



GRP REVIEW COMMITTEE MINUTES OF REGULAR MEETING

January 21, 2020

The San Jacinto River Authority (SJRA) GRP Review Committee meeting was held at 11:30 a.m., January 21, 2020, 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 Review Committee 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 |
| Joe Sherwin | | Cities other than City of Conroe |
| Melanie White | | Other Well Owners |
| Jason Miller | | City of Conroe |

Absent were:

| | | |
|-------------|-------|-----------------|
| Mike Mooney | Chair | Woodlands Water |
|-------------|-------|-----------------|

Also, present were:

| | |
|---------------|--|
| Mark Smith | GRP Division Manager |
| Matt Corley | GRP Compliance & Administrative Manager |
| Tina Felkai | GRP Compliance Manager |
| 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 11:32 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 December 09, 2019, were before the Committee for consideration. Motion was made by Mr. Chance, seconded by Ms. White, to approve the minutes as drafted. The motion passed unanimously with a five (4) to zero (0) vote, with Mr. Mike Mooney being absent and Mr. Joe Sherwin having missed the motion due to arriving late.

4. UPDATES REGARDING GRP DIVISION

a. Compliance and Customer Service Update:

Ms. Felkai presented the GRP Monthly Operations Report. Ms. Felkai reviewed changes that were made to the Monthly Operations Report, including chart that provided information on the GRP Reserve targets and balances. She noted the changes to the graph on page four (4), which provides groundwater pumpage data for the last four (4) years, in comparison the current year. Ms. Felkai also referenced the addition to page ten (10), that includes KPI tracking. Ms. Felkai reported that for calendar year 2019, the groundwater and surface water demand was approximately twenty (20) billion gallons. Ms. Felkai further stated that GRP's groundwater average is still below what used to be the ICO Adjusted TQD.

b. **Operations and Maintenance Update:**

Mr. Smith provided an operations update. Mr. Smith reported that there was a leak on Transmission Line Section C-2, which occurred shortly after Christmas. Mr. Smith stated that Section C-2 has been repaired and flushing and disinfection was taking place and would be placed back in service by the end of the week. Mr. Smith further reported that the cause of the leak was due to a gasket that was not seated properly.

c. **Financial Update:**

Mr. Corley gave the GRP Division's Financial Update. The total operating revenues for December, 2019 were \$3,488,459 and operating revenues YTD for Fiscal Year 2020 were \$18,377,473, giving the GRP Division a positive variance of 24%. The total operating expenses for December, 2019 were \$799,337 and operating expenses YTD for Fiscal Year 2020 were \$4,760,100, giving the GRP Division a negative variance of 6%. Mr. Corley added that the GRP General Fund balance, as of December 31, 2019, was \$5,563,475 representing approximately 3.74 months of budgeted operating funds.

The balance in the GRP Debt Service Fund, as of December 31, 2019, was \$8,730,961.

5. **PRESENTATION AND DISCUSSION OF FISCAL YEAR 2021 BUDGET CONSIDERATIONS**

Mr. Smith started his presentation by reviewing the considerations that were used to prepare the Five Year Rate Forecast, which was presented to the Review Committee in July of 2019. These assumptions included:

- Total Water Demand Projections = 50.9 MGD
- Surface Water Production Rate = 12 MGD Annual Average
- General Inflation Factor Used = 3% Annually (Some Line Items May Vary)
- Major R&R Expenses = \$500k Per Year (Starts in FY 2021)
- Uncollected Revenue Continues
- Total Legal Expenses (Including Litigation Cost) = \$1 Million Per Year (FY 2021 – FY 2024)
- Staffing Remains Static
- GAC Change Outs (varies based on SW production rate)
- Debt Service Remains Static (FY 2020 Debt Service = \$34.5 Million)

Mr. Smith explained that the current methodology for calculating projected demand is to use the previous twelve (12) months demand. Mr. Smith further explained that the previous twelve (12) months water demand data included months in which there were all time highs for demand. Mr. Smith explained that if this data is used, there is a chance projected demands could be overestimated. Mr. Smith proposed using a four-year average, using calendar years 2016-2019, to project demand for the Fiscal Year 2021 budget. The four-year average data will be provided to the Review Committee Meeting in February for consideration. There was discussion amongst the Review Committee and staff regarding the budget process. Staff offered to go through a budget workshop go through the proposed budget in detail with anyone who is interested. Mr. Kelling stressed the need to operate the GRP with an appropriate rate, which would support adding to reserves. Mr. Smith stated that we will be asking for direction from the Review Committee at February's meeting on the following items:

**San Jacinto River Authority – GRP Division
January 21, 2020 Minutes - Draft**

- Total Water Demand Projections
- Surface Water Production Rate

Mr. Smith stated this direction is needed to begin the FY 21 budgeting process. Mr. Smith ended the presentation by providing a schedule of the FY 21 budget process.

6. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS ON JANUARY 24, 2020

- a. N/A

7. DISCUSSION REGARDING FUTURE AGENDA ITEMS

- Mark Smith announced that he will be retiring October 1, 2020
- (February) Recommend the projected demand methodology to be used for FY 2021 GRP Division budget.
- (February) Recommend the annual average surface water production rate to be used for the FY 2021 GRP

8. FUTURE MEETING SCHEDULE

- February 24, 2020
- March 23, 2020
- April 20, 2020
- May 25, 2020

9. ADJOURN

Without objection, the meeting was adjourned at 12:04 p.m.



Matt Corley
GRP Compliance & Administrative Manager



Mark Smith
GRP Division Manager