

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 8, 2013

MINUTES OF SPECIAL MEETING

Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on January 8, 2013.

President Tramm called the meeting to order at 9:01 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present, with the exception of Director Baker, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Paul R. Nelson, Assistant General Manager; Brian Sledge, General Counsel; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

After a proper and legally sufficient announcement to the public by President Tramm, the Board of Directors went into a Closed Executive Session at 9:02 a.m. pursuant to Texas Government Code, Sections 551.071, to consult with the District's attorney regarding pending or contemplated litigation, settlement offers, or on matters in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act, Chapter 551, Government Code.

Director Baker arrived at 9:29 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 10:08 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 10:08 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF FEBRUARY, 2013.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 8, 2013

AMENDED MINUTES OF PUBLIC HEARING ON PERMIT APPLICATIONS

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on January 8, 2013.

President Tramm called to order the Public Hearing on Permit Applications at 10:09 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present, with the exception of Directors Moffatt and Director Stinson, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Paul R. Nelson, Assistant General Manager; Brian Sledge, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

Item #1, **Mark Kaiser** – This is an existing well that staff found in non-compliance. Applicant is requesting the registration of the existing well and production authorization in the amount of 365,000 gallons for 2012 and annually thereafter. Based on technical review, it is the General Manager’s recommendation to approve that which is being requested.

Item #2, **Great Southern Stabilized Materials** – Applicant is requesting drilling authorization for a new well to be drilled with a production authorization of 2,000,000 gallons for 2013 and annually thereafter. Based on technical review, it is the General Manager's recommendation to approve that which is being requested.

Item #3, **HMW Special Utility District (Hunters Retreat)** – Applicant is requesting an amendment to its Operating Permit to add a well that staff found had not been previously registered. Annual water use fees have been paid and no additional allocation is being requested at this time. Based on technical review, it is the General Manager's recommendation to approve that which is being requested.

Item #4, **Aqua Texas, Inc. (Lake Creek Forest)** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 1,500,000 gallons for 2012 and annually thereafter. The SJRA GRP Administrator has been notified by email and has not submitted any comments on the request. Based on technical review, it is the General Manager's recommendation to approve that which is being requested.

Item #5, **San Jacinto River Authority** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 150,000,000 gallons for 2012 only. The SJRA GRP Administrator has been notified by email and has not submitted any comments on the request. Based on technical review, it is the General Manager's recommendation to approve that which is being requested.

Upon a motion made by Director Baker, seconded by Director Eichelberger, items #1 thru #5 were approved in accordance with the General Manager's recommendations. Motion passed.

President Tramm adjourned the public hearing on permit applications at 10:10 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12TH DAY OF FEBRUARY, 2013.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 8, 2013

AMENDED MINUTES OF REGULAR MEETING

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on January 8, 2013.

President Tramm called to order the regular Board of Directors meeting at 10:10 a.m. announcing that it was open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Paul R. Nelson, Assistant General Manager; Brian L. Sledge, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

TRIBUTE AND BOARD ROOM DEDICATION:

President Tramm remembered the late James B. “Jim” Wesley for his dedication and contributions to the Lone Star Groundwater Conservation District by declaring the District Board Room to be forever known as the James B. “Jim” Wesley Board Room.

During the plaque dedication ceremony, President Tramm presented the plaque to the Board, District staff, and public which featured an engraved picture of Mr. Wesley along with a brief description of the person he was and the work he was part of during his time with the District. Mr. Tramm stated that Jim Wesley was appointed to the Lone Star Board of Directors by Mayor Webb Melder in May 2009 and served until March 2011. Jim’s leadership and

influence on some of the most important groundwater management decisions since the creation of the District in 2001 will be apparent and appreciated for generations to come.

President Tramm recognized Mr. Wesley's family in attendance; wife, Sandra; son, Ben; daughters, Maria Stewart, and Julia Erwin and son-in-law, Grant Erwin.

Mayor Webb Melder was on hand to say a few words about his friend. Mr. Melder thanked the Board and those associated with the District for the special dedication to a special man. Mr. Melder stated that when the time came to appoint a representative to the Board he knew just who to call. Mr. Wesley was well known and liked throughout the community. He was a credit to his chosen profession as a lawyer, a true friend to all who knew him, and an asset to all he served. He was a man of character and integrity and the Board of Directors is honored to dedicate the Board Room in his name.

APPROVAL OF THE MINUTES:

President Tramm stated the Board would consider all meeting minutes listed as one item. Upon review of the following, a motion was made by Director Eichelberger, seconded by Director Bleyl and unanimously carried, to approve the meeting minutes as presented:

- a) December 11, 2012, Special Board Meeting
- b) December 11, 2012, Public Hearing on Permit Applications
- c) December 11, 2012, Regular Board of Directors Meeting

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood reported that the committee had not met since the last board meeting. He asked that Paul R. Nelson, to give an update the Board on conservation activities since the last Board meeting.

Briefing on conservation efforts. Mr. Nelson advised the board that on December 11th he participated with Carole Baker and others on a panel to discuss conservation efforts at the Texas Irrigation Network Workshop. In addition, he attended the December monthly meeting of the City of Conroe Conservation Committee and was asked to serve on a sub-committee to develop a list of water efficient and native plants, grasses and trees for use in Conroe and Montgomery County.

It was announced the next meeting of the Water Efficiency Network will be held at 1:30 p.m. on Thursday, January 17th at the Houston Waterworks Education Center and will feature Augustus Campbell, assistant city attorney for the City of Houston, who will discuss pending legislation matters and recent water law cases.

Mr. Nelson informed the Board that he was working with others to put together a utility finance and rate-setting workshop. A tentative date of February 19th has been set and the workshop will be held at a location within Montgomery County. The seminar will feature speakers from inside and outside of the state to talk about how municipalities and other retail providers can establish rates that promote water conservation programs, but still keep the money coming in to pay for operation and maintenance of the system as well as capital projects.

Lastly, Mr. Nelson told the Board that several visitors have stopped by the District's building during the past month, asking for tours and explanations of the rainwater harvesting system. The system has been a good tool for educating and attracting the public.

Rules Development Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the Rules and Development Committee had not met since the December 11th Board meeting.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the December 11th Board meeting.

Findings and Review Committee – Paul R. Nelson, Coordinator. Mr. Nelson stated that the committee met yesterday, January 7th, to review the technical memo relating to the Expert Panel Review of the Final Draft Report entitled, "Catahoula Aquifer Characterization and Modeling Evaluation in Montgomery County". Mr. Nelson added that the committee received an overview of the technical memo by John Seifert of LBG-Guyton. Following that presentation and discussion, it was the decision of the committee that the memorandum and summary be presented to the board by Mr. Seifert for consideration and possible approval of acceptance. Mr. Seifert provided an overview of the memorandum to the Board and the public. After discussion, President Tramm asked if the Board wanted to take action or delay acceptance to allow board members adequate time to review before making a final decision. It was decided that no action would be taken until the next Board meeting. Ms. Jones asked that questions or concerns regarding the technical memo be conveyed to her within the following two weeks so that changes could be given to Mr. Seifert.

Update and status project report related to Regional Groundwater Update Project w/HGSD and the FBSD – Mark Lowry. Mr. Lowry, District Consultant, reported that the Harris Galveston study is in the final phases. Most of what is occurring now with the study does not impact the Board, with the exception that whatever regulatory plan changes are made by the Fort Bend Subsidence District and the Harris Galveston Subsidence District might have an impact on water resources in this area depending on what is actually done. Mr. Lowry added that once the decision is made on which regulatory plan to move forward with, any additional modeling that is needed will be done and there will be presentations made on those results

Budget and Finance Development Committee - Jim Stinson, Chair. Mr. Stinson stated that there was no committee report, but a meeting had been scheduled for January 23rd. The budget and other financial items will be reviewed at that meeting and there will be a report next month.

Review of monthly financial reports. The operating budget shows an actual income of \$2,008,000 compared to a budgeted amount of \$2,068,000. Operating expenses are approximately \$1,774,000 compared to a budget of \$2,014,000. The capital budget expenses for the building are at \$976,000 compared to a budget of \$888,000. Mr. Stinson added that December is the end of the fiscal year and there are accruals that have not been included in this report that will be reflected in our audit once it is completed. Ms. Jones added that the 2012 audit is required to be completed by April. The Budget Committee will receive a draft in February with review in March.

Review 4th Quarterly Investment Report 2012. Mr. Stinson stated that the Quarterly Investment Reports were in the Board packets and that he would be happy to answer any questions.

Building and Facilities Committee - Kathy Turner Jones, Coordinator. Ms. Jones stated that the committee had not met.

Update and possible action regarding construction of onsite storage facility for mobile lab at District office, relocation of sewer line, and detention pond design. Ms. Jones updated the Board on the status of the construction of the building for our mobile lab. As reported last month, Lakeway Construction was selected as contractor for that job and Michael Walden of Lakeway has submitted plans to the City of Conroe for review and permitting on December 19th. City has 10 days to review. Delays may occur due to the recent holidays, but hoped to have comments back from the City this week. The building structure has been purchased, but it is not planned to break ground until the permit is issued.

Ms. Jones then updated the Board on current progress rerouting the sanitary sewer line and improvements to the existing detention pond. The District was notified on December 19th that the District had received development permits from the City of Conroe for both the improvements to the detention pond and the sanitary sewer reroute. Consultants are soliciting bids for the District with intentions to bring back to the Building and Facilities Committee for approval.

A draft easement relocating the existing sanitary sewer line traversing the Property from the Grantee Property to the City of Conroe main sanitary sewer line on the east side of the District's Property is near completion. The District's attorney has been in conversation with Mediator's lawyer regarding the easement and how the existing line will tie into the new proposed new line. Those conversations are ongoing.

Demand letters to Jeffery Moon & Associates and Old Republic Title were near the end of December demanding reimbursement of costs associated with repairs and relocation of the undisclosed sewer line. The attorney's internal deadline for response is 30 days.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated that his report was included in the board packets and that he had finished the irrigation requirements for the year 2012 as well as for high-value grasses. He reported that the data showed a little less than 24 inches at Kingwood and a little more than 24 inches at Huntsville. The data represents the actual agronomic need for the past year for all the golf courses and other facilities. The data is the actual measuring stick we use for measuring permit requests for additional water. Mr. Lowry also stated that during 6 months of the past year, the value of evaporation reported at Lake Conroe was higher than the evaporation data from 44 years of previous data.

CONSIDERATION AND POSSIBLE ACTION REGARDING APPLICATION FOR EARLY CONVERSION CREDITS PURSUANT TO THE EARLY CONVERSION INCENTIVE AS DESCRIBED IN ADDENDUM D OF THE LSGCD RULES –

PRODUCTION OF ALTERNATE WATER SOURCE (AWS) FROM THE CATAHOULA RESTRICTED AQUIFER PROJECT, STANLEY LAKE MUD

Stanley Lake MUD submitted an application for Early Conversion Credits for a project whereby they will use waters produced from the Catahoula to reduce groundwater production from the Gulf Coast Aquifer system in advance of the 2016 groundwater conversion deadline. Within the application, the applicant states the project was completed and online January 1, 2013.

The project has been reviewed by staff and is eligible for an early conversion incentive credit as stipulated in the Rules. It is the General Manager's recommendation to recognize Stanley Lake MUD's commitment to preserving aquifer levels by implementing an alternative source of water (AWS) and support a two-to-one ration early conversion credit for AWS water metered beginning January 1, 2013. A motion was made by Director Stinson, seconded by Director Baker and unanimously carried to approve the recommendation by the General Manager. Director Bleyl abstained.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING THE FOLLOWING PERMITTEES, OR THEIR DESIGNATED REPRESENTATIVES, TO APPEAR AT A HEARING TO SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION SHOULD NOT BE TAKEN BY THE DISTRICT, INCLUDING WITHOUT LIMITATION INITIATING A LAWSUIT AGAINST THE PERMITTEES, FOR FAILURE TO REMIT FEES ASSOCIATED WITH OVERPRODUCTION OF GROUNDWATER IN 2011:

a) Patton Lake Club, Inc. #HUP163

This item has been resolved by District staff and no action will be taken.

GENERAL COUNSEL REPORT:

Brian Sledge, General Counsel, updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting.

Mr. Sledge briefed the Board on developments impacting the District. He noted that 83rd Legislative Session would convene at noon today and that while there were no "pre-filed" bills concerning groundwater districts, he would be watching carefully for developments that might affect the District. He further stated that there were two rulemaking efforts going on at the state level; one being the Texas Department of Licensing and Regulation is undertaking a re-write of the water well driller rules. Mr. Sledge indicated that he had no report on their progress, but that the Department was losing its apprenticeship program and was performing a general reorganization of the rules.

Mr. Sledge then discussed the upcoming rule making process to be undertaken by the Texas Railroad Commission regarding injection wells, and their Underground Injection Control (UIC) program for injecting oil and gas drilling wastes underground. He will be monitoring these proceeding carefully, as these activities impact groundwater quality in this area and other

areas of the state. Mr. Sledge stated that he will keep the board updated as stakeholder meetings are held and these rules develop towards full publication.

GENERAL MANAGER'S REPORT:

Ms. Jones provided an update of ongoing USGS projects. As to the Gulf Coast Aquifer recharge study, internal USGS reviews are in their final stages and it is hoped that the completed study will be presented to the Findings and Review Committee in February. A communications plan will be developed and the study will then be brought to the public. Ms. Jones then discussed the USGS Catahoula water quality study and reported that most of the constituent results are completed, with the exception of the age and gas data. The results should be completed soon and those results will be presented to the District and the well owners.

Ms. Jones updated the Board on the annual water level measurement monitoring program being done by USGS. The program is ongoing, with an emphasis on finding additional wells for the program, specifically wells in the north and eastern part of the county, and predominantly in the Jasper aquifer.

Lastly, Ms. Jones reported that ballot and nomination forms were mailed on November 15th to appointing entities having board representations expiring January 31, 2013. Currently the District has received only 8 ballot/nomination forms back in advance of the January 15th deadline. Nine ballots remain outstanding. Ms. Jones reminded the public that the Director terms up for reappointment include the following: Richard J. Tramm – Montgomery County; Reed Eichelberger - SJRA; John Bleyl – City of Conroe; and Scott Weisinger – all cities except Conroe.

PUBLIC COMMENT: None.

NEW BUSINESS: None

There being no further business, upon a motion by Director Baker, seconded by Director Eichelberger, President Tramm adjourned the meeting at 10:59 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY FEBRUARY, 2013.

M. Scott Weisinger, PG, Board Secretary