



GRP Review Committee Meeting

May 20, 2024

Item 1

Call to Order

Item 2

Public Comments

Item 3

Approval of Minutes

Item 4

GRP Division Updates

Item 5
Lone Star Groundwater Conservation
District Update

Item 6

Presentation and Update on GRP Rate Study

GRP Division Rate Study Recommendation

San Jacinto River Authority

GRP Review Committee Meeting

May 20, 2024



Agenda

01 | Scope

02 | Rate Differential

03 | Rates 101

04 | Financial Plan

- Alternative 1: No demand growth
- Alternative 2: 1.50% demand growth

05 | FY 2025 Rate Recommendations

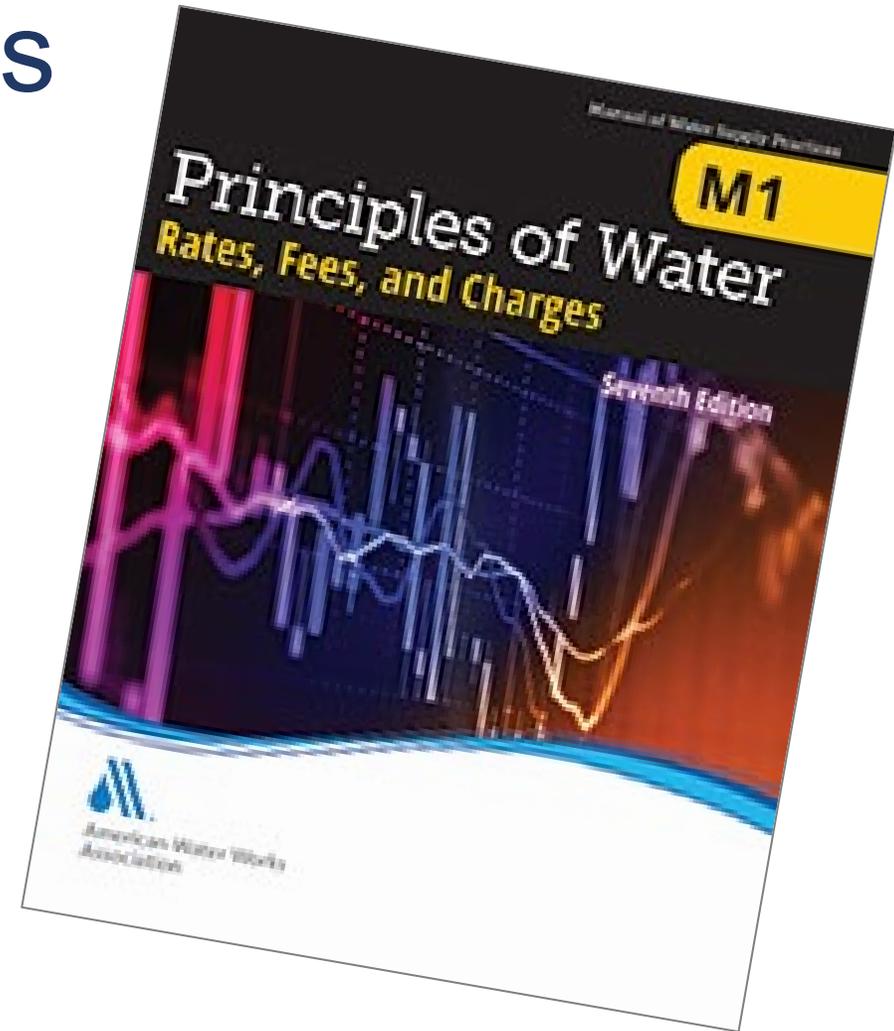
06 | Q&A

Scope of Services

- Update GRP Rate Differential
- Develop Financial Plan (FY 2025 – FY 2034)
- Rate Recommendations
- Rate Model Development

Rate Study Complies with Industry Standards

- American Water Works Association's M1 Manual
- Study analysis is consistent with methodologies published in M1 Manual



GRP Contract Requirements

GRP Contract for Participants

Section 2.02: Development of the GRP (b) – *As provided in this Contract, the Authority’s fees, rates, and charges will be established so that Participants are neither benefited nor penalized for being required to take Water from the Project, or for relying solely upon groundwater resources to meet their demands.*

“Participants receiving surface water experience reduced costs related to well operations because of the reduction in variable costs.”

Rate Differential Methodology

Survey

- SJRA requested FY 2019-2023 groundwater volume and operational and maintenance expenses

Eligible Costs

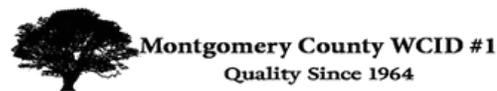
- Chemical and Chemical-Related
- Water Plant and/or Well Maintenance & Repairs (M&R)
- Fuel and/or Utilities

Calculations

- Unit cost per customer
- Weighted average of unit cost per customer
- 3-year average of weighted average

Survey Respondents

- The GRP solicited operations & maintenance expenses from all Participants
- 12 Participants provided sufficient data to form the basis of the rate differential calculation
- Previous rate differential study based on 3 respondents



Unit Cost Summary

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
City of Conroe	\$0.35	\$0.41	\$0.51	\$0.58	\$0.51
Conroe ISD	\$0.00	\$0.00	\$0.00	\$1.04	\$4.75
Del Lago Estates	\$5.79	\$1.24	\$2.60	\$1.38	\$2.03
Domestic Water Company	\$1.37	\$0.89	\$1.55	\$1.50	\$2.73
Montgomery County WCID #1	\$1.30	\$1.90	\$1.65	\$1.40	\$0.96
Montgomery County MUD 83	\$0.85	\$0.81	\$0.76	\$0.89	\$0.75
Montgomery County MUD 89	\$0.54	\$0.49	\$0.69	\$0.54	\$0.65
San Jo	\$1.38	\$1.67	\$1.78	\$4.47	\$2.67
SJRA Woodlands	\$0.33	\$0.43	\$0.34	\$0.41	\$0.47
Southern Montgomery MUD	\$0.45	\$0.57	\$0.85	\$0.49	\$0.46
Quadvest	\$0.00	\$0.59	\$0.76	\$0.74	\$0.79
City of Willis	\$706.14	\$679.39	\$646.33	\$732.75	\$974.73
Weighted Average Cost	\$0.37	\$0.52	\$0.56	\$0.59	\$0.62
3-Yr Weighted Average Cost			\$0.48	\$0.56	\$0.59

Proposed Rate Differential between Groundwater Rate and Surface Water Rate

\$0.59 per 1,000 gallons

- Based on 3-year weighted average
 - » Consistent with past practice
- Adjustment Drivers
 - » Updated actual costs for the previous 5 years
 - » Larger survey pool than last update

Rates 101

Revenue requirements consider the cash balance and debt service coverage requirement.

Cash Balance

- Cash balance should be at or above the combined following:
 - Minimum operating reserve
 - Emergency reserve
 - Repair & replacement reserve

Debt Service Coverage Requirement (DSCR)

- $DSCR = \frac{\text{Revenues} - \text{O\&M Expenses}}{\text{Annual Debt Payment}}$
- Calculated each year
- Required by bond covenant or loan agreement
- SJRA would be in default if DSCR not met
 - Ratings may drop

Financial Plan Assumptions

Reserves

- Operating: Phase-in 6 months O&M expense by 2027
- Emergency: \$2.0 million
- Repair & Replacement: \$4.6 million

Debt Service Coverage Requirement

- 1.0x

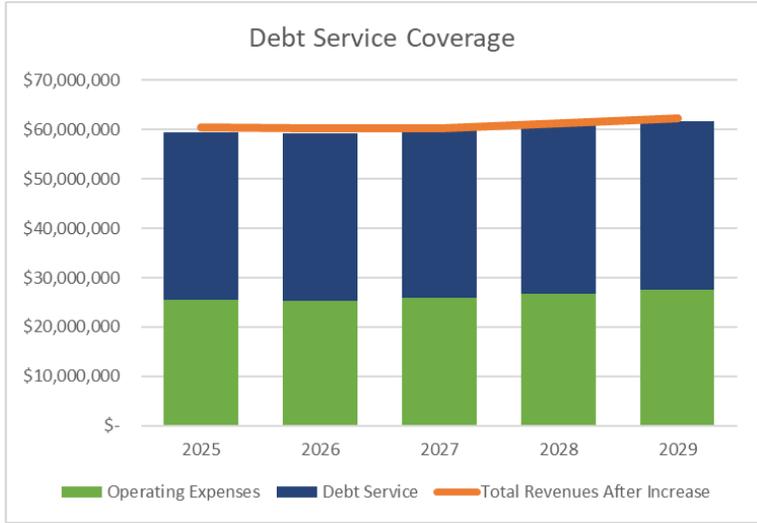
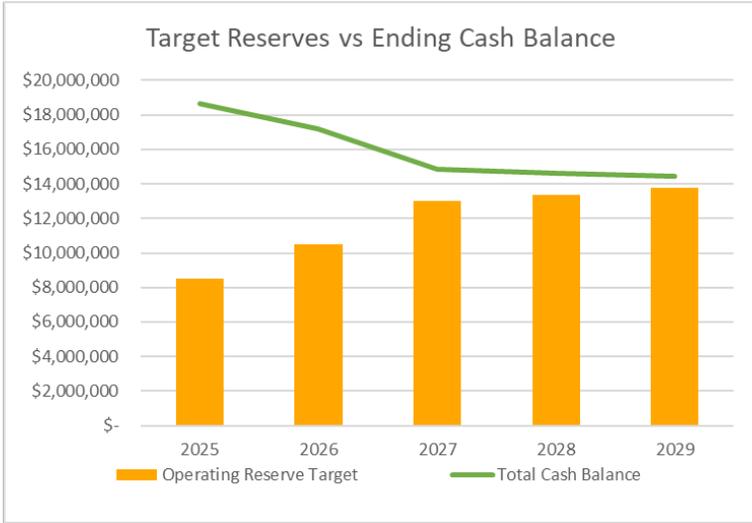
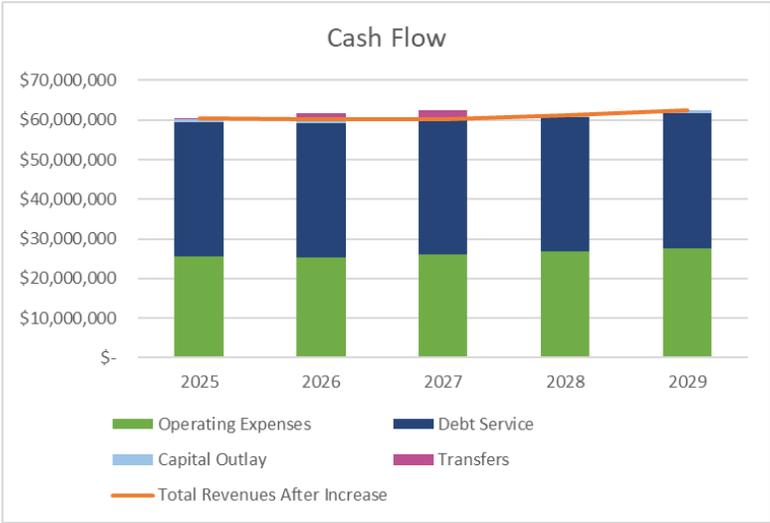
Expenses Escalation

- 3.0% annually

Current Financial Condition: FY 2023 - 2024

- Fully funded reserves
- Actuals revenues exceed budgeted revenues
 - Higher demand due to drought conditions
 - Quadvest and Woodland Oaks now paying full rates
- Healthy cash balance
 - Quadvest and Woodland Oaks paid all past due amounts
- Meeting debt service coverage
- Recent bond defeasance

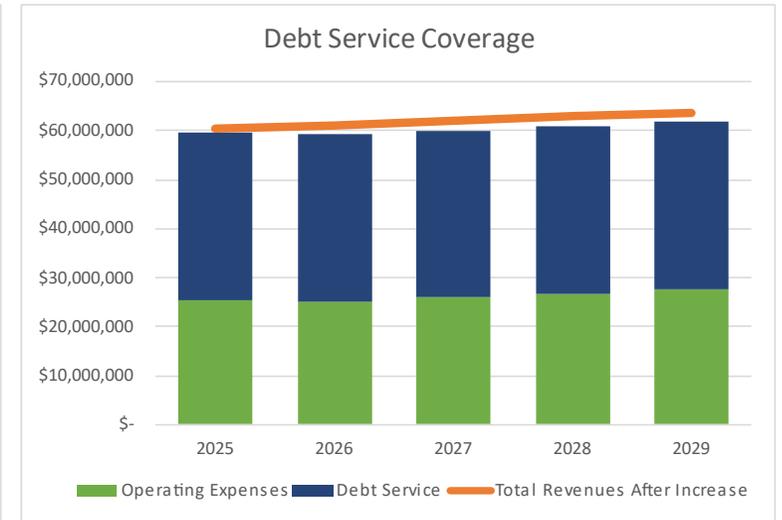
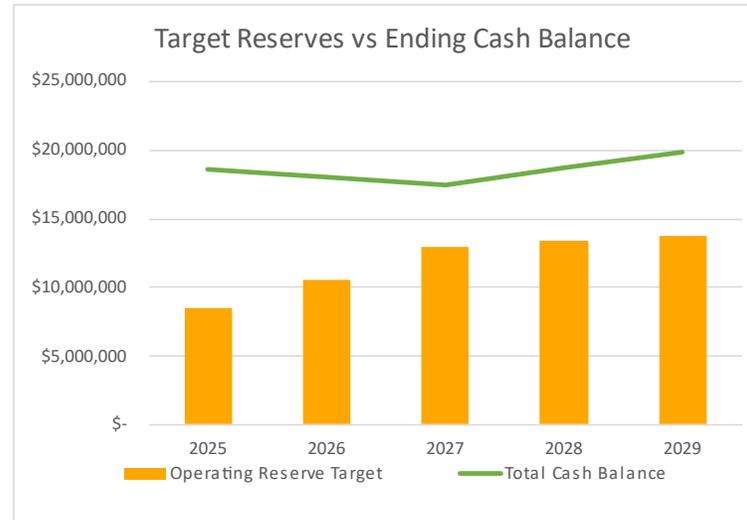
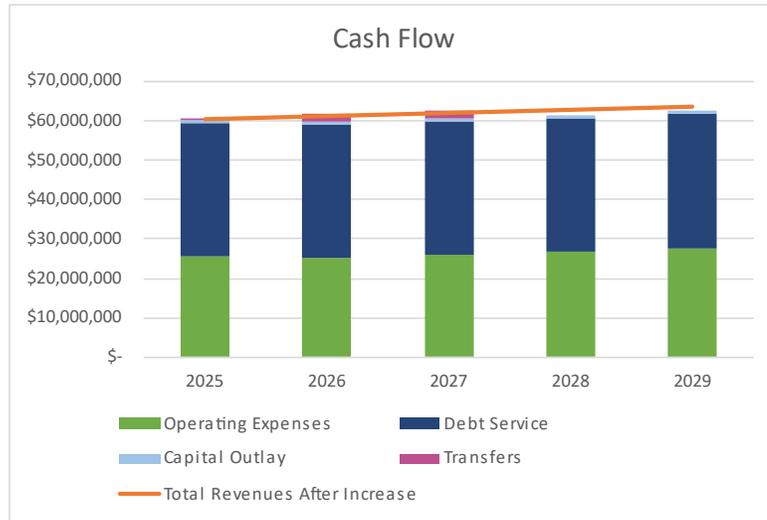
Alternative A – No growth in demand No rate increase until FY 2028



Alternative A	FY25	FY26	FY27	FY28	FY29
Groundwater	(\$0.32)	\$0.00	\$0.00	\$0.05	\$0.05
Surface Water	(\$0.15)*	\$0.00	\$0.00	\$0.05	\$0.05

*Includes recommended rate differential increase

Alternative B – 1.50 percent annual demand growth No rate increase through FY 2034



Alternative B	FY25	FY26	FY27	FY28	FY29
Groundwater	(\$0.32)	\$0.00	\$0.00	\$0.00	\$0.00
Surface Water	(\$0.15)*	\$0.00	\$0.00	\$0.00	\$0.00

*Includes recommended rate differential increase

FY 2025 Recommendations

Surface Water Rate Differential

- \$0.17 increase
- \$0.59 per 1,000 gallons

Groundwater Pumpage Fee

- \$0.32 decrease
- \$2.67 per 1,000 gallons

Surface Water Rate

- \$0.15 decrease
- \$3.26 per 1,000 gallons

O&M Reserve Target

- Increase from 3 months to 6 months O&M by FY 2027

Questions?

Item 7
Presentation Regarding Proposed GRP
FY2025 Budget

Proposed FY2025 GRP Budget



GRP Review Committee
May 20, 2024

SJRA
SAN JACINTO RIVER AUTHORITY

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
May 20	Review Committee	FY25 Draft Budget & Rate Presentation
May 23	SJRA Board	FY25 Draft Budget & Rate Presentation
June 24	Review Committee	Review Committee Vote on FY25 Budget and Rate
June 27	SJRA Board	Vote on FY25 GRP Rate Order
August 22	SJRA Board	Vote on Proposed FY25 GRP Operating Budget

Dates are subject to change.

Key Budget Drivers

Demand

Usage Increase by 4 M Gallons/Day (1.46 B Gallons/Yr)

Chemicals

G.A.C.

Staffing

Key Budget Drivers

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Usage Increase by 4 M Gallons/Day (1.46 B Gallons/Yr)

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Cost reduction based on actual charges & usage

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Cost savings of \$500k/year due to operational changes

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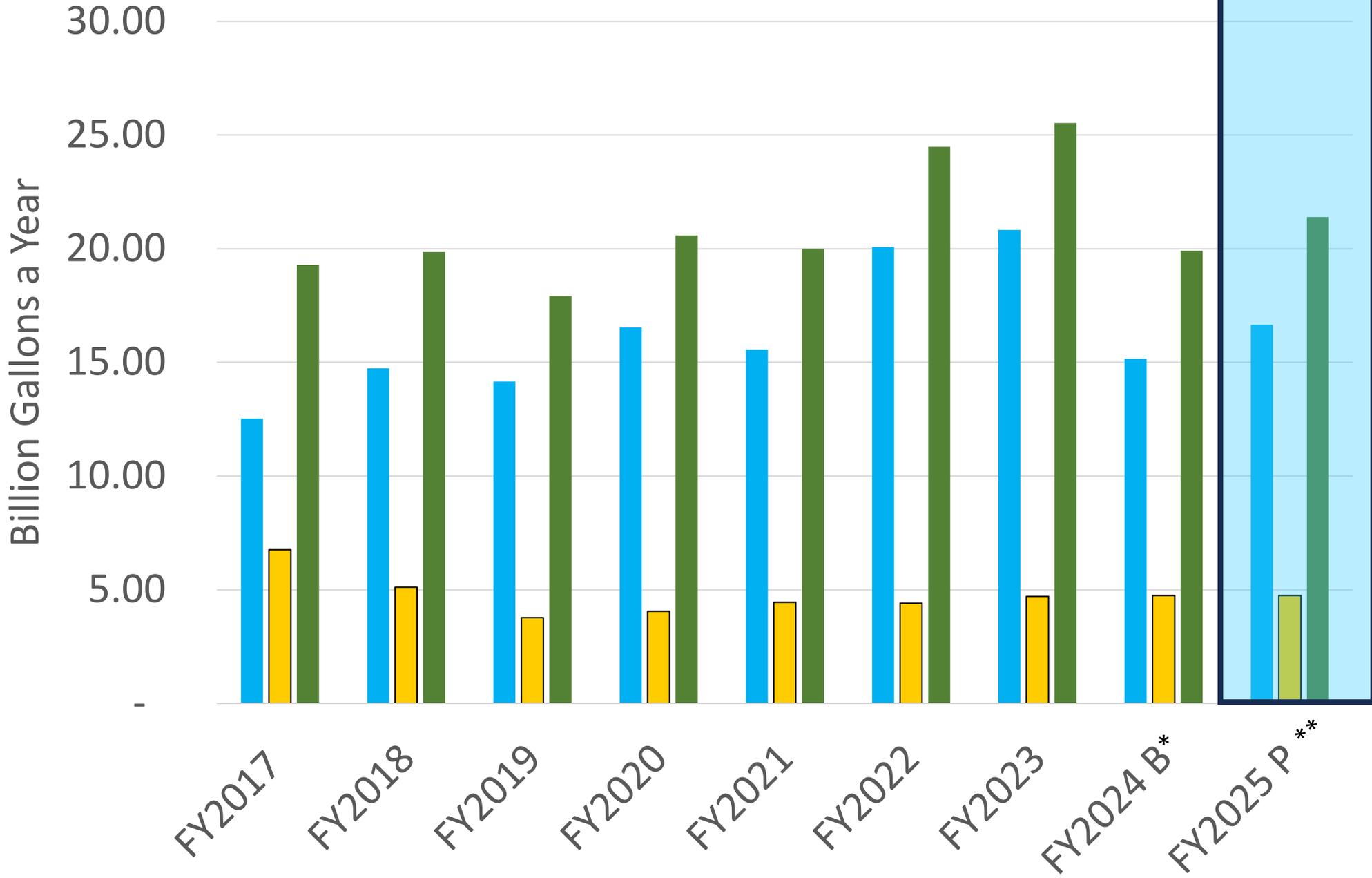
Cost reduction based on actual charges & usage

G.A.C.

Cost savings of \$500k/year due to operational changes

Staffing

Cost savings due to staff reduction



Annual Demand Comparison

*Fiscal Year 2024 Budgeted
 ** Fiscal Year 2025 Proposed

Ground Water **Surface Water** **Total**

Budget Comparison

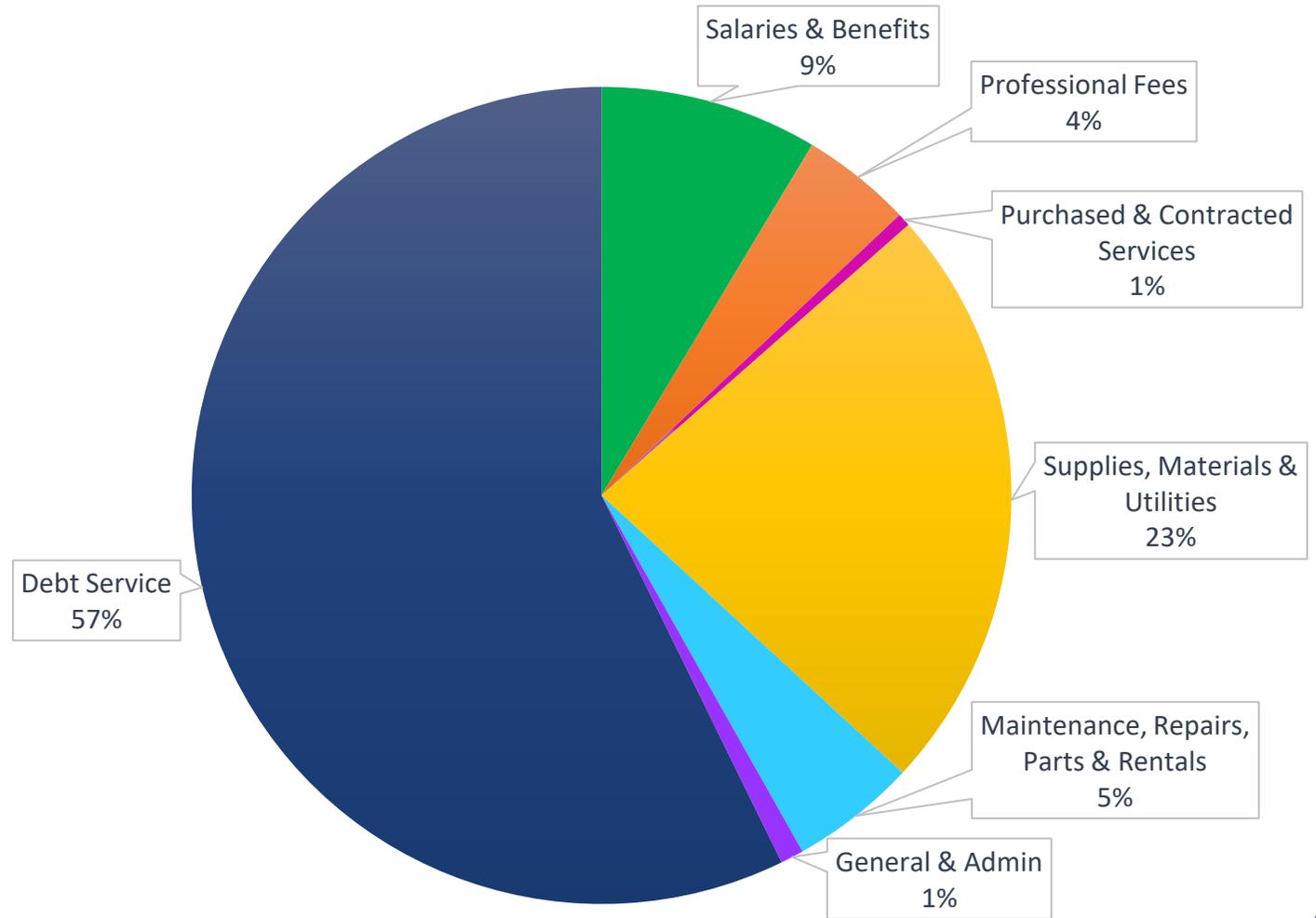
Category	FY23 Actual	FY24 Amended Budget *	FY25 Proposed
Operating Revenues	\$ 78,518,019	\$ 50,351,778	\$ 60,299,118
Other Revenues	\$ 6,036,512	\$ 125,208	\$ 128,460
Revenue Totals	<u>\$ 84,554,531</u>	<u>\$ 50,476,986</u>	<u>\$ 60,427,578</u>
O&M Expenses	\$ (22,157,956)	\$ (26,874,196)	\$ (25,442,147)
Debt Service	\$ (34,638,668)	\$ (48,670,894)	\$ (34,054,670)
Capital Items	\$ (892,552)	\$ (2,164,781)	\$ (664,261)
Other Cash Sources/(Uses)	\$ (11,059,381)	\$ 27,232,885	\$ (266,500)
Expense Totals	<u>\$ (68,748,557)</u>	<u>\$ (50,476,986)</u>	<u>\$ (60,427,578)</u>
Change to Fund Balance	<u>\$ 15,805,974</u>	<u>\$ -</u>	<u>\$ -</u>

GRP O&M Expenses

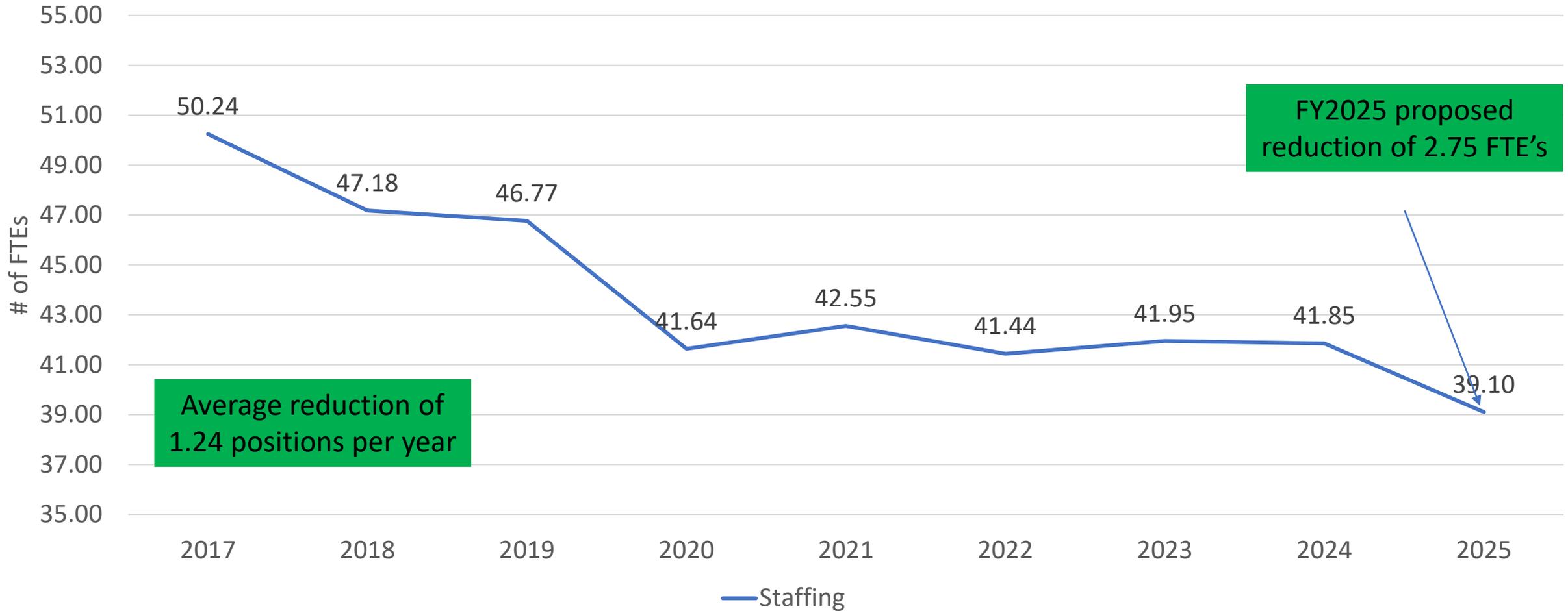
Category	FY23 Actual	FY24 Amended Budget *	FY25 Proposed
Salaries, Wages, & Employee Benefits	\$ 4,761,259	\$ 5,005,281	\$ 5,109,605
Professional Fees	\$ 2,815,141	\$ 3,883,700	\$ 2,598,225
Purchased & Contracted Services	\$ 239,228	\$ 356,369	\$ 310,336
Supplies, Materials, & Utilities	\$ 12,670,969	\$ 15,065,026	\$ 13,918,705
Maintenance, Repairs, Parts, & Rentals	\$ 1,294,076	\$ 2,024,020	\$ 2,959,030
Bad Debt Expense		\$ -	\$ -
General & Administrative	<u>\$ 377,284</u>	<u>\$ 539,801</u>	<u>\$ 546,246</u>
Total O&M Expenses	\$ 22,157,957	\$ 26,874,197	\$ 25,442,147

GRP Expenses & Debt Service

FY25 Proposed Budget



Spotlight: FTEs



Expenses, Capital, & Debt Service

Category	FY23 Actual	FY24 Amended Budget *	FY25 Proposed
Salaries, Wages & Employee Benefits	\$ 4,761,259	\$ 5,005,281	\$ 5,109,605
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Debt Service	\$ <u>34,638,668</u>	\$ <u>48,670,894</u>	\$ <u>34,054,669</u>
O&M Expenses, Capital Items and Debt Service	\$ <u>57,689,177</u>	\$ <u>77,709,872</u>	\$ <u>60,161,077</u>

Reserve/Fund Structure & Criteria

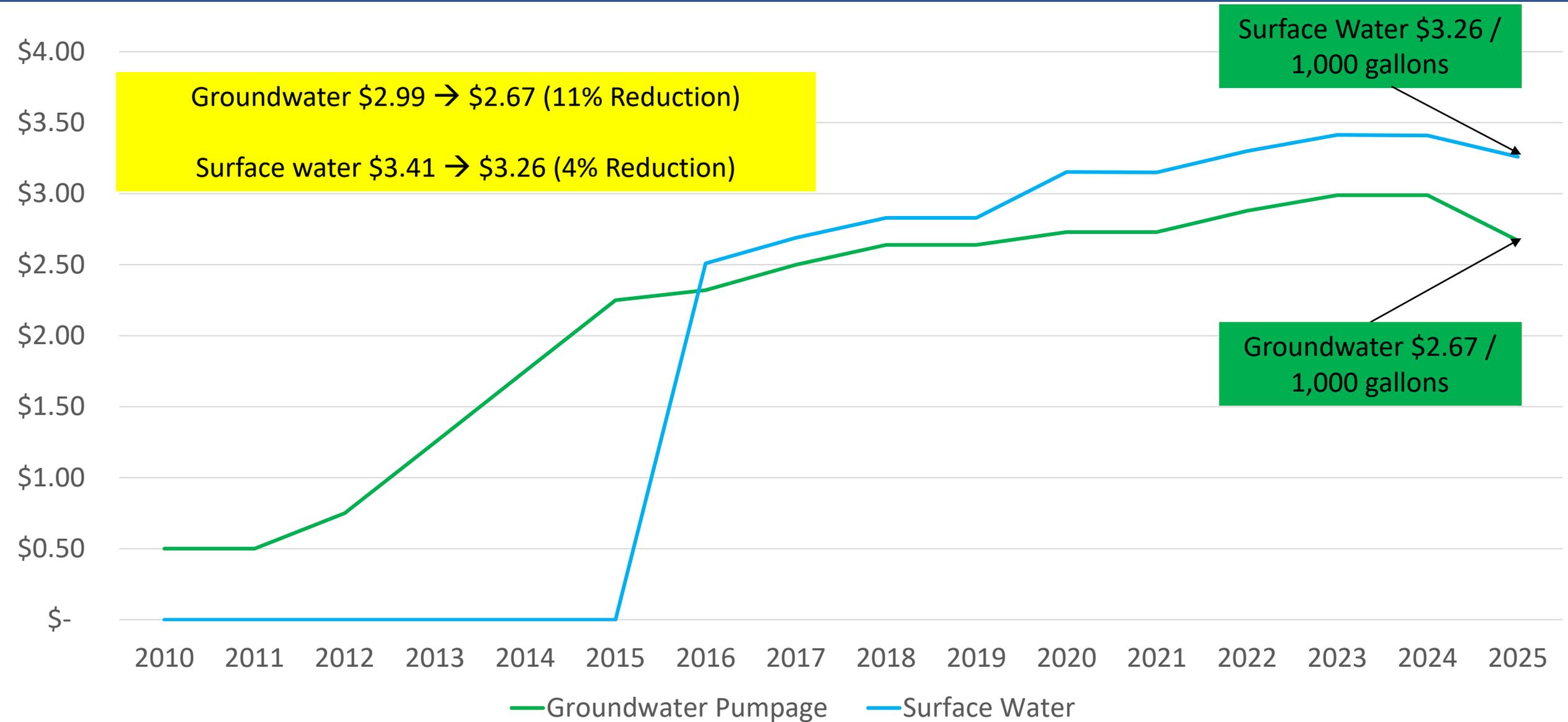
Reserve/Fund	Basis of Target Reserve/Fund Level	Minimum Target Balance FY24	Current Balance (As of 3.31.24)	FY25 Proposed Balance
Operating & Rate Stabilization	3 Months of annual O&M budget.	\$6,393,549	\$6,393,549	
Emergency	Approximate cost of major water line break.	\$2,020,000	\$2,127,894	
Repair & Replacement	Based on a 10-Year R&R Plan.	\$4,848,132	\$4,890,621	
Total		\$13,261,681	\$13,412,064	

Past Due Accounts Receivable

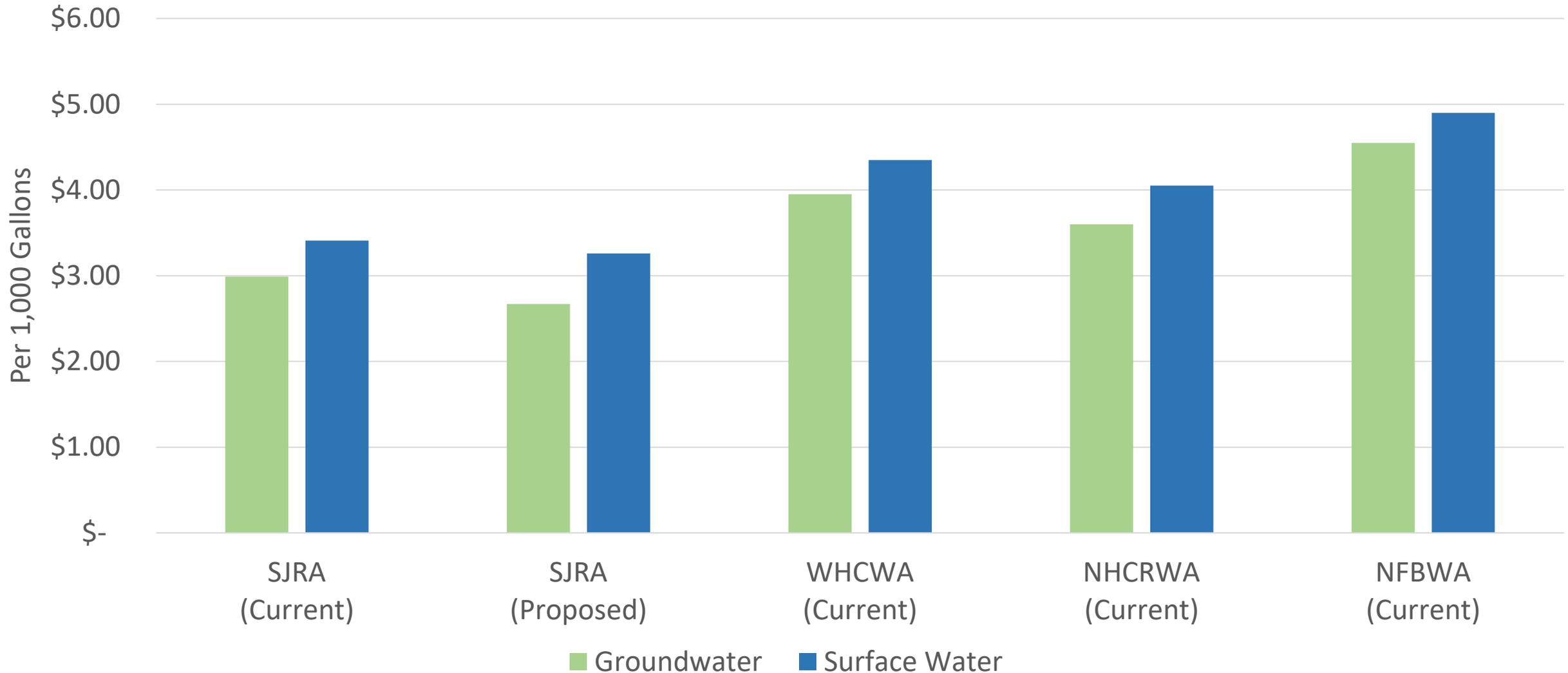
September 1, 2016 thru March 25, 2024

Category	Amounts
Past Due Amounts	\$ 17,355,296
Penalties	\$ 1,172,439
Finance Fees	\$ <u>5,266,562</u>
Total as of March 25, 2024	\$ 23,794,297

Proposed FY2025 GRP Rates



Wholesale Surface Water Rate Comparison



Budget Comparison

Category	FY23 Actual	FY24 Amended Budget *	FY25 Proposed
Operating Revenues	\$ 78,518,019	\$ 50,351,778	\$ 60,299,118
Other Revenues	\$ 6,036,512	\$ 125,208	\$ 128,460
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Next Steps

June 24, 2024 – GRP Review Committee to vote on Proposed Fiscal Year 2025 Budget and GRP Rate Order.

June 27, 2024 – Board of Directors to vote on GRP Rate Order for Fiscal Year 2025.

August 22, 2024 – Board of Directors to vote on Proposed Fiscal Year 2025 Budget.

Item 8
GRP Items for Consideration by the SJRA
Board of Directors

GRP Process Water Discharge Optimization Study

- Analysis of options to reduce process water discharge costs for offsite treatment and disposal.
- Analysis will include on-site treatment options as well as opportunities for optimizing/reducing process water production.
- Technical Memorandum will be produced with capital cost of alternatives with ROI analysis, a decision matrix, and recommendations.

Consultant: Plummer Associates, Inc.

Budget	
Feasibility Study Budget	\$214,000
Feasibility Study (WO No. 1)	\$213,848

Feasibility Study Scheduled Completion:
March 28, 2025

Item 9

Attorney's Update

Item 10
Future GRP Review Committee Meeting
Agenda Items

Item 11
Future Meeting Schedule

Monday, June 24, 2024

Item 12

Adjourn