



San Jacinto River Authority

ADMINISTRATIVE OFFICE
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August 31, 2016

Re: Notice of Filing for Declaratory Judgment to Enforce the GRP Contract

To All GRP Participants:

The Conroe City Council recently adopted a resolution refusing to pay the increase in fiscal year 2017 GRP rates, set to take effect September 1. Conroe's refusal is a breach of the express terms of its GRP Contract, and creates an immediate financial risk for all of the GRP Participants and for the State of Texas, which holds over \$400 million worth of bonds related to the GRP project.

As a result of Conroe's rejection of its contractual obligations, the SJRA has been forced to provide notice of the breach to the Attorney General and the Texas Water Development Board, and to file suit in Travis County for an expedited declaratory judgment confirming the validity of the GRP Contracts and SJRA's legal authority to enforce the GRP Contract terms, including the fiscal year 2017 GRP rates.

In order to protect the regional water supply investment that all 151 Participants have made in the GRP program, and to defend the State's financial interests, SJRA will aggressively pursue a swift decision in this matter.

Due to Conroe's decision not to abide by the obvious legal obligations in its GRP Contract, and in light of the likelihood that the full costs of this litigation will ultimately be borne by Conroe's own citizens, it is appropriate to point out key misstatements in Conroe's resolution related to the fiscal year 2017 GRP rates.

- Conroe's resolution states that the rates "are designed to collect substantially more revenue than necessary for operation of the GRP" and that the rates are "intended to allow the SJRA to accumulate a cash reserve far in excess of reasonable and customary standards." Further, Conroe's resolution states that "it is outrageous that the SJRA proposes to increase GRP rates in order to balloon its bank account at a time when many families and small businesses struggle to make ends meet."
- In fact, even with the new rates proposed by SJRA staff and approved unanimously by the GRP customer review committee, the GRP will only have a three-month average operating reserve for fiscal year 2017. The City of Conroe's own fiscal policy calls for a *minimum* three-month reserve, and its current budget has proposed a *five-month* reserve for its water and sewer utility for its fiscal year 2017.

These quotes from Conroe's resolution are a small sampling of the misinformation and false statements that have been made recently about the SJRA and its GRP program. It is unfortunate that a cooperative, regional partnership benefiting almost 400,000 water customers in Montgomery County is being undermined based on such misleading and inaccurate statements.

To review the SJRA's petition to the court plus additional background information related to the GRP rates, visit our website at www.sjra.net.

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