



GRP Review Committee Meeting
March 25, 2024

Item 1

Call to Order

Item 2

Public Comments

Item 3

Approval of Minutes

Item 4

GRP Division Updates

SCHEDULE FOR GRP APPOINTMENT/ELECTION PROCESS

April, 2024	Notices mailed to participants that are “conservation and reclamation districts, other than members of The Woodland Joint Powers Agency, or its successors, which are located primarily to the west of Interstate Highway 45”, “municipalities, exclusive of the City of Conroe”, and "members of The Woodland Joint Powers Agency, or its successors".
July 1, 2024	Nomination resolutions are due to the San Jacinto River Authority (SJRA).
August 1, 2024	Deadline for SJRA to send out ballots to Participants mentioned above for contested nominations.
November 1, 2024	Deadline to return ballots and appointment resolutions to SJRA.
December 1, 2024	Deadline to return ballots and appointment resolutions to SJRA.
January, 2025	Seat new members

Appointments

City of Conroe
LSGCD

Election

MUDs East of I-45

Item 5
Lone Star Groundwater Conservation
District Update

Item 6
**Discuss and Act on FY2024 GRP Budget
Amendment**



Proposed GRP Budget Amendment

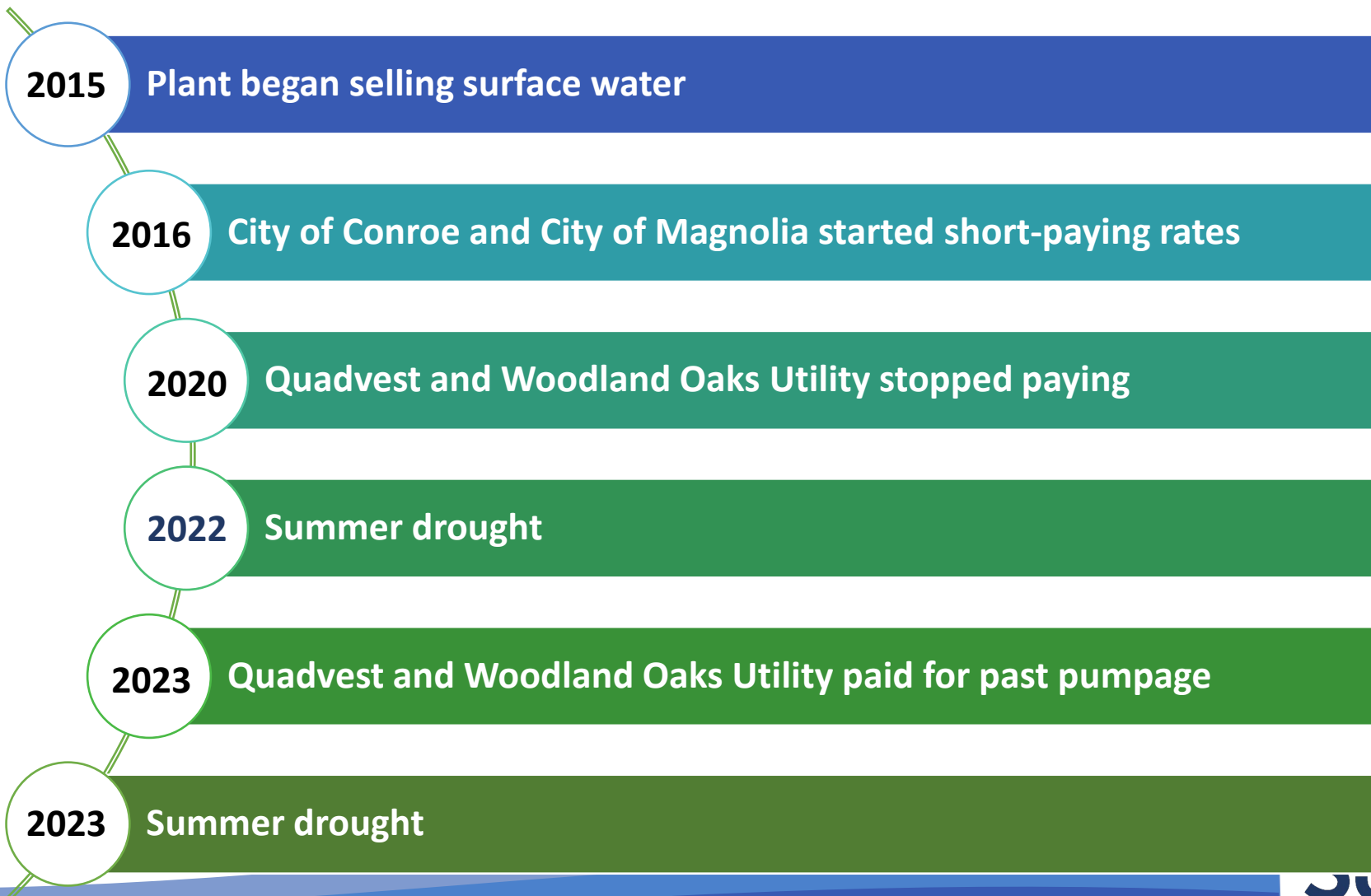
GRP Review Committee Presentation
March 25, 2024

GRP Cash Balances

GRP General Fund Cash Balance*	\$ 40,446,587
Less: 3 month Operating Reserve	<u>(6,393,549)</u>
Net GRP General Fund	\$ 34,053,038
Emergency Reserve	\$ 2,109,405
Capital/R&R Reserve	\$ 4,848,132
Debt Service Reserve	\$ 36,940,645
Budgeted Revenues for FY2024	\$ 62,351,778

* As of 01/31/2024

GRP Financial History



Factors Creating Cash Balance

- FY2022 ended during a summer drought = increased groundwater sales
- Non-paying participants since May 2020 paid pumpage balances in April and May 2023
- FY2023 ended during a summer drought = increased groundwater sales

Proposed Usage of Cash Balance

Debt Defeasance	\$14,000,000
(Reduce Debt Service Reserve Requirement due to debt defeasance + \$5,501,140)	
GRP Participant Rebate	\$12,000,000
Legal Services	\$ 1,000,000

Proposed Debt Defeasance

SOURCES AND USES OF FUNDS

San Jacinto River Authority (GRP Project)
Proposed 2024 Cash Defeasance - General \$14MM

Dated Date	12/01/2024
Delivery Date	12/01/2024

Sources:

Other Sources of Funds:

General Operating Fund Transfer	13,999,416.17
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13,999,416.17

Uses:

Refunding Escrow Deposits:

Cash Deposit	13,982,416.17
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Delivery Date Expenses:

Cost of Issuance	17,000.00
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13,999,416.17

Proposed Debt Defeasance

SUMMARY OF BONDS REFUNDED

San Jacinto River Authority (GRP Project)
Proposed 2024 Cash Defeasance - General \$14MM

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Spec Proj Rev Bds (GRP Proj) Ser 2012A, SERIAL:					
	10/01/2040	4.620%	11,395,000	12/01/2024	100.000
Spec Proj Rev Bds (GRP Proj) Ser 2013, SERIAL:					
	10/01/2040	4.760%	2,480,000	12/01/2024	100.000
			13,875,000		

Proposed Debt Defeasance

REFUNDING EFFECTS

San Jacinto River Authority (GRP Project)
Proposed 2024 Cash Defeasance - General \$14MM

Date	Oustanding Debt Service (1)	Less: Refunded Debt Service (1)	Plus: New Principal	Plus: New Interest	Total Debt Service	Savings (2)
12/31/2024						-13,999,416
12/31/2025	34,701,736	644,497			34,057,239	644,497
12/31/2026	34,705,791	644,497			34,061,294	644,497
12/31/2027	34,730,650	644,497			34,086,153	644,497
12/31/2028	34,768,635	644,497			34,124,138	644,497
12/31/2029	34,805,185	644,497			34,160,688	644,497
12/31/2030	34,835,547	644,497			34,191,050	644,497
12/31/2031	34,860,983	644,497			34,216,486	644,497
12/31/2032	34,887,162	644,497			34,242,665	644,497
12/31/2033	34,918,205	644,497			34,273,708	644,497
12/31/2034	34,954,062	644,497			34,309,565	644,497
12/31/2035	34,991,333	644,497			34,346,836	644,497
12/31/2036	35,013,179	644,497			34,368,682	644,497
12/31/2037	35,047,573	644,497			34,403,076	644,497
12/31/2038	35,063,451	644,497			34,418,954	644,497
12/31/2039	35,102,961	644,497			34,458,464	644,497
12/31/2040	35,137,699	14,519,497			20,618,202	14,519,497
12/31/2041	134,388				134,388	
	558,658,536	24,186,952	0	0	534,471,584	10,187,536

Proposed Debt Defeasance Recap

Based on:

- Payoff \$14,000,000
- FY2025 Projected Demands of 58.62 mgd
- Preliminary FY2025 GRP expenses
 - One penny = \$214,000 in expense
- Debt Defeasance results in reduction of Required Debt Service Reserve
 - Maximum Savings = (\$5,501,140)

GRP Division				
Comparison of Defeasance of GRP Bonds				
FY2024				
Payoff		FY25 estimated expense to penny ratio		
\$ 14,000,000		\$ 214,000		
			Annual Savings First Years	Estimated Rate Reduction
Maximum Savings	\$ 10,187,536	\$ 644,497	\$ 644,497	\$ 0.03
		\$ 644,497	\$ 644,497	\$ 0.03
		\$ 644,497	\$ 644,497	\$ 0.03
		\$ 644,497	\$ 644,497	\$ 0.03
		\$ 644,497	\$ 644,497	\$ 0.03
		\$ 644,497	\$ 644,497	\$ 0.03

		Rate reduction %	
		Current rates	\$ 0.03
	GW	\$2.99	1.00%
	SW	\$3.41	0.88%

Proposed Participant Rebate

- Rebate calculated on actual average of FY2022 and FY2023 usage
- Apply credit to Participant's accounts

- **Example:**

Participant	Proposed Rebate
Aqua Tx	\$ 465,271.30
City of Conroe	\$ 2,546,263.02
City of Magnolia	\$ 180,090.62
Quadvest	\$ 641,865.69
SJRA Woodlands	\$ 3,116,392.40

- **Balances Due:**

Accounts Receivable @ 02/19/24	Past Due Pumpage	Penalties & Interest	Outstanding Balance
City of Conroe	\$ 15,567,624.65	\$ 5,732,076.99	\$ 21,559,624.23
City of Magnolia	\$ 929,698.58	\$ 315,791.90	\$ 1,266,800.51

Proposed Legal Services Increase

- Original FY2024 budget = \$2,100,000
- Rate and anti-trust case trials in January – invoices total > \$1.2M
- GRP exceeding FY2024 budget by \$333K with January invoices
- Proposing \$1M increase to FY2024 legal budget

GRP Operating Cash Recap

After Budget Amendment

Cash as of 01/31/24	\$	40,446,587
Board Policy 3 Month Oper Reserve		(6,393,549)
Debt Defeasance		(14,000,000)
Debt Service Reserve reduction		5,501,140
Participant Rebate		(12,000,000)
Professional Services Legal		(1,000,000)
Estimated Cash After Amendment	\$	12,554,178

Proposed Budget Amendment

Item 7
**Presentation of FY2025 GRP 10-Year Project
Plan**

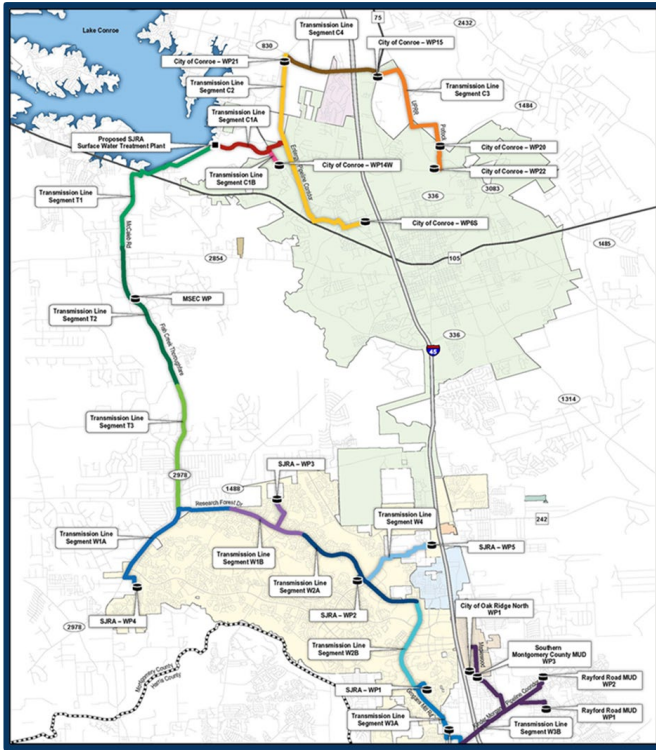


GRP Division 10-Year Project Plan FY2025-2034

March 2024



The GRP Division System



Total Transmission System Assets:

- 54 miles of transmission system pipe diameter (12 - 60")
- >2,000 valves and appurtenances
- **Approximate total assets = 3,000**

Total Plant Assets:

- 173 pumps and motors
- Process equipment
- Piping and valves
- Chemical storage and delivery
- Power equipment
- Instrumentation and controls
- 2 ground storage tanks
- **Approximate total assets = 1,700**



Wastewater Discharge Optimization

Wastewater Discharge Optimization

Phase	Design and Construction
Project Period	FY 2024-2027
Total Project Estimate	\$2.93 MM

Project is broken up into multiple steps

1. Feasibility Study
2. Preliminary Design
3. Final Design
4. Construction

If the project does not show a positive return on investment after feasibility study, we will not move into the next steps.

Membrane Replacement

Membrane Cartridge Replacement

Phase	Study and Replacement
Project Period	FY 2024-2027
Total Project Estimate	\$5.80 MM

This project begins with a study to determine the most cost-effective means to replace the membranes.

- Study in FY2024 to Evaluate Membrane options to optimize system.
- Membranes are planned for replacement in phases over a 3-year period from FY2025-2027.
- Project cost based on direct replacement with current vendor.

Surface Water Receiving Facility Optimization Project

SW Receiving Facility Optimization Project

Phase	Study and Replacement
Project Period	FY 2025-2027
Total Project Estimate	\$1.52 MM

- Study in FY2025 to evaluate options to increase flow capacity at receiving facilities.
- Project includes funds to replace approximately 50% of the flow control valves with larger size.



Project Cost / Funding Sources

Total Projected Funding (All Projects)

Previously Funded	\$4.848MM
FY 2025	\$1.759MM
FY 2026	\$1.759MM
FY 2027	\$1.759MM
FY 2028 – FY 2034	\$0MM
Total	\$10,250,000

Funding Sources (10 – Year Period)

Renewal & Replacement Fund	\$10,250,000
Debt Financed	\$0
Total	\$10,250,000

Thank you!

Please forward any questions to Chris Meeks, SJRA Utility Enterprise Manager

Item 8
Discuss and Act on FY2025 GRP Budget
Recommendations

Public Meetings for FY25 GRP Budget & Rates

Date	Audience	FY 2024 GRP Budget Activity
February 26	Review Committee	Budget Process, Demands, and SWTF Production
March 25	Review Committee	Receive Recommendations for FY25 Demands and SWTF Production
March 25	Review Committee	10-Year Project Plan Presentation
March 28	SJRA Board	10-Year Project Plan Presentation
April 22	Review Committee	FY25 Draft Budget & Rate Presentation
April 25	SJRA Board	FY25 Draft Budget & Rate Presentation
May 20	Review Committee	Review Committee Vote on FY25 Budget and Rate
May 23	SJRA Board	Vote on FY25 GRP Rate Order
August 22	SJRA Board	Vote on Proposed FY25 GRP Operating Budget

Dates are subject to change.

Fiscal Year 2024 Budget (Current)

- Total demand 54.54 MGD
- Annual average SWTP Production 13 MGD
- Groundwater Pumpage Rate \$2.99 / 1,000 gallons
- Surface Water Rate \$3.41 / 1,000 gallons

Surface Water Recipients

City of Conroe

City of Oak Ridge North

MSEC

MUD 99

SJRA Woodlands

SMCMUD

Rayford Road MUD

Fiscal Year 2025 Projected Demand

Fiscal Year (Sept – Aug)		
Calculation	Gallons	MGD
2-Year Average	25,468,995,010	69.78
3-Year Average	23,709,998,802	64.96
4-Year Average	22,873,650,617	62.67
5-Year Average	22,012,829,926	60.31
6-Year Average	21,396,944,218	58.62

GRP's recommendation

6-Year Average

**FY 2025 Budgeted Demand
58.62 MGD**

Budgeted FY2024	19,907,100,000	54.54
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Projected demands represent the aggregate historical groundwater and surface water demands for all GRP Participants.

SWTF Production Comparison (Using Current Rates)

Current Revenue & Demand

Surface Water @ 13.00 MGD and Groundwater @ 41.54 MGD \$61,515,174.00

Possible FY2025 Revenue & Demand

Surface Water @ 13.20 MGD and Groundwater @ 45.42 MGD \$66,000,793.00 FY2024 – FY2025 Difference

Surface water @ 16.00 MGD and Groundwater @ 42.62 MGD \$66,429,193.00 \$4.5 - \$5MM increase

Preliminary Expenses for Production Increase Only

Surface Water @ 13.20 MGD \$ 9,373,527.00 Production Difference between 13.20 & 16.00 MGD

Surface Water @ 16.00 MGD \$11,145,540.00 \$1,772,013.00

SWTF Production and Blend Ratios

	Utility	FY24 Budgeted %	FY24 Budgeted Avg. MGD	Proposed %	Proposed Avg. MGD	Estimated Annual Delivery
Surface Water Recipients	City of Conroe	35%	3.87	35%	3.86	1,410,548,067
	City of Oak Ridge	35%	0.12	30%	0.10	36,592,700
	Midsouth Enterprises	35%	0.80	30%	0.69	250,185,920
	MUD 99	35%	0.38	30%	0.28	100,471,500
	SJRA Woodlands	50%	7.76	50%	7.64	2,789,067,300
	SMCMUD	35%	0.38	30%	0.33	119,680,100
	Rayford Road MUD	35%	0.37	30%	0.31	112,335,700
				13.63		13.20

March 2025 GRP Review Committee Meeting

Recommend
projected demand
for FY2025

Staff
recommends
58.62 MGD

Confirm annual
average SWTP
production for
FY2025

Staff
recommends
TBD MGD

Item 9

Discuss and Act on engagement of a firm to complete an administrative, accounting, and revenue/expense allocation study

Basic Scope for Agreed Upon Procedures Engagement

1. Determine if the San Jacinto River Authority (the Authority) maintains adequate internal controls and procedures necessary for ongoing compliance obligations relating to the Authority's roles as both a Participant and as Groundwater Reduction Plan (GRP) Administrator as stated in Section 9.02 and 9.03 of the "Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services by and between the San Jacinto River Authority and Participant" (the Contract).
2. Determine if the Authority's GRP Division is recognizing the appropriate share of Authority revenues split, allocated, or originating from or between the GRP Division and one or more other operating divisions of the Authority as it relates the to GRP Division being able to reduce both participant rates for surface water delivered and participant fees for groundwater pumped.
3. Determine if the Authority's GRP Division is incurring the appropriate share of Authority expenses split, allocated, or originating from or between the GRP Division and one or more other operating divisions of the Authority as it relates to the GRP Division being able to reduce both participant rates for surface water delivered and participant fees for ground water pumped.
4. The engaged firm would also be asked to document related existing internal controls within the GRP division, offer an opinion on their effectiveness, and make recommendations on controls that could be implemented.

Item 10
GRP Items for Consideration by the SJRA
Board of Directors


GRP Building No. 12 and Maintenance Building to Plant Power Project

- Project to connect electrical service from GRP Building No. 12 and Maintenance Shop to Surface Water Plant
- Currently on separate service with no backup power availability.
- Buildings house over 20 employees, records archives, critical IT infrastructure and maintenance equipment.
- Allows for efficient maintenance activities during power outages.



Construction Contract	
Budgeted	\$400,000
Engineer's Estimate	\$608,000
Contract Amount	\$360,000

Work Order No. 1 – GRP Membrane Capacity Study

- Discussed in February Review Committee regarding Budget Amendment
 - Project will evaluate the most cost-effective means and vendor of membrane replacement
 - Budget – \$300,000.00
 - Contract Amount - \$299,824.00
 - Consultant – Ardurra Engineers
 - Anticipated completion date – September 30, 2024
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Item 11

Attorney's Update

Item 12
Future GRP Review Committee Meeting
Agenda Items

Item 13
Future Meeting Schedule

Monday, April 22, 2024

Item 14 Adjourn