



CITY OF CONROE

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OFFICE OF THE MAYOR

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CITY OF CONROE RESPONDS TO AUSTIN COURT OF APPEALS DECISION
IN SJRA LITIGATION

Last Friday, the Texas Court of Appeals in Austin dismissed the parts of San Jacinto River Authority's lawsuit, filed in Austin, that claimed the City of Conroe's refusal to pay SJRA's 2017 rates is illegal and invalid and that Conroe's failure to pay is a breach of its contract with SJRA. Contrary to SJRA's claim in a press release yesterday, that ruling was a major victory for Conroe. SJRA's claim against Conroe was the major part of the lawsuit SJRA filed in Austin.

In the claims remaining alive in Austin after the Court of Appeals ruling, SJRA is asking an Austin court to confirm that SJRA had legal authority to enter into approximately 80 Montgomery County contracts to support its surface water plant on Lake Conroe and that SJRA's 2017 rates, imposed only on Montgomery County groundwater users, comply with those contracts. In order to proceed in Austin, SJRA will first have to convince the Austin court that the substantial rate increase SJRA decreed in 2017 was necessary for SJRA to re-pay the half-billion dollars in bonds it issued to build its Lake Conroe plant and water pipelines, the most expensive of which

serves SJRA customers in The Woodlands. SJRA will not be able to prove that because its officials have already admitted that SJRA's old rates were adequate to pay the bonds and fund a required reserve fund for future bond payments.

The Court of Appeals opinion pointed out that SJRA's GRP contracts require SJRA's rates to be "at all times the lowest" that are "consistent with good management practices by SJRA." Conroe's City Council refused to pay the increase in SJRA's 2017 rates because of its strong and principled objections to SJRA's management, budgeting, and spending practices that have nothing to do with repayment of SJRA's bonds. In fact the increase in rates was intended to stockpile the rate payer's hard earned dollars to create a bloated reserve fund and free GRP managers from the responsibility of making responsible cost control and budgeting decisions. Conroe will welcome the opportunity to present testimony on the excessive and unreasonable rates imposed on GRP participants.

Conroe has also objected to the SJRA General Manager's decision to sue Conroe in Austin, rather than here in Montgomery County. In its contract with Conroe, SJRA expressly agreed that all lawsuits involving that contract must be filed in Montgomery County. Conroe believes SJRA filed its lawsuit in Austin because it knows Montgomery County citizens disapprove of SJRA's practices, which have led to SJRA's unreasonably high rates. Conroe has contended throughout the litigation that it should occur in Montgomery County in full view of the effected rate payers rather than in a remote Austin courtroom far removed from the citizens of this community.

The City of Conroe will continue to try to protect its residents from SJRA's excessive water rates. The Conroe Mayor and City Council will be consulting with its attorneys to determine the next steps in SJRA's litigation in Austin.