Committee.

**5. 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 April. Ms. Felkai stated that the Notice of Consideration of Rate Order amendments was sent out to all GRP Participants.

**b. Operations and Maintenance Update:**

Mr. Sarich provided an operations update. Mr. Sarich reported, due to numerous chemical leaks, primarily at the fittings, work is underway to replace approximately 3,000 feet of pvc pipe which will be replaced with a more chemical resistant pipe that can be welded at the fittings versus being glued. Mr. Sarich stated that The Woodlands Division assisted by providing a crane truck for lifting the covers to access the chemical piping. Mr. Sarich, stated that the blower core that was replaced last year, failed again. The blowers are covered under an extended warranty. A technician is onsite today with a loaner core and will have the blower back in service today. The technician will take the failed core to analyze the cause of failure and provide a written report of the findings. The last time the blower failed, it was attributed to soot from the generators being exercised. That is not the case this time, because per their recommendation, the blowers are turned off during the time the generators are exercised. Mr. Sarich concluded by saying the plant was getting ready for another GAC change out at the first of June.

**c. Financial Update:**

Mr. Corley gave the Financial Update. Mr. Corley provided that the total operating revenues for April, 2019 were \$3,984,127 and operating revenues YTD for Fiscal Year 2019 were \$27,512,863. Giving the GRP an unfavorable variance of (13%). The total operating expenses for April 2019 were \$1,443,553 and operating expenses YTD for Fiscal Year 2019 were \$10,774,176, giving the GRP a favorable variance of 13%. Mr. Corley went on to provide that the fund balance, as of April 30, 2019, was \$5,395,300 and the GRP Division has approximately 3.48 months of budgeted operating funds.

**6. GRP Rate Study**

**a. Rate Study Presentation**

Ms. Angie Flores with Raftellis Financial Consultants, Inc., gave a presentation on the GRP's Rate Study Recommendations for FY2020 – FY2024. Ms. Flores gave a brief background with regards to the previous rate study performed in FY2014. Ms. Flores then reviewed the scope of work to prepare the current rate study. Ms. Flores went over Industry Best Practices and Benchmarking, Proposed Reserve Structure and Criteria as recommended by the GRP Review Committee Meeting on February 25, 2019, regarding reserve funding sequence and the time allowed to meet reserve targets. Ms. Flores proposed changing the Rate Differential between groundwater fees and surface water fees from \$0.19/1,000 gallons to \$0.42/1,000 gallons. The justification for rate differential adjustment is due to:

- Updated actual cost data from GRP Participants.
- Elimination of cost to address alkalinity in wastewater treatment process due to lower percentage of surface water in raw wastewater.

Ms. Flores concluded her presentation stating the new rate model was developed in Microsoft Excel and provides:

- User-friendly, flexible model that staff will use for future forecasts.
- Ability to change certain assumptions and see the results.
- Dashboard that allows for quick decision-making by be able to see results of changing assumptions.

- Update rates for multiple years.

**b. FY 2020 GRP Operating Budget Presentation**

Mr. Matt Corley presented the GRP Division's Proposed Fiscal Year 2020 Operating Budget. Currently the GRP has eighty (80) contracts which comprise of 149 Large Volume Groundwater User (LVGU) Systems. Mr. Corley discussed the Budget and Rate Development Goals for FY2020 and the difficulty in developing a budget during uncertainty regarding the LSGCD rules. Items impacting the FY 2020 Operating Budget are increase expenses, reductions in projected demands, proposed changes to rate differential, and uncollected revenues. In previous budgets the assumption was that all participants were paying the future rate. The FY 2020 budget, considers uncollected revenue in the projections. Operating and Maintenance expenses experienced a slight increase from FY 2019 to FY 2020 due to increased chemical cost, maintenance contracts and an increase in the City of Houston Reservation Fee. The GRP has experienced about a 3.45% decrease in budgeted demands from FY 2019 to FY2020. All of these items were taken into account in determining the proposed FY 2020 rate. The GRP Staff is proposing the following rate increase for FY 2020:

Groundwater - \$2.73/1,000 gallons  
Surface Water - \$3.15/1,000 gallons

The blended rate will come to \$2.88/1,000 gallons. This is based on a 35% Surface Water and 65% Groundwater.

After completing a regional rate comparison our rates are significantly lower. An example is North Harris County Regional Water Authority's rates listed below:

Groundwater - \$3.85/1,000 gallons  
Surface Water - \$4.30/1,000 gallons

Mr. Smith stated that the goal is to operate the plant at a minimal and control cost during this time of uncertainty. The proposed rate for FY 2020 does not add any funds to our reserves. The proposed budget is the breakeven number only, if the Review Committee Members want to fund reserves the rate will need to be higher. After a brief discussion, Mr. Kelling asked if the Review Committee Members wanted to hold another meeting to go over the proposed budget in more detail. Several members of the board stated they were very comfortable with the work the GRP Staff had done. The Review Committee Members were all given a copy of the budget and a red lined copy of the Rate Order to review until the next meeting where the GRP staff will need a vote on the proposed FY2020 budget and amended rate order.

**DISCUSSION REGARDING FUTURE AGENDA ITEMS:**

- Vote on Proposed FY2020 Operating Budget and Rate Order
- Rate Study Report
- Update on all Litigation


- Update on Small Pump plan at Raw Water

**7. FUTURE MEETING SCHEDULE**

- June 24, 2019
- July 22, 2019
- August 19, 2019
- September 23, 2019

**8. ADJOURN**

Without objection, the meeting was adjourned at 1:10 p.m.

  
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Matt Corley  
Compliance & Administrative Manager  
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Mark Smith  
GRP Administrator