



**GRP REVIEW COMMITTEE  
MINUTES OF REGULAR MEETING**

**JULY 22, 2019**

The San Jacinto River Authority (SJRA) GRP Review Committee meeting was held at 11:30 a.m., July 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.

The following members were present:

<u>Name:</u>	<u>GRP Review Committee Office:</u>	<u>Representing:</u>
Kerry Masson	Vice Chair	MUDs East of I-45
Jackie Chance		MUDs West of I-45
Jason Miller		City of Conroe
Joe Sherwin		Other Cities

Absent were:

<u>Name:</u>	<u>GRP Review Committee Office:</u>	<u>Representing:</u>
Mike Mooney	Chair	Woodlands Joint Powers Agency
Melanie White		Private Water Utilities

Also, present were:

Mark Smith	GRP Division Manager
Matt Corley	GRP Compliance & Administrative Manager
Ron Kelling	Deputy General Manager
Tina Felkai	GRP Customer Service & Compliance Supervisor
Lisa Yohner	GRP Administrative Supervisor
Mitchell Page	Schwartz, Page & Harding, L.L.P., SJRA General Counsel

**1. CALL TO ORDER**

There being a quorum present, the Vice Chair called the meeting to order at 11:40 a.m.

**2. PUBLIC COMMENTS:**

There were none.

### 3. APPROVAL OF MINUTES

Mr. Masson indicated that the minutes of the GRP Review Committee meeting held on June 24, 2019, were before the Committee for consideration. Motion was made by Mr. Jason Miller, seconded by Mr. Joe Sherwin, and unanimously carried to approve four (4) to zero (0).

### 4. UPDATES REGARDING GRP DIVISION

#### a. Compliance and Customer Service Update:

Ms. Felkai presented the GRP Monthly Operations Report. She noted that the report included water usage data for the month of June. Ms. Felkai stated that in June, 2018, water usage was approximately 2.2 billion gallons compared to June, 2019, 1.9 billion gallons, which is approximately nine percent (9%) less water usage.

#### b. Operations and Maintenance Update:

Mr. Smith provided an operations update. Mr. Smith gave an update on electrical issues discussed in last month's meeting regarding suspected software issue with the generators. The vendor came on site, made some software changes, and transfer of power to and from the generator worked smoothly. The plant experienced an electrical outage and the generators worked smoothly. Also, Entergy came on site and installed a meter to monitor the low voltage issues the plant has been experiencing.

#### c. Financial Update:

Mr. Corley gave the GRP Division's Financial Update. Mr. Corley provided that the total operating revenues for June 2019 were \$5,055,467 and operating revenues YTD for Fiscal Year 2019 were \$37,415,128, giving the GRP Division an unfavorable variance of 11%. The total operating expenses for June 2019 were \$1,478,936 and operating expenses YTD for Fiscal Year 2019 were \$13,673,071, giving the GRP Division a favorable variance of 13%. Mr. Corley added that the GRP General Fund balance, as of June 30, 2019, was \$2,878,200, representing approximately 1.88 months of budgeted operating funds. The balance in the GRP Debt Service Fund, as of June 30, 2019 is, \$12,205,945.

### 5. PRESENTATION OF THE GRP RATE STUDY REPORT

Mr. Corley gave a presentation on the Rate Study, starting with a recap of previous meetings and discussions with the GRP Review Committee regarding the Rate Study. Mr. Corley discussed the proposed reserve structure and criteria, rate forecast assumptions, and Groundwater and Surface Water Fee Forecast. The Review Committee Members were all given a copy of the Final Rate Study Report prepared by Raftelis to review.

### 6. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS ON JULY 25, 2019

#### a. Consider adoption of Resolution confirming and creating funds for Groundwater Reduction Plan Division; establishing policies and procedures related to the use of such funds; and establishing policy related to the sufficiency of fees, rates, and charges.

Mr. Matt Corley gave a presentation on the Resolution Establishing Reserves for the GRP Division. In August 2018, SJRA contracted with Raftelis Financial Consultants, Inc., to provide services related to the development of a Rate Study and Financial Planning/Rate Design Model Development for the GRP Division for a ten-year period beginning September 1, 2019, through August 31, 2029. In order to achieve a financially sound and sustainable business model, the consultant recommended establishing the following additional reserves for the GRP Division.



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- 1) Operating and Rate Stabilization Reserve Fund  
Target balance equals \$4,600,000 (Based on 3 months of annual O&M budget)
- 2) Emergency Reserve Fund  
Target balance equals \$2,000,000 (Estimated cost of a major surface water transmission line break)
- 3) Renewal and Replacement Fund  
Target balance equals \$3,400,000 (Based on a 10-Year R&R Plan)

Other Reserves Required Per Series 2009 Resolution:

- 1) GRP General Fund
- 2) Construction Fund; Escrow Fund
- 3) Debt Service Fund
- 4) Debt Service Reserve Fund
- 5) Surplus Revenue Fund

After a brief discussion, the Vice Chair asked for a recommendation to consider and act upon Resolution confirming and creating funds for Groundwater Reduction Plan Division; establishing policies and procedures related to the use of such funds; and establishing policy related to the sufficiency of fees, rates and charges. Motion was made by Mr. Jackie Chance, seconded by Mr. Jason Miller, and unanimously carried to approve four (4) to zero (0).

**7. PRESENTATION OF GRP RAW WATER PUMP 4 ADDITION**

Mr. Smith gave a presentation on purchase and installation of a second Small Raw Water Pump. Mr. Smith briefly went over the use of remaining GRP Bond Funds that was discussed with the GRP Review Committee Members earlier in the year. The additional small raw water pump will be purchased and installed using remaining bond funds. Currently there is only one small pump running at 12 mgd. We do have a backup by-pass option using one of the two larger raw water pumps, but it is not ideal. Installing another small pump will allow back-up provisions for our existing small pump, increase process reliability, avoid temporary plant shutdown, and provide operational flexibility. The plan allows for GRP to utilize an existing pump can and wiring. The estimated cost of the project is \$1,023,899, which is under the budgeted amount proposed of \$1.5 million.

**8. DISCUSSION REGARDING FUTURE AGENDA ITEMS**

- Small Pump
- Presentation on 2019 Subsidence Report – September, 2019

**9. FUTURE MEETING SCHEDULE**

- August 19, 2019
- September 23, 2019
- October 21, 2019
- December 9, 2019

**10. ADJOURN**

Without objection, the meeting was adjourned at 12:28 p.m.

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Matt Corley  
GRP Compliance & Administrative Manager



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Mark Smith  
GRP Division Manager