



## **GRP REVIEW COMMITTEE MINUTES OF REGULAR MEETING**

**APRIL 20, 2020**

The San Jacinto River Authority (SJRA) GRP Review Committee Meeting was held at 11:30 a.m., April 20, 2020, via telephone conference call/webinar. 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>
Mike Mooney	Chair	Woodlands Water
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
Duke Coon		City of Conroe

### **Absent were:**

N/A

### **Also, present were:**

<u>Name:</u>	<u>Title:</u>
Ron Kelling	SJRA Deputy General Manager
Chris Meeks	SJRA Utility Enterprise Operations & Maintenance Manager
Matt Corley	SJRA Utility Enterprise Customer Service & Compliance Manger
David Guyer	SJRA Utility Enterprise Maintenance Manager
Jason Williams	SJRA Utility Enterprise Operations Manager
Lisa Yohner	SJRA GRP Administrative Supervisor
Tina Felkai	GRP Customer Service & Compliance Supervisor
Mitchell Page	Schwartz, Page & Harding, L.L.P., SJRA General Counsel

### **1. CALL TO ORDER**

There being a quorum present, the Chair called the meeting to order at 11:38 a.m.

### **2. PUBLIC COMMENTS:**

There were no public comments.

**3. GRP REVIEW COMMITTEE MEMBERS:**

Mr. Matt Corley seated the City of Conroe Mayor Pro Tem Duke Coon as the new member of the GRP Review Committee, appointed by the City of Conroe to fill the vacancy created by the resignation of Jason Miller.

**4. APPROVAL OF MINUTES**

Mr. Mooney indicated that the minutes of the GRP Review Committee Meeting held on February 23, 2020, were before the Committee for consideration. Motion was made by Ms. White and seconded by Mr. Masson to approve the minutes. The motion passed unanimously with a five (5) to zero (0) vote, with Mr. Duke Coon abstaining from the vote due to not being present at the February 23, 2020 meeting.

**5. GRP DIVISION UPDATES**

Mr. Chris Meeks, Utility Enterprise O&M Manager provided an update on GRP Operations and Maintenance. Mr. Meeks stated there had been a small fire in the belt press building, which caused minimal damage. An investigation showed the fire was caused by the battery backup. It is undetermined what caused the battery backup to fail. The plant was temporarily shut down but was back up and running within three hours of the incident. The total damage was under \$5,000 and staff is checking with insurance on coverage for the incident.

Mr. Matt Corley, Utility Enterprise Customer Service and Compliance Manager, provided the Financial Update. The total operating revenues for March 2020 were \$4,271,210 and operating revenues YTD for Fiscal Year 2020 were \$22,583,437, giving the GRP Division a positive variance of 27%. The total operating expenses for March, 2020 were \$1,839,614 and operating expenses YTD for Fiscal Year 2020 were \$11,153,049, giving the GRP Division a negative variance of 5%. The GRP General Fund balance, as of March 31, 2020, was \$1,381,942, representing approximately 0.93 months of budgeted operating funds. The balance in the GRP Debt Service Fund as of March 31, 2020, was \$7,379,735.

Mr. Matt Corley, continued by providing the Compliance Update. Mr. Corley notified the Review Committee Members that Rate Order Notices had been mailed to all GRP Participants. Mr. Corley also stated that GRP Review Committee Nomination Notices were mailed to Montgomery County MUDs East of I-45, City of Conroe, and Lone Star Groundwater Conservation District.

**6. PRESENTATION REGARDING FISCAL YEAR 2021 10-YEAR PROJECT PLAN AND DRAFT BUDGET**

a. GRP FY 2021 10-Year Project Plan Presentation

Mr. Corley presented the GRP Division's Fiscal Year 2021 10-Year Project Plan, noting the key elements in the plan were as follows:

- Limited to only phase 1
- Meet service level expectations
- Maintain compliance with all local, state and federal regulations
- Continue to provide efficient and reliable service
- Maintain/renew assets



Mr. Corley proceeded to go over the GRP Division's major assets. Mr. Corley stated the key focus area is replacement of the low pressure microfiltration membranes. The current membranes have been in service since 2015 and have an expected life of ten to twelve years. The estimated replacement cost of membranes is \$3.49 MM. The GRP plans to set aside funds in the R&R Fund in Fiscal Years 2025-2027. Mr. Corley went on to provide detail for a capital expense for the purchase Enterprise Software for SJRA in FY 2023. The cost of this software will be split amongst all SJRA Operating Divisions. The GRP Division's estimated cost for its share of this purchase is \$0.375MM and is planned to be paid for using excess bond funds. There was a brief discussion and Mr. Chance stated that he had an issue with using bond funds to pay for the software. Mr. Chance stated that he would prefer the GRP use funds that come from the sale of water.

b. GRP FY 2021 Draft Operating Budget Presentation

Mr. Kelling provided a presentation on the proposed GRP Division's FY2021 Operating Budget. Currently the Joint GRP Participants is comprised of 80 GRP Contracts which consists of 149 Large Volume Groundwater User (LVGU) Systems. Mr. Kelling reviewed the current FY2020 rates.

Mr. Kelling provided an update on the current regulatory environment and stated the LSGCD Board approved a revised Groundwater Management Plan. In the approved plan, the 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 be revised to address the MAG estimate in GAM Run 10-038 MAG. Through the mediation process, the LSGCD incorporated TWDB's recommendation(s) into the plan. The LSGCD 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 DFCs are adopted in the third round of joint planning by GMA 14, the LSGCD 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. LSGCD Consultants provided no data regarding current subsidence study nor impact of potential DFCs on subsidence. The next step is LSGCD staff will present the three options to GMA 14 Joint Planning Committee on April 29, 2020.

Mr. Kelling's presentation then discussed Matters of the Supreme Court of Texas. 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. The "incontestability" and "validity" of the contracts now 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.

Mr. Kelling, then proceeded to present the FY2021 Proposed Budget and Rates. The Primary (Base) Assumptions are as follows:

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

Mr. Kelling, went over the following expenses with the GRP Review Committee:

- GRP Water Demands
- O&M Expenses
- Capital Improvements and Debt Service,
- Staff Payroll and Benefits, Professional Fees
- Purchased and Contracted Services
- Supplies, Materials and Utilities
- Maintenance Repair, Parts and Rentals



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- General and Administrative
- Other Expenditures (Capital Improvements)
- Debt Service

The projected total of all expenses for FY2021 comes to \$34,554,465.

Mr. Kelling, then discussed the Intangibles, which are:

- Short Pay by City of Conroe and City of Magnolia
- Legal Fees and Judgements Associated with:
  - Quadvest/Conroe/Magnolia, etc. - Rate Case
  - Quadvest - Federal Antitrust Case
  - LSGCD DFCs/GMP/Rules
  - W2A & W2B - Water Line Leak Case

As of March 31, 2020, The City of Conroe and Magnolia are in arrears:

- City of Conroe \$4,776,921 (includes penalties and interest)
- City of Magnolia \$ 252,397 (includes penalties and interest)

By the end of the Fiscal Year End August 31, 2020 the projected arrears amount will be:

- City of Conroe \$5,663,093 (includes penalties and interest)
- City of Magnolia \$ 295,858 (includes penalties and interest)

Mr. Kelling, reviewed several scenarios A, B C and D and their impact on the rate. Mr. Kelling asked the GRP Review Committee to review the presentation and bring recommendations back to GRP staff next month. After a brief discussion, the GRP Review Committee Members wanted to add an additional scenario, Scenario E. Mr. Kelling agreed to run an additional scenario and send email the scenario to the Review Committee Members. Mr. Kelling concluded by stating that the GRP staff will support the GRP Review Committee Members in providing this presentation to any audience. The final Budget and Rate Order will be provided to the GRP Review Committee on June 15, 2020.

**7. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS ON APRIL 23, 2020**

a. N/A

**8. DISCUSSION REGARDING FUTURE AGENDA ITEMS**

- Discuss and Consider the GRP Fiscal Year 2021 Operating Budget and Rates – May 26, 2020
- Recommend approval of the GRP Division's Fiscal Year 2021 Operating Budget and Rate Order – June 22, 2020

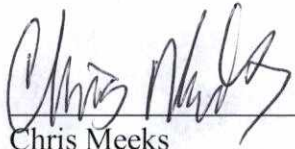
**9. FUTURE MEETING SCHEDULE**

- May 26, 2020 (Tuesday)
- June 22, 2020
- July 20, 2020
- August 24, 2020

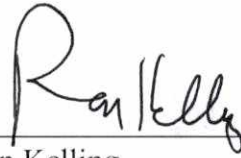
**10. ADJOURN**

Without objection, the meeting was adjourned at 1:00 p.m.

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Chris Meeks  
Utility Enterprise O&M Manager



Ron Kelling  
Deputy General Manager