



GRP REVIEW COMMITTEE MINUTES OF REGULAR MEETING

JUNE 22, 2020

The San Jacinto River Authority (SJRA) GRP Review Committee Meeting was held at 11:30 a.m., June 22, 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>
Mike Mooney	Chair	Woodlands Water
Kerry Masson	Vice Chair	MUDs East of I-45
Jackie Chance		MUDs West of I-45
Melanie White		Other Well Owners
Duke Coon		City of Conroe

Late arrival:

Joe Sherwin arrived at 11:35

Cities other than City of Conroe

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
Mitchell Page	Schwartz, Page & Harding, L.L.P., SJRA General Counsel
Mark Smith	SJRA

1. CALL TO ORDER

There being a quorum present, the Chair called the meeting to order at 11:30 a.m.

2. PUBLIC COMMENTS:

There were no public comments.

3. APPROVAL OF MINUTES

Mr. Mooney indicated that the minutes of the GRP Review Committee Meeting held on May 26, 2020, were before the Committee for consideration. Motion was made by Mr. Masson and seconded by Mr. Chance to approve the minutes as drafted. The motion passed unanimously, by a vote of five (5) to zero (0), excluding Mr. Sherwin who arrived late.

4. GRP DIVISION UPDATES

Mr. Matt Corley, Utility Enterprise Customer Service and Compliance Manager, provided the Financial Update. The total operating revenues for May 2020 were \$5,068,419 and operating revenues YTD for Fiscal Year 2020 were \$38,043,005, giving the GRP Division a positive variance of 8%. The total operating expenses for May 2020 were \$1,171,330 and operating expenses YTD for Fiscal Year 2020 were \$13,311,841, giving the GRP Division a negative variance of 5%. The GRP General Fund balance, as of May 31, 2020, was \$395,144, representing approximately 0.27 months of budgeted operating funds. The balance in the GRP Debt Service Fund as of May 31, 2020, was \$13,171,079. The next Bond Principal/Interest payment is due October 1, 2020.

5. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS ON JUNE 25, 2020

- a. **Receive presentations and consider recommendation to the San Jacinto River Authority Board of Directors regarding the proposed GRP Fiscal Year 2021 Operating Budget and associated rates, effective September 1, 2020. Note: This item will be presented to the SJRA Board of Directors on June 25, 2020 and included in the overall SJRA budget that will be considered by the Board of Directors on August 27, 2020.**

Mr. Kelling provided an update on the GMA 14 Planning Meeting held on May 29, 2020. DFC Scenarios were approved by the members for further evaluation. The next GMA 14 meeting will be held on July 15, 2020. Lone Star Groundwater Conservation District (LSGCD) held their regular board meeting on June 9, 2020 and held a special meeting on June 18, 2020, in which the district's consultants provided an update on their subsidence study. Mr. Kelling's update included review of several pumping scenarios presented at the GMA 14 and LSGCD Meetings.

Mr. Kelling recapped the previous meeting's budget presentation, noting the direction received from GRP Review Committee Members concerning certain expenditures and rate increases. GRP Staff developed a proposed budget that excludes legal fees associated with the Federal Anti-Trust lawsuit and the rate case. Additionally, the proposed budget does not include anticipated short payments by the Cities of Conroe and Magnolia. Excluding these expenses from the proposed budget allows the rates to remain the same as Fiscal Year 2020. However, the proposed budget projects a revenue shortfall of \$3,032,794. The revenue shortfall may require funds from the Debt Service Reserve Fund to be utilized if such a shortfall is realized. Mr. Kelling reviewed the flow of funds defined by the Bond Covenants and SJRA Policy. He cautioned that funds removed from the GRP's Debt Service Reserve Fund must be replenished within sixty (60) months.

Mark Smith presented information on Asset Infrastructure Insurance to cover the GRP's transmission system, in the event of a line break. The GRP Division's Emergency Reserve Fund has a target balance of \$2,000,000, but currently there are not funds in this reserve. The proposed policy will mitigate the

GRP's risk exposure until the Emergency Reserve Fund is full. This insurance policy covers investigation of root cause and subrogation. All GRP transmission lines are included in this insurance policy. This insurance policy would not include above ground assets, which are covered by TWCA Risk Management. The last line break cost approximately one million dollars and there not reserve funds available to mitigate this risk. The cost of this insurance policy is included in the proposed FY21 GRP Budget.

Mr. Page, SJRA Legal Council gave a brief legal update regarding all GRP legal cases. Mr. Page also responded to the request made by Mr. Chance at the May 26, 2020 meeting regarding the removal of a member because they are not in good standing. Mr. Page stated, that there is no provision that allows the GRP Review Committee to remove a member because they are not in good standing. His recommendation is for the GRP Review Committee to not take action. In moving forward with this action, it would open the GRP for more legal issues. Mr. Page stated he wanted to remind everyone that Mr. Coon is the fourth member to represent the City of Conroe, the other three appointees were employees with the City of Conroe, whereas Mr. Coon is on the City Council and would hope that the Review Committee would look at this current appointment as an opportunity.

Mr. Kelling asked for a recommendation from the GRP Review Committee on the Proposed FY2021 Operating Budget and associated rates effective Sept 1, 2020. An amendment to the GRP's Rate Order is not required.

Motion to recommend approval was made by Ms. White, and seconded by Mr. Masson. Motion carried by a vote of five (5) to one (1) with Duke Coon being opposed.

b. Consider authorizing the General Manager to execute a service agreement for High Service Pump Station medium voltage variable frequency drive maintenance for the GRP Division.

Matt Corley discussed the Variable Frequency Drive (VFD's) in the High Service Pump Station, stating the GRP needs to execute a service agreement to service the VFD's, the amount of the service agreement is \$139,524.74 which includes labor, equipment, materials for three VFD's in FY20. One additional VFD will be serviced in FY21 and the funds are included in the FY21 GRP Budget. Mr. Corley stated he is looking for a recommendation from the GRP Review Committee to approve the service contract. Mr. Chance made motion to approve, Mr. Masson seconded. The motion carried by a vote of six (6) to zero (0).

6. DEVELOPMENT OF GRP PRODUCTION SCHEDULE

Mr. Corley reviewed how staff develops the GRP Production Schedule. Production Schedules for 2021 will be developed based on information from Participants utilizing a form developed for the Participants to fill out and return.

7. DISCUSSION REGARDING FUTURE AGENDA ITEMS

- a. Discuss protocol for GRP Review Committee to request items to be added to agenda for the GRP Review Committee Meetings.

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Mr. Masson advised that he wants to remove his name from the ballot for re-election to the GRP Review Committee. Rick Moffitt is retiring from his current position and has expressed an interest in joining the GRP Review Committee and Mr. Masson wants to support his run for appointment.

Mr. Kelling addressed the GRP Review Committee, stating that since the FY21 budget was approved, other than updates there would not be a lot to present to the GRP Review Committee members in upcoming meetings. Mr. Kelling asked if the Review Committee wanted to cancel the July 22, 2020 meeting. The GRP Review Committee members stated that unless something came up there is no reason to meet. Mr. Kelling stated that SJRA would keep the meeting date set and if something came up the Review Committee would meet, but if not GRP staff would send out a cancelation notice.

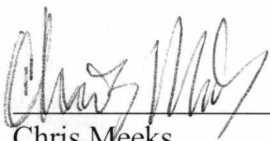
Mr. Kelling proposed a motion to be made to keep standing meetings, but meetings can be cancelled ten (10) days prior if there was nothing on the Agenda. Motion was made by Ms. White, seconded by Mr. Chance and unanimously carried by a vote of six (6) to zero (0).

8. MEETING SCHEDULE:


- July 20, 2020
- August 24, 2020
- September 21, 2020

9. ADJOURN

Without objection, the meeting was adjourned at 1:34 p.m.



Chris Meeks
Utility Enterprise O&M Manager



Matt Corley
GRP Administrator & Compliance Manager