

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 10, 2012

MINUTES OF SPECIAL MEETING

Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on April 10, 2012.

President Tramm called the meeting to order at 9:02 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, Director Stinson, and Director Weisinger 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; 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 9:03 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, Director Stinson, and Director Weisinger arrived at 9:04 a.m., 9:08 a.m., and 9:10 a.m. accordingly.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:42 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:42 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF MAY, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 10, 2012

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 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on April 10, 2012.

President Tramm called to order the Public Hearing on Permit Applications at 10:01 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, 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”.*

Item #3, **WR Forest LLC** – Applicant is requesting drilling authorization for a new well with a production authorization of 8,000,000 gallons annually. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to authorize a reduced amount of 7,100,000 gallons for 2012 and annually thereafter. A motion was made by Director Baker, and seconded by Director Moffatt to approve the above amendments in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #10, **Amato Asset Management LTD** – This is an application for an existing well that staff found in non-compliance. Applicant is requesting 250,000 gallons for 2012 and annually thereafter. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to authorize a reduced amount of 130,000 gallons for 2012 and annually thereafter. A motion was made by Director Stinson, and seconded by Director Bleyl to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #11, **Arrow Child & Family Ministries** – This is an application for existing well that staff found in non-compliance. Applicant is requesting 9,000,000 gallons for 2012 and annually thereafter. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to authorize a reduced amount of 2,700,000 gallons for 2012 and annually thereafter. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #1, **Woodland Lakes RV Campground** – Applicant is requesting an amendment to HUP and OP in order to change water use type from public supply to irrigation only. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #2, **Chrisman Properties LLC** – This is an application for an existing well that staff found in non-compliance. Applicant is requesting 100,000 gallons for 2012 and annually thereafter. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #4, **Aqua Texas – Carriage Hills** – Applicant is requesting drilling authorization for a new well. No additional authorization is being requested at this time. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item \$5, **KTI Inc**, and Item #6, **Gulf Coast 4 Star Trailer Sales** – Applicants are requesting amendments to their existing permits for additional production authorization for 2012 and annually thereafter. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #7, **Multifamily Mission Ministries** – This is an application for an existing well that staff found in non-compliance. Applicant is requesting 550,000 gallons for 2012 and annually thereafter. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #8, **Lester McConnell – Paradise Pool & Spa** – This is an application for an existing well that staff found in non-compliance. Applicant is requesting 100,000 gallons for 2012 and annually thereafter. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #9, **Dynamic Innovations** – This is an application for an existing well that staff found in non-compliance. Applicant is requesting 6,000,000 gallons for 2012 and annually thereafter. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

Item #12, **Jack McClanahan** – Applicant is requesting drilling authorization for a new well with a production authorization of 397,500 gallons for 2012 and 530,000 gallons annually. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains and the motion passed.

President Tramm adjourned the Public Hearing on Permit Applications at 10:07 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF MAY, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 10, 2012

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 207 W. Phillips Street, Suite 301, Conroe, Texas, within the boundaries of the District on April 10, 2012.

President Tramm called to order the regular Board of Directors meeting at 10:07 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”.*

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 Wood, seconded by Director Eichelberger and unanimously carried, to approve the meeting minutes as presented:

- a) March 13, 2012, Special Board Meeting
- b) March 13, 2012, Public Hearing on Permit Applications
- c) March 21, 2012, Public Meeting (Catahoula Formation Hydrostratigraphic and Model Study)
- d) March 13, 2012, Regular Board of Directors Meeting

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood stated that the committee had not met since the last Board meeting.

Briefing on conservation efforts. Mr. Nelson reported on his activities during the prior month. Mr. Nelson reported that he had attended city council meetings in Willis (March 20th) and in Panorama Village (March 27th). He was well received at both meeting; stressing the importance of continuing efforts to conserve, even though the drought has subsided in our area. Mr. Nelson also reported that he had attended the City of Conroe’s Large Commercial Users meeting on March 20th; the purpose of the meeting was to give the city’s large volume users a better understanding of the benefits of water conservations; including reduced surcharges on regulated parameters such as oil and grease.

As to the “water on demand” program, Mr. Nelson stated that there appeared to be some “drop off” in adherence by some of the restaurants that had signed up. He asked that anyone who was served water without being asked to contact him, so that he could follow up.

Mr. Nelson then told the Board that the education trailer, as well as himself, Kathy Turner Jones, and Rod Hainey, were at the Texas Wildlife and Woodlands Expo at the Lone Star College Campus in the Woodlands on Saturday, March 24th. He further indicated that the trailer would be utilized by SJRA for a function on May 10th.

On March 30th and 31st, Mr. Nelson attended a Texas Rainwater Catchment Association seminar in San Marcos. He reported that there were many topics relating to residential and commercial applications and that he hoped to bring some of those same speakers to Montgomery County to speak at water efficiency network meetings. Director Wood pointed out that several board members also attended; those being Directors Wood and Stinson. The General Manager was also in attendance. Mr. Stinson stated that he found the seminar to be very beneficial and that rainwater harvesting was an increasingly important tool that needed to be stressed.

Finally, Mr. Nelson reported that he would be meeting on a regular basis (once per month) with Scott Cain of Montgomery County, to discuss any platting activity that might have come into the county offices during the prior month.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee met on March 14th to discuss rule revisions. A follow-up meeting will be scheduled once the District completes its move to its new location.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that there had been no meeting and there was no report.

Findings and Review Committee – Paul R. Nelson, Coordinator. Mr. Nelson reported that he and Mark Lowry had attended a HGSD study update meeting at the HGSD offices on March 13th.

An update of the Catahoula Formation Model Study was presented at the Lone Star Convention Center on March 21st. John Seifert and Bill Hutchison of LBG-Guyton and Steve Young of Intra made the presentation. Several Board members as well as District staff were also in attendance.

Mr. Nelson stated that there would be a public meeting of Groundwater Management Area 14 held on Wednesday, April 25th at 10:00 a.m. at the LSGCD's new building.

Mr. Nelson introduced Mr. Mike Turco of the U.S. Geological Survey, who gave a presentation on groundwater activities, data collection, water-level monitoring and water well inventories for Montgomery County.

Update and status project report related to Regional Groundwater Update Project w/ HGSD and the FBSD – Mark V. Lowry. Mr. Lowry stated that a report was included in the packet. He added that Work Orders #3 and #4 have almost been finalized. The group is still working on assigning population projections to various entities and how those projections will play out over time.

Update and status project report related to the District's modeling study of the Catahoula Formation/Aquifer – Mark V. Lowry. Mr. Lowry reiterated that the modeling study is in the comment period for the model and the deadline for that period is May 4th.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated that the committee met on March 26th to discuss final items regarding the completion of the building. The District is scheduled to move on Friday, April 13th and any future meetings of the District will be held at the new location. The committee is working with a local attorney on the sanitary sewer line running across the property and hope to have an updated status report in the near future.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee met on March 21st to review the draft audit for 2011.

Review of Monthly Financial Reports. Director Stinson stated he had reviewed the monthly financial reports and if anyone had any questions he would be glad to address those. The District shows the operating budget shows an income of \$1,378,000 compared to a budget of \$1,362,000. The operating budget has expenses of \$430,000 compared to a budget of \$413,000. The capital improvement budget for our building shows expenses of \$675,000 compared to a budget of \$690,000 for this period.

Review 1st Quarterly Investment Report 2012. Director Stinson stated that the report was included in the packet and he would be happy to answer any questions.

Discuss, consider, and take action as necessary regarding Annual Financial Report for fiscal year 2011 – Bob VanWassehnova, CPA; Bob VanWassehnova and Associates. Mr. VanWassehnova gave a brief summary of the audit, pointing out that the balance sheet showed just over \$3 million in cash and capital assets increasing to \$910,000, most of which was due to the new building, along with a note payable to bank for \$491K, thus leaving the District in great financial shape. Changes in the District's fund balances showed total revenues for the year at \$2.6 million and expenses of roughly \$2.5 million. Mr. VanWassehnova stated that he was pleased with the District's operations and believes that LSGCD are good stewards of the public's money. A motion was made by Director Stinson, seconded by Director Weisinger and unanimously carried, to accept the Annual Financial Report for fiscal year 2011.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated that his report was included in the packet and if there were any questions he would be happy to answer them. Mr. Lowry added that he has stopped receiving irrigation information from Texas A&M's AgriLife Extension and is inquiring into.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING THE FOLLOWING PERMITTEES, OR THEIR DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION SHOULD NOT BE TAKEN, INCLUDING WITHOUT LIMITATION INITIATING A LAWSUIT AGAINST IT FOR FAILURE TO REMIT 2012 WATER USE FEES.

Based on legal advice received in Executive session, it is the General Manager's recommendation to order a Show Cause Hearing to be held in conjunction with the May 8, 2012 Board meeting for failure to remit 2012 water use fees for the following:

- a) Gallant GP LLC, #OP-03-0041B
- b) Peter Wakefield, #HUPAG1500019
- c) Brenda Borrayo, #OP-10032401
- d) Wayne Lanier, #OP-09091401
- e) Jeff Pruett, #OP-10100102
- f) Jimmie Sebree, #OP-10011302
- g) WGBRV Park on the Lake, LLC, #OP-08030301A
- h) Magnolia Free Will Baptist Church, #OP-04120701
- i) Quality Car Care, #HUP182
- j) Sonya Sinclair (Sweet Dreams Kennel), #OP-10122901

A motion was made by Director Stinson, seconded by Director Bleyl and unanimously carried, to proceed with the recommendations of the General Manager.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING THE FOLLOWING PERMITTEES, OR THEIR DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION SHOULD NOT BE TAKEN, INCLUDING WITHOUT LIMITATION INITIATING A LAWSUIT AGAINST IT FOR FAILURE TO SUBMIT 2011 PRODUCTION REPORT AND/OR FINES ASSOCIATED WITH TIMELY SUBMISSION.

Based on legal advice received in Executive session, it is the General Manager's recommendation to order a Show Cause Hearing to be held in conjunction with the May 8, 2012 Board meeting for failure to submit 2011 production report and/or fines associated with timely submission for the following:

- a. Letco Group, #OP-07111601

- b. Magnolia Enterprise Partners, #OP-10031001
- c. Modco Industries, #OP-10031001
- d. Magnolia Mobile Home Park, #HUP130
- e. New Horizons, #OP-04042701
- f. North American Trade Corp, #OP-09010601
- g. North Woods Water Supply, #OP-04082401
- h. Peach Creek Dam & Lake Club, #HUP167A
- i. Peter Wakefield, #HUPAG1500019
- j. Quality Car Care, #HUP182
- k. Rambling Vines RV Park, #OP-08080801
- l. Sally Keith, #OP-05122801A
- m. Scott and Judy Robinson, #OP-10122703
- n. Texas National MUD, #OP-04080602A
- o. Troy Hamblin, #OP-07112601A
- p. WGB RV Park on the Lake, LLC, #OP-08030301A
- q. Woodland Islamic Center, #OP-08032001
- r. AP WP Woodland 384Reit LLC, #OP-04102101C
- s. Blue Horse Holdings, LTD, #OP-05041901
- t. Brenda Borrayo, #OP-10032401
- u. Chuck Cauthorn, #OP-08102202
- v. Conroe Lighting & Supply, #OP-08123001
- w. Cumberland Community Assoc., #OP-07091902
- x. Gallant GP LLC, #OP03-0041B
- y. Grace Family Fellowship, #OP03-0014A
- z. James Cappiello, OP-10072201
- aa. Jeff Pruett, #OP-10100102
- bb. Jimmie Sebree, #OP-10011302
- cc. J.W. Slaughter, #OP-08040101
- dd. Kristen & Dennis Wootten, #OP-06050401A

Ms. Jones stated that no action will be taken on item q) Woodland Islamic Center, #OP-08032001 and item dd) Kristen & Dennis Wootten, #OP-06050401A.

A motion was made by Director Stinson, seconded by Director Baker and unanimously carried, to proceed with the recommendations of the General Manager.

GENERAL COUNSEL REPORT:

Brian L. Sledge updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting. Mr. Sledge stated that he continues to work with the Rules & Bylaws Committee on District rule revisions. Since the last Board meeting, the TCEQ Surface-Water Right Drought Panel rule changes are expected to be adopted as revised by the TCEQ on May 11th and we continue to await the Water Development Board's release of

Chapter 356 rule changes from the last legislative session. There was a House Natural Resources Committee hearing on March 22nd, where they discussed & received an update on the drought. The conclusion from that hearing is that the drought in the southern half of the state looks to have lessened; unfortunately that doesn't seem to be the case in a good part of the western state.

GENERAL MANAGER'S REPORT:

In Ms. Jones absence, Mr. Nelson stated that the General Manager's report was included in the packets and if anyone had any questions he would be glad to address them. Mr. Nelson noted for the board that the District has refunded \$61,719.39 in water use fee rebates based on 2011 pumpage, which is surprisingly higher than anticipated given the drought and additional pumpage that was needed to meet the drought needs.

PUBLIC COMMENT: None.

NEW BUSINESS: None.

There being no further business, upon a motion by Director Weisinger, seconded by Director Stinson, President Tramm adjourned the meeting at 11:05 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF MAY, 2012.

M. Scott Weisinger, PG, Board Secretary