I. **Purpose / Goals of Stakeholder Group – Cari-Michel La Caille, Director**
- Welcomed stakeholders to inaugural meeting; discussed the purpose of stakeholder group/process by promoting transparency and ensuring stakeholders are an integral part of the planning and evaluation of TCEQ's rules and application review processes. The stakeholder process will provide a mechanism to allow all parties to aid in TCEQ's efforts to work through different district topics or issues, as well as, provide a forum for TCEQ to identify updates affecting the program.

II. **Program Overview – Cari-Michel La Caille, Chris Ulmann, Districts Section Manager**
- Ms. La Caille provided an overview of the Water Supply Division.
- Mr. Ulmann provided an overview of the Districts program. Discussed goals and framework of the meeting. Provided statistics concerning the Districts program. Approximately 1,350 districts regulated in the Districts program. TCEQ is seeing an increase in applications during the last 2 quarters of the year. A total of 576 district applications were submitted to TCEQ in State Fiscal Year 2017.

III. **Introductions**
- Stakeholders in attendance introduced themselves.
- Ms. La Caille introduced the Deputy Director for the Office of Water, Ms. L'Oreal Stepney.
- Mr. Ulmann introduced the TCEQ Districts staff.

I. **Water Supply Division Updates – Cari-Michel La Caille, Director**
- **Hurricane Harvey Overview**
  - Overview of Hurricane Harvey impact on public water systems from the perspective of the Districts program was discussed.
  - Of the 2,238 public water systems located in the hurricane impacted areas, 738 systems are owned by districts. Estimated that 19 trillion gallons of rainwater flowed into the region.
  - Of the 61 inoperable public water systems, 6 were owned by districts. Most of the damage was due inoperable equipment. Of the 62 Boil Water Notices (BWN) that were issued, 21 were issued by districts.
  - All affected public water systems owned by districts returned to normal operating conditions by November 27, 2017.
- **Regulatory Assessment Fee – Online Fee Reporting – Cari-Michel La Caille, Director**
  - Discussed the fee districts are required to pay, 0.5% of their retail billing revenue. Historically, coupons were used for submission to TCEQ and the fee was mailed to TCEQ. A new system is now available which includes an auto-calculated fee and new online payment portal.
  - Information is available on TCEQ's website:https://www.tceq.texas.gov/waterdistricts/districts_reporting.
- **85th Legislative Session – Chris Ulmann, Districts Section Manager**
  - Overview of Districts program during the 85th Legislative Session. The Districts section analyzed 211 introduced bills of which 92 were district creations.
  - **Implementation of Senate Bill 2014**
    - Discussed revisions to the TCEQ's rules in 30 TAC 293. It is anticipated that the rule will be adopted in fall of 2018. Stakeholders were encouraged to participate in the rule making process.

II. **District Applications – Chris Ulmann, Districts Section Manager**
- **Overview of District Application Types**
  - Discussed statistics showing breakdown of the types of district applications. The number of applications have increased each year. Of the 576 total Districts applications received in FY2017, the majority of those were bond applications.

- **District Application Process, Chris Ulmann, Districts Section Manager**
  - Provided overview of TCEQ bond issuance process and bond application review process.
  - *Discussion Point:*
    - *Stakeholders raised concerns with how much time it takes for pre-purchase inspections to be conducted and to receive final approval letter from TCEQ.*
    - Representatives from the Office of Compliance and Enforcement will attend the next stakeholder meeting to address stakeholder concerns.
- **Regular and Expedited Bond Applications**
  - Reviewed statistics showing a trend in the increase of expedited bond applications since 2013.
  - Stressed the importance of TCEQ receiving a complete and accurate application to ensure that the application will be processed within 60 days.
  - Mr. Ulmann discussed the most common items that delay the expedited application process, as follows:
    - Expedited applications not meeting expedited criteria
    - Board resolution and application materials not consistent
    - Developer Interest Tables
    - QA/QC – Internal review of applications
    - Providing supporting documentation for costs
  - Once the application is reviewed and inaccuracies or incompleteness are found, and TCEQ determines that the application cannot be completed within the 60-day timeframe, the application is transferred to the 180-day review timeframe so that TCEQ can work with the applicant to correct the deficiencies.
    However, if the issue is minor, and the issue can be addressed by specified date, then TCEQ will continue with processing the application within 60 days.
  - *Discussion Point:*
    - *TCEQ asked stakeholders if the application does not include the proper elements, would a Board Meeting be needed?*
    - Stakeholders stated that a special board meeting would be called.

III. **Open Discussion**
  - *Discussion Point:*
    - *TCEQ communication efforts with applicants during the expedited process*
    - Stakeholders discussed the need for the expedited reviews, but that education is needed within the regulated community to ensure submittal of complete and accurate applications. Stakeholders also stated that they are being asked to clarify items that are not listed as required in the Bond Application Report Format (BARF), expedited checklists or rules.
    - TCEQ stated that staff will begin to look at revising the BARF as necessary and will work with stakeholders to clarify requests for information. TCEQ staff will review the BARF and identify areas in BARF that may need revisions to discuss at the next stakeholder meeting. Stakeholders will also identify areas of the BARF they feel need revisions and present those at the next meeting.
  - *Discussion Point:*
    - *Developer Interest Tables*
    - Stakeholders discussed that engineers are being asked for a greater level of detail on the developer interest tables. Stakeholders suggested that this level of detail is causing engineers to do an extra level of work that may be suited for an auditor. Stakeholders stated that developer interest is still an estimate for the time period and rate cannot be known at the time of TCEQ review.
    - TCEQ committed to evaluating the level of detail required in the Bond Review Process and will discuss this subject during revisions of the BARF.
  - *Discussion Point:*
    - *Expedited Application Process*

- Stakeholders discussed that much more of a QA/QC process was done in the past by engineers before submitting an application to TCEQ. Stakeholders discussed that they can work with their engineers to improve accuracy and completeness on applications.
- TCEQ committed to working with applicants to ensure that applications are completed within the expedited application processing time, but stressed that submitted expedited applications are required to be complete so that TCEQ can complete the application within 60 days instead of the regular application timeframe of 180 days.

o *Discussion Point:*
  - *Growth vs No-Growth Bond*
  - Stakeholders discussed issues related to growth vs no-growth bonds and how interpretation of TCEQ rules regarding projected vs no-growth tax rates has changed.
  - TCEQ committed to discussing this issue in future stakeholder meetings and during discussions of possible BARF revisions.

o *Discussion Point:*
  - *TCEQ oversight*
  - Stakeholders discussed that they want TCEQ's oversight and have supported higher application fees to ensure the agency has the budget to address having staff to meet application timeframes. Stakeholders stated that they think that oversight is necessary part of industry and other states that do not have this type of oversight suffer.
  - TCEQ agreed that we need balanced recommendations and encouraged communication. TCEQ will work with the districts to find more efficiencies within agency to improve the review process.

o *Discussion Point:*
  - *Bond Application Report Format (BARF)*
  - Through the stakeholder process, stakeholders discussed that they must define their needs and would like to revise the BARF to make it more user friendly and streamline the application process. Stakeholders discussed that there is a lack of clarity in the form and that it would benefit from a look to see if revisions were necessary.
  - TCEQ stated that they will open the BARF up to revisions with district stakeholder input.

o *Discussion Point:*
  - *Staff Technical Memo and Order*
  - Stakeholders discussed that there is a great deal of repetition in the staff technical memo and order.
  - Stakeholders discussed that there is a risk for clerical errors, but that they hesitate to bring forward to TCEQ to correct because it will hold up the bond review process to address.
  - TCEQ recommended that they bring any clerical errors to the technical manager so the errors may be addressed in a timely manner.
  - Stakeholders discussed updating the TCEQ's consent letter to have check boxes for "consent, consent with comments, do not consent" options.
  - TCEQ stated that a proposal/options to address these concerns in the consent letter will be brought to the stakeholder group for discussion.

o *Discussion Point:*
  - *Pre-Purchase Approval*
  - Stakeholders discussed that pre-purchase inspection approval is taking a long time, because there is only one regional investigator and because they have to wait for an approval letter from the districts program in Austin before they can fund the developer. Requested that TCEQ's districts program's letter is necessary and if the Region already approved in their inspection.

- TCEQ committed to reviewing the process to find efficiencies and will report back to the stakeholder group.
  - o *Discussion Point:*
    - *Water Districts Database*
    - Stakeholders discussed that they would like to see more information in the Water District Database, such as bond issue status, to help them monitor the status of their applications and to help with transparency with their public and consultants.
    - TCEQ stated that they will determine if additional modifications to the database are required and report back to the group.
  - o *Discussion Point:*
    - *Regulatory Assessment Fee (RAF)*
    - Stakeholders discussed that the RAF Website seems clear but that districts do not utilize credit cards and that they are worried if they choose the invoice by mail option they will be billed for late fees.
    - TCEQ provided information on how to avoid late fees if the on-line system was used.
  - o *Discussion Point:*
    - *Communication from TCEQ staff to applicants*
    - Stakeholders discussed that they were generally happy with the communication with staff throughout the application process and that minor problems are addressed. Stakeholders discussed that applications are not returned or taken out of the expedited process without first receiving a call from TCEQ. Concerned with the additional time it takes to go through the peer review process and requested the timeframe to go through the peer review process.
    - TCEQ stated that peer reviews were added for less experienced staff as extra layer of quality assurance and would be cognizant of the extra time it takes and will look for additional efficiencies to apply to the application process.
  - o *Discussion Point:*
    - *Regulatory Guidance Documents*
    - Stakeholders discussed that there are draft Regulatory Guidance (RG) documents that have not been officially published and when those could be published.
    - TCEQ stated that a project manager is currently working on all the district RGs and that they will bring forward the list for discussion of the RGs. Based on legislation some of the draft RGs may need to be revised or deleted.

IV. **Future Stakeholder Meetings - Cari-Michel La Caille, Director**
- Stakeholders recommended having meetings every two months, preferably on a Friday afternoon.

Action Items
1. Exchange BARF suggested revision topics. Determine which sections of the BARF need input from stakeholders and TCEQ.
2. TCEQ will continue the review of district RGs. Update stakeholder group with status
3. TCEQ will provide a proposal of changes to the TCEQ's consent letter to address correction of clerical errors or comments
4. Continue to research Water District Database modifications to update application status.
5. Continue to look for efficiencies within the application process
6. Research pre-purchase inspection process to find efficiencies in the TCEQ processes