



GRP Division

Proposed Fiscal Year 2021 Operating Budget

GRP Review Committee
April 20, 2020

SJRA Board Meeting
April 23, 2020

Budgeting during Uncertainty...

The Sequel

Current GRP FY 2020 Rates

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

Budgeted Total Demand = 50.9 MGD or 18.58 billion gallons

Treated Surface Water Production = 12 MGD Annual Average

Recent Events

Lone Star Groundwater Conservation District

Board Meeting

April 14, 2020

Please go to the following link to watch the entire meeting to gain the full context of the discussion and draw your own conclusions!

<https://lonestargcd.new.swagit.com/videos/51834>



GROUNDWATER MANAGEMENT PLAN

, 2020

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LSGCD Board Approved Revised Groundwater Management Plan

“TWDB acknowledged that the 2016 DFCs were declared “no longer reasonable” and recommended the plan to be revised to address the DFCs as adopted in 2010, which were not challenged.”

“TWDB recommended the plan to be revised to address the MAG estimates in GAM Run 10-038 MAG. The modeled available groundwater associated with GAM Run 10-038 MAG for the District is in Table 1 in Appendix D.”

“Through the mediation process, the District incorporated TWDB’s recommendation(s) into the plan. “

Table 2: Continued.

**Modeled Available
Groundwater = 61,629 afpy**

County	Regional Water Planning Area	River Basin	Year					
			2010	2020	2030	2040	2050	2060
Montgomery	H	San Jacinto	73,264	61,629	61,629	61,629	61,629	61,629

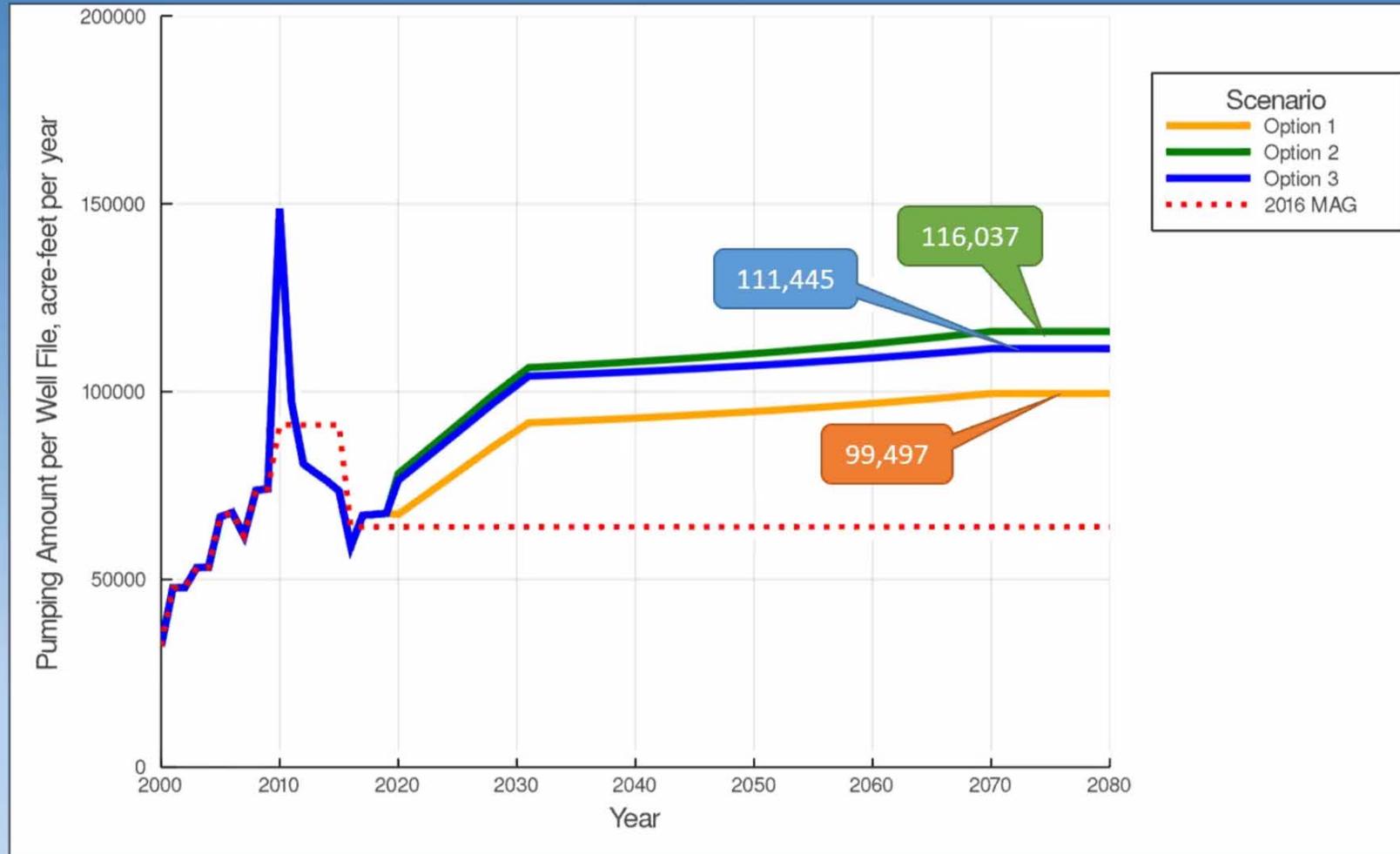
“The District is actively participating in the joint planning process with the district representatives in GMA 14. The GMA 14 districts shall propose DFCs for round three by **May 1, 2021**, and the GMA 14 districts shall adopt DFCs by **January 5, 2022**. When the DFCs are adopted in the third round of joint planning by GMA 14, the District will update its plan as required under Chapter 36. “

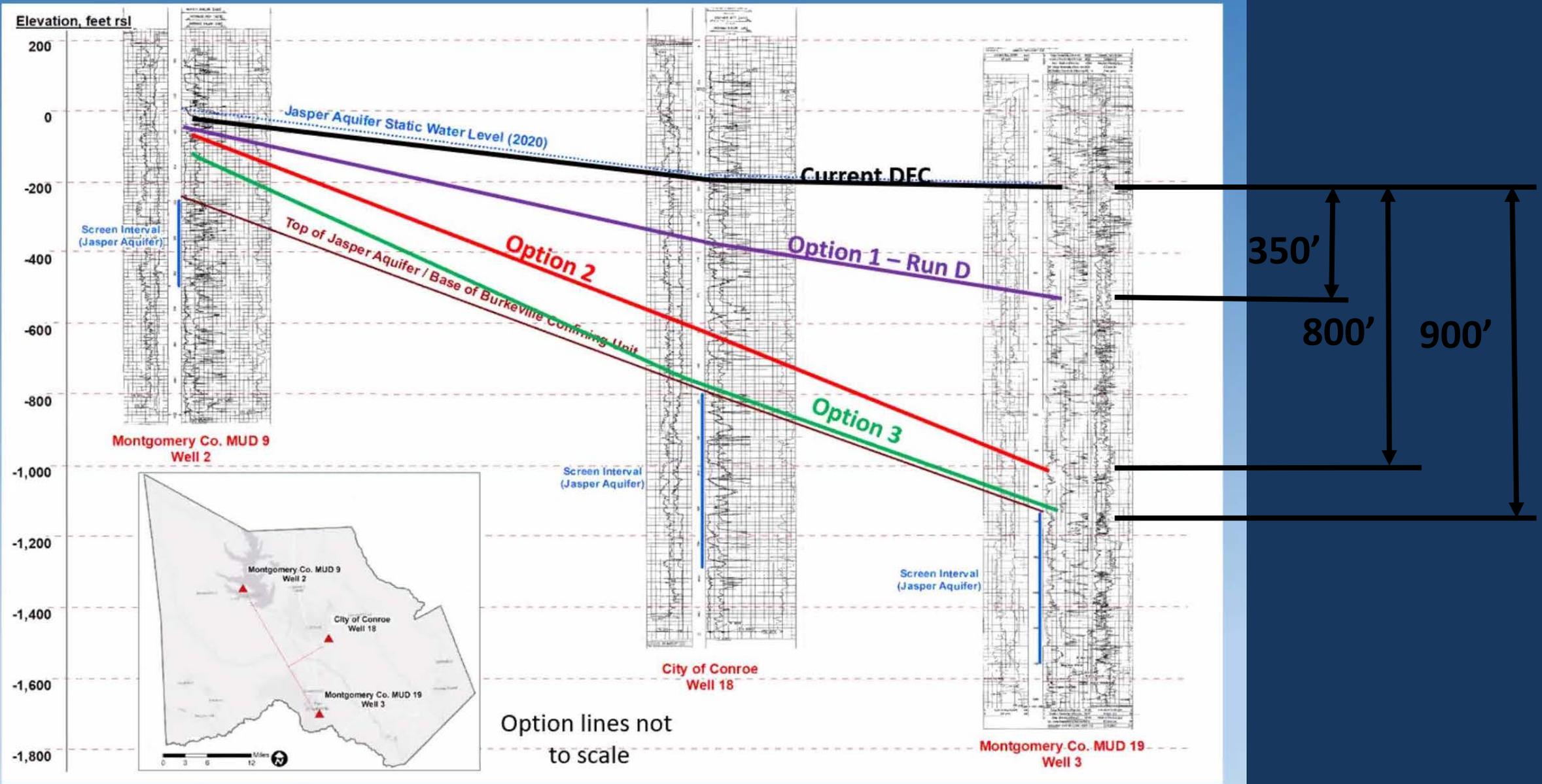
LSGCD Board Also Approved Three Options of Groundwater Management Strategies to be considered by GMA 14

POTENTIAL DFCs AS REMAINING AVAILABLE DRAWDOWN

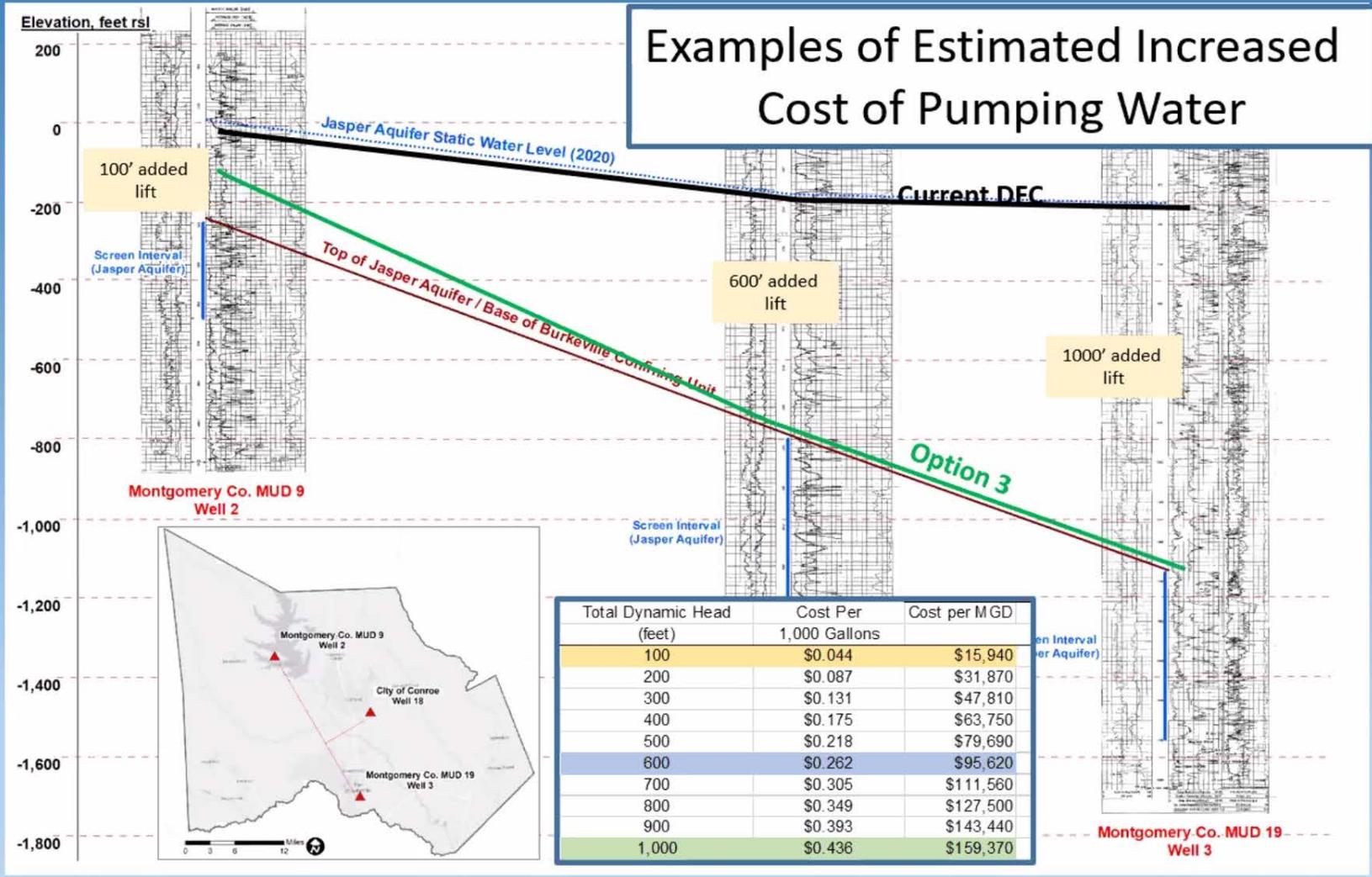
Option	Summary	Aquifer	Unconfined	Transition	Confined
1	Baseline (Run D)	Chicot	45%	N/A	N/A
		Evangeline	120%	83%	88%
		Jasper	86%	0%	67%
2	Moderate (Less remaining available drawdown in all aquifers)	Chicot	39%	N/A	N/A
		Evangeline	110%	75%	38%
		Jasper	77%	0%	17%
3	Aggressive Jasper (Baseline with less remaining available drawdown in Jasper)	Chicot	45%	N/A	N/A
		Evangeline	120%	80%	85%
		Jasper	50%	0%	0%

RESULTS - GCAS





Examples of Estimated Increased Cost of Pumping Water



Total Dynamic Head (feet)	Cost Per 1,000 Gallons	Cost per MGD
100	\$0.044	\$15,940
200	\$0.087	\$31,870
300	\$0.131	\$47,810
400	\$0.175	\$63,750
500	\$0.218	\$79,690
600	\$0.262	\$95,620
700	\$0.305	\$111,560
800	\$0.349	\$127,500
900	\$0.393	\$143,440
1,000	\$0.436	\$159,370

Only power costs due to a higher lift of water incurred as a result of lower aquifer levels were provided. No costs for reworking wells for larger pumps, motors, etc. or for completely replacing the wells were included.

LSGCD Consultants provided no data regarding current subsidence study nor impact of potential DFCs on subsidence

Next Step

- LSGCD staff will present the three options to the GMA 14 Joint Planning Committee on April 29, 2020

INSTRUCTIONS FOR PARTICIPATION IN GROUNDWATER MANAGEMENT AREA 14 MEETING

Audio and Video Conference Opens at 9:45 AM

The Groundwater Management Area 14 Meeting will begin at 10:00 AM.

Note: Participation via video conference is not required. If you wish to address the Board, during the public comment period, please fill out and submit the online speaker registration form. You may also register as a speaker at the beginning of the meeting. Registration as a speaker will require providing (1) first and last name; (2) email address; and (3) phone number. Any person participating in the meeting must be recognized and identified by the Chairman each time they speak.

Link to Groundwater Management Area 14 – April 29, 2020 Meeting

<https://subsidence.webex.com/subsidence/j.php?MTID=mbdb24bc6772fccf4671cea0833374cf9>

Meeting number: 281 787 931

Password: gma14

Join by phone

+1-855-797-9485 US Toll free

+1-415-655-0002 US Toll

Access code: 281 787 931

You may download computer and phone applications using the links below:

Apple App: <https://apps.apple.com/us/app/cisco-webex-meetings/id298844386>

Google App: <https://play.google.com/store/apps/details?id=com.cisco.webex.meetings>

Windows Application for Webex Meetings: <https://www.webex.com/downloads.html>

Matters of the Supreme Court of Texas

IN THE SUPREME COURT OF TEXAS

=====
No. 18-0989
=====

CITY OF CONROE, TEXAS; CITY OF MAGNOLIA, TEXAS;
AND CITY OF SPLENDORA, TEXAS, PETITIONERS,

v.

SAN JACINTO RIVER AUTHORITY
AND KEN PAXTON, ATTORNEY GENERAL OF TEXAS, RESPONDENTS

=====
ON PETITION FOR REVIEW FROM THE
COURT OF APPEALS FOR THE THIRD DISTRICT OF TEXAS
=====

Argued January 9, 2020

JUSTICE BUSBY delivered the opinion of the Court.

JUSTICE BLACKLOCK did not participate.

This case concerns the scope of the Expedited Declaratory Judgment Act (EDJA), which permits issuers of bonds and other public securities to resolve certain disputes regarding their securities as to all interested parties on an expedited basis. See TEX. GOV'T CODE ch. 1205. The San Jacinto River Authority, which has contracts to sell water to cities and other customers and uses the revenue to pay off its bonds, seeks declarations regarding the contracts and specific water rates set under them. We conclude that the EDJA gives the trial court jurisdiction to declare whether the execution of the contracts—which meets the statutory definition of public

“In accordance with its enabling legislation, SJRA entered into bilateral GRP contracts with about 80 water-system operators (the Participants) in 2010, agreeing to provide them with surface water in exchange for monthly payments. To comply with several requirements of the Texas Government and Water Codes, SJRA obtained the Attorney General’s approval of all the contracts and bonds, and it registered the bonds with the Comptroller. The **contracts** and bonds thus became **“incontestable”** and **“valid, binding, and enforceable according to [their] terms.”** GOV’T CODE § 1371.059(a).”

CONCLUSION

“We hold that the EDJA permits the trial court to exercise jurisdiction over SJRA’s proposed Authority and Validity Declarations insofar as they concern the valid execution of the GRP

contracts, but it does not confer jurisdiction over the proposed Compliance Declaration. We also

hold that the Cities’ governmental immunity does not bar this EDJA suit. We do not disturb

the court of appeals’ holding that the EDJA does not confer jurisdiction over the Breach of Contract Declaration. We therefore reverse the court of appeals’ judgment in part and remand the case to the trial court for further proceedings.”

The “incontestability” and “validity” of the contracts goes back to Travis County District Court following the EDJA!

The dispute over the 2017 rates now goes to Montgomery County District Court.

Cities of Conroe and Magnolia cannot claim governmental immunity in the case.

In The Supreme Court of Texas

CITY OF CONROE, TEXAS; CITY OF MAGNOLIA, TEXAS; AND
CITY OF SPLENDORA, TEXAS,

Petitioners,

v.

SAN JACINTO RIVER AUTHORITY AND KEN PAXTON,
ATTORNEY GENERAL OF TEXAS.

Respondents.

PETITIONERS' MOTION FOR REHEARING

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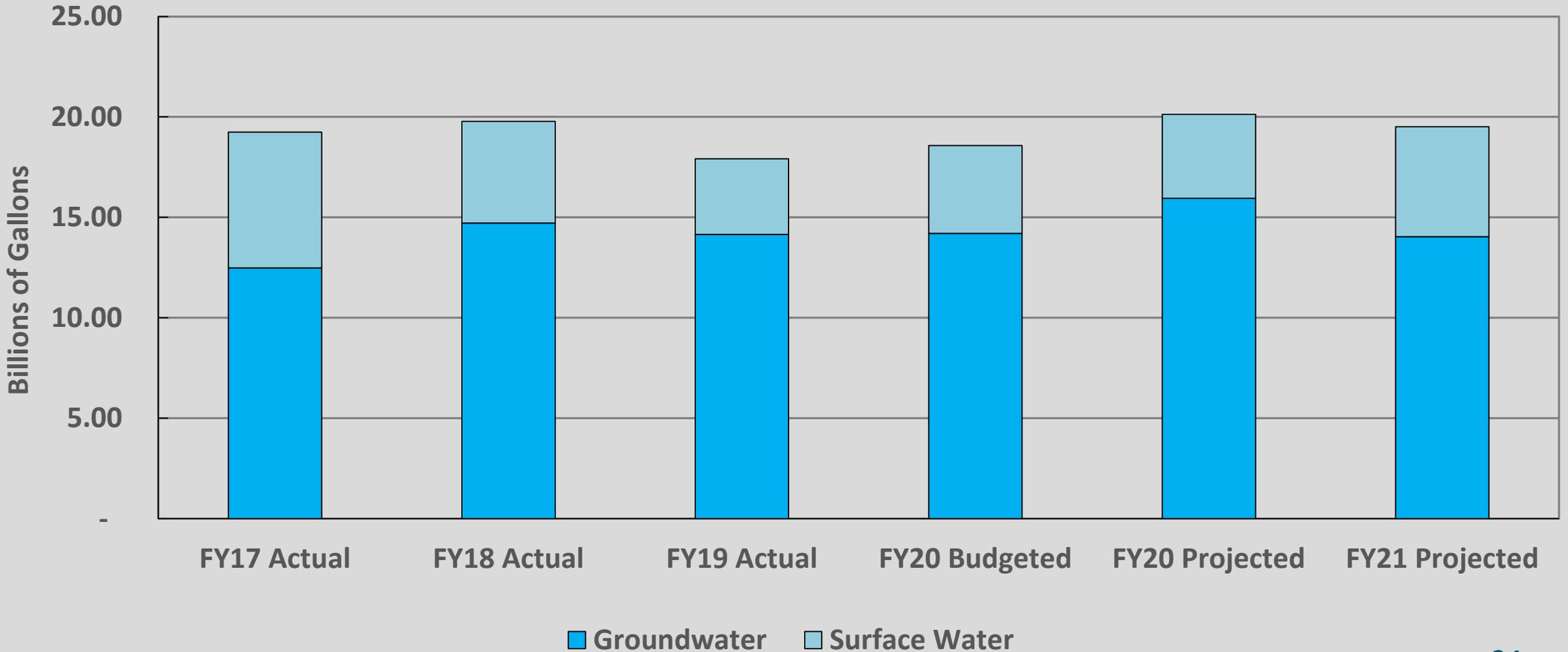
ATTORNEYS FOR PETITIONERS

FY 2021 Budget and Rates

Primary (Base) Assumptions

- Total Annual Average Demand = 53.5 MGD
- Annual Average Surface Water Production = 15 MGD

GRP Water Demands



The Basics – O&M Expenses, Capital Improvements and Debt Service

- O&M Expenses
 - Staff Payroll and Benefits
 - Professional Fees
 - Purchased and Contracted Services
 - Supplies, Materials and Utilities
 - Maintenance Repair, Parts and Rentals
 - General and Administrative
- Other Expenses (Capital Improvements)
- Debt Service
 - Principal
 - Interest

Staff Payroll and Benefits

- Direct Salaries = \$1,858,587

- Direct FTEs

13.50	Operators
8.50	Maintenance
2.50	Compliance
<u>3.08</u>	Administration
27.58	Total

- Indirect Salaries = \$1,702,412

- Indirect FTEs

2.8087	Accounting
0.8000	Purchasing
0.9764	HR
2.7250	IT
0.7055	Risk Management
0.3500	Public Communications
0.9000	Technical Services
3.8500	SCADA/I&C
0.5000	Administrative Services
<u>1.0500</u>	Senior Management
14.6656	Total

Total Group Insurance, Workers
Comp, Social Security and other
Payroll Taxes for Direct and Indirect
= \$1,538,470

Total Staff Payroll and Benefits =
\$5,099,469

Professional Fees

Excluding Legal

• Disclosure Filing	\$ 500
• Auditing	\$ 30,000
• Arbitrage Reporting	\$ 6,500
• Paying Agent Fees	\$ 6,000
• Engineering/Consultants/Survey	\$100,000
• Safety Inspections & Testing	\$ 5,000
• Graphic Design	<u>\$ 6,000</u>
Total	\$154,000

Purchased and Contracted Services

• Waste Disposal Services and Sludge Disposal	\$ 153,400
• Meter Calibration Services	\$ 6,500
• Commercial Laboratory Fees	\$ 27,100
• Other Professional Services	\$ 5,100
• LSGCD Regulatory Pumpage Fees	\$1,194,964
• Employee Testing & Assessments	\$ 4,800
• Janitorial Service	\$ 38,400
• Public Relations, and Water Cons. & Public Ed.	\$ 5,500
• Meeting Expenses	\$ 6,000
• Insurance- Public Official Liability	<u>\$ 5,000</u>
Total	\$1,446,764

Supplies, Materials and Utilities

Supplies, Materials and Utilities

• Travel & Training – Ext, Int, HR and Professional dues	\$ 24,000
• Employee Relations, Managers Expense, Publications/Subs.	\$ 5,500
• Uniforms, PPE, Safety Equip. & Meetings	\$ 27,800
• Health and Wellness Program	\$ 980
• Recruiting Expenses and Newspaper Ads	\$ 8,350
• Copier, Scanner & Fax Expense	\$ 7,300
• Insurance – Property, Automobile, Liability, O&M	\$ 457,200
• Computer Hardware	\$ 48,273
• Software & Support and Software Maintenance	\$ 174,449
• Network Communications	\$ 5,624
• Wireless Services, Phone System and Landline Telephone	<u>\$ 36,708</u>
Total	\$12,792,673

Maintenance Repair, Parts and Rentals

• Maintenance – Electrical, and Generators	\$ 335,100
• Maintenance – Pump & Motor, and Plant	\$ 95,600
• Pretreatment and Membrane	\$ 46,000
• Compressors and Blowers (Aerators)	\$ 155,400
• Thickeners (Clarifiers) and Belt Presses	\$ 28,300
• Chemical Handling	\$ 21,500
• Maintenance – Pipeline Transmission System, and Valves	\$ 460,500
• Machinery, Tools & Equipment	\$ 17,500
• Instrumentation	\$ 88,600
• Networking & Communication	\$ 5,600
• Air Conditioner	\$ 82,800
• Yards & Grounds, Buildings & Grounds, and Building Repairs	\$ 85,000
• Office Furn., Fixtures, Equipment Rentals, Lab Equip., Security System	<u>\$ 9,400</u>
Total	\$1,431,300

General and Administrative

- Allocated Expenses \$526,394

Other Expenditures

Debt Service

• Principal	\$14,800,834
• Interest	<u>\$19,753,631</u>
Total	\$34,554,465

Opportunity for refunding potentially reduces annual debt service approximately \$972,000 (Based on pre-COVID 19 analysis).

The Basics – O&M Expenses, Capital Improvements and Debt Service

• O&M Expenses	
– Staff Payroll and Benefits	\$ 5,099,469
– Professional Fees (Excluding Legal Fees)	\$ 154,000
– Purchased and Contracted Services	\$ 1,446,764
– Supplies, Materials and Utilities	\$12,792,673
– Maintenance Repair, Parts and Rentals	\$ 1,431,300
– General and Administrative	<u>\$ 526,394</u>
Total	\$21,450,600
• Other Expenses (Capital Improvements)	\$ 236,077
• Debt Service	
– Principal	\$14,800,834
– Interest	<u>\$19,753,631</u>
Total	\$34,554,465

The Intangibles

- Short-pay by City of Conroe and City of Magnolia
- Legal fees and judgments associated with
 - Quadvest/Conroe/Magnolia, etc. Rate Case
 - Quadvest Federal Antitrust Case
 - LSGCD DFCs/GMP/Rules
 - W2A & W2B Water Line Leak Case

Arrears - City of Conroe and Magnolia

Actual thru March 31, 2020

City of Conroe

City of Magnolia

• Short-pay Pumpage/Water	\$3,834,045	\$205,056
• Late Fees	\$ 191,702	\$ 10,754
• Finance Fees	\$ 704,042	\$ 36,587
• LSGCD Permit Allocation	\$ 16,968	\$ 0
• Allocation Late Fees	<u>\$ 30,164</u>	<u>\$ 0</u>
Total	\$4,776,921	\$252,397

Arrears - City of Conroe and Magnolia

Projected thru August 31, 2020

City of Conroe

City of Magnolia

• Short-pay Pumpage/Water	\$4,503,944	\$237,387
• Late Fees	\$ 228,414	\$ 12,551
• Finance Fees	\$ 883,603	\$ 45,920
• LSGCD Permit Allocation	\$ 16,968	\$ 0
• Allocation Late Fees	<u>\$ 30,164</u>	<u>\$ 0</u>
Total	\$5,663,093	\$295,858

Intangibles

Scenario A

- Conroe/Magnolia pay all past due in FY 2020
 - \$4,500,000 placed in operating fund
- Conroe/Magnolia pay full rate
- Quadvest/Conroe/Magnolia rate case dropped in FY 2020
- Quadvest Anti-trust case dismissed in FY 2020
- Collaborative effort with LSGCD
- W2A/W2B case settles in FY 2020

Intangibles

Scenario B

- Conroe/Magnolia pay all past due in FY 2020
 - \$4,500,000 placed in operating fund
- Conroe/Magnolia pay full rate
- Quadvest rate case thru trial = \$700,000
 - Conroe/Magnolia dropped from case in FY 2020
- Quadvest Anti-trust case thru discovery = \$700,000
- Collaborative effort with LSGCD
- W2A/W2B case settles in FY 2020

Intangibles

Scenario C

- Conroe/Magnolia current arrears (thru March 31, 2020)
 - Total = \$4,039,101 (short pay only)
- Conroe/Magnolia *additional* arrears (April 2020 thru August 2020)
 - Total = \$702,000 (short pay only)
- Quadvest/Conroe/Magnolia rate case thru trial = \$800,000
- Quadvest Anti-trust case thru discovery = \$700,000
- LSGCD DFCs/GMA/Rules = \$260,000
- W2A/W2B = \$250,000

Reserve Contributions

Scenario A

\$0

Reimbursement of short-pays by Conroe and Magnolia are placed in reserves

Scenario B

\$0

Reimbursement of short-pays by Conroe and Magnolia are placed in reserves

Scenario C

\$2,000,000

Contribution to reserves is generated from revenue since deficit from previous short-pays by Conroe and Magnolia still exist

NOTE: Reserves are NOT fully funded in any scenario. Additional contributions are required in FY 2022 and future years.

Total Revenue Requirements

	Scenario A	Scenario B	Scenario C
O&M Expenses (Base) + Other Expenses	\$21,686,677	\$21,686,677	\$21,686,677
Legal Fees	\$ 80,000	\$ 1,480,000	\$ 2,090,000
Debt Service	\$33,582,465 ⁽¹⁾	\$34,554,465	\$34,554,465
Contributions to Reserves	\$ 0	\$ 0	\$ 2,000,000
Uncollected Revenue (Conroe and Magnolia)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,600,000</u>
Total	\$55,349,142	\$57,721,142	\$63,931,142

(1) Less refunding
opportunity

Resulting Rates (per 1000 gallons)

	Scenario A	Scenario B	Scenario C
Groundwater Pumpage	\$2.72	\$2.84	\$3.13
Surface Water	\$3.14	\$3.26	\$3.55
Increase over FY 2020	-0.4%	3.7%	14.5%

Operating Fund Balance

Scenario A

Scenario B

Scenario C

Cash at End of
FY2020

\$6,096,701

\$6,096,701

\$1,796,701

Cash at End of
FY 2021

\$6,214,211

\$6,214,211

\$3,294,765

A Peek at Scenario D

Reducing Production of the SWF to 13 MGD

Cost Savings (-)/Increases (+)

• Sludge Removal	-\$ 20,000
• Chemicals	-\$ 176,616
• GAC	-\$1,300,000
• Electric (Power)	- \$ 156,986
• Reservation Fee SJRA	+\$ 77,562
• Supply Use Fee	<u>-\$ 310,250</u>
Total Net Savings	-\$1,886,290

Total Revenue Requirements

Scenario D

O&M Expenses (Modified for
13 MGD) + Other Expenses

\$19,800,387

Legal Fees

\$ 2,090,000

Debt Service

\$34,554,465

Contributions to Reserves

\$ 2,000,000

Uncollected Revenue
(Conroe and Magnolia)

\$ 3,200,000

Total

\$61,644,852

Resulting Rates (per 1000 gallons) and Cash Balance

Scenario D

Groundwater Pumpage	\$3.05
Surface Water	\$3.47
Increase over FY 2020	11.5%
Cash at End of FY 2020	\$1,796,701
Cash at End of FY 2021	\$3,874,996

Next Steps

- GRP Review Committee members reach out to the GRP Participants you represent to discuss;
 - Potential DFCs proposed by LSGCD
 - Budget Scenarios A, B, C and D and resulting rates
- SJRA staff will support GRP Review Committee members in providing this presentation to any audience
- GRP Review Committee members provide input during next committee meeting on May 26, 2020 and develop rates
- Final Budget and Rate Order provided to GRP Review Committee on June 15, 2020
- Consideration of Proposed FY 2021 Budget and Rate Order by GRP Review Committee on June 22, 2020

It is your GRP, your future water supplies.
SJRA needs your input and guidance.

Questions?

