

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 10, 2012

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 July 10, 2012.

President Tramm called the meeting to order at 9:04 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 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; Jason Hill, 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 9:04 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 Stinson arrived at 9:06 a.m., followed by Director Baker at 9:20 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:55 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:56 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF AUGUST, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 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 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on July 10, 2012.

President Tramm called to order the Public Hearing on Permit Applications at 10:07 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 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; Jason Hill, General Counsel; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

Item #1, **Owens Handle Company** – This is an existing well that staff found in non-compliance. Applicant is requesting 2,000,000 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 a reduced amount of 500,000 gallons for 2012 and annually thereafter. A motion was made by Director Eichelberger, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #2, **Robert McCoy** – Applicant is requesting drilling authorization for a new well with a production authorization of 1,000,000 gallons for 2012 and 2,000,000 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 Eichelberger, and seconded by Director Baker to approve the above permit amendment in accordance with the recommendations of the General Manager. Director McCoy abstains and motion passed.

Item #3, **WR Forest, LLC** – Applicant has withdrawn their request. No action will be taken.

President Tramm adjourned the Public Hearing on Permit Applications at 10:08 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF AUGUST, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 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 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on July 10, 2012.

President Tramm called to order the regular Board of Directors meeting at 10:08 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; Jason Hill, General Counsel; 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 Bleyl and unanimously carried, to approve the meeting minutes as presented:

- a) June 12, 2012, Special Board Meeting
- b) June 12, 2012, Public Hearing on Permit Applications
- c) June 12, 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 last month and at the request of Chairman Wood, Paul R. Nelson, Assistant General Manager, gave an update on conservation activities since the last Board meeting.

Briefing on conservation efforts. Mr. Nelson reported that he had been in touch with Ms. Pam Cobb, the communications director for the City of Conroe and had given her a CD with copies of 5 of the District's water conservation videos. Ms. Cobb will be having these videos placed on Suddenlink Cable's public service channel. The videos will run throughout the broadcast day.

Mr. Nelson also discussed progress on the Water Efficiency Network and reported that a meeting of the network will be scheduled for the month of August. The main subject to be discussed at that meeting will be a "water alert" system that the City of Houston has developed, alerting customers via smart phone or computer of excess water used based on information from the city's electronic water meters.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee met on June 11th. The committee is continuing to work on draft rules and amendments to incorporate the GRP process and rules into the District's existing rules. A follow up meeting is scheduled for July 11th and the committee anticipates bringing changes to the board in the next several months.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last meeting and there was no report.

Findings and Review Committee – Paul R. Nelson, Coordinator. Mr. Nelson stated that the committee had not met and he had no report.

Update and status project report related to Regional Groundwater Update Project w/ HGSD and the FBSD – Paul R. Nelson. Mr. Nelson informed the Board that no meeting of the Committee had been held during the period between today and the previous board meeting. However, in the absence of Mark Lowry, Mr. Nelson did present an update of the activities related to the Regional Groundwater Update Project. Mr. Nelson told the Board that the Houston Area Groundwater Model had been completed and that the population and water demand projections have also been finished. The next step in the process is to run several different scenarios using the updated information and model to determine the effects of those assumptions on water levels and subsidence.

Update and status project report related to the District's modeling study of the Catahoula Formation/Aquifer – Paul R. Nelson. Mr. Nelson stated that the team of consultants working on the project/model have completed their evaluations and have selected a single model. Mr. Nelson further stated that the team would be making a presentation of their findings to the Findings and Review Committee in the near future (date to be announced).

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated that the committee has not met since the last Board meeting. A meeting will be scheduled before the August board meeting to discuss the continued effort to come to a settlement with the previous property's owner regarding the sanitary sewer line that runs across the property. A demand letter has been sent to the previous owner requesting they contact local counsel within 30 days, the deadline for which is July 19th.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee met on June 22nd and the committee found and confirmed an error in the capital improvement budget. A revised budget was drafted and it will be presented at the August meeting. The committee also reviewed the water use fee rate schedule and the administrative fee schedule for 2013.

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 has an actual income of \$1,644,000 compared to a budget of \$1,684,000. The operating expenses show a budget of \$812,000 compared to an actual budget of \$1,000,000. The capital improvement budget for our building shows expenses of \$816,000 compared to a budget of \$684,000 for this period.

Review of 3rd Quarterly Investment Report for 2012. Director Stinson stated the 3rd Quarterly Investment Report was included in the packets and he would be happy to answer any questions.

Consider and act on Resolution #12-002 authorizing water use fee rate schedule for 2013. Director Stinson pointed out that the rate will remain the same. A motion was made by Director Stinson, seconded by Director Baker, and unanimously carried to authorize the water use fee rate schedule for 2013.

Consider and act on Resolution #12-003 amending and re-establishing administrative fee schedule. Ms. Jones stated that the committee determined that the schedule was adequate as is and no changes were made. A motion was made by Director Stinson, seconded by Director Weisinger, and unanimously carried to re-establish the administrative fee schedule.

Consider and act on Resolution #12-004 amending FY 2012 Operating and Capital Outlay Budget. Director Stinson stated that no action would be taken on this item until the next board meeting.

CONSIDERATION AND POSSIBLE ACTION REGARDING THE APPLICATION FOR EARLY CONVERSION CREDITS PURSUANT TO THE EARLY CONVERSION INCENTIVE AS DESCRIBED IN ADDENDUM D OF THE LSGCD RULES – DIRECT REUSE OF RECLAIMED WATER FROM THE WASTEWATER TREATMENT PLANT FOR WALDEN CIA, MONTGOMERY COUNTY MUD 8.

Montgomery County MUD 8 Wastewater Treatment Plant submitted an application for Early Conversion Credits for a project whereby they propose to pump reclaimed water to the Walden Community Improvements Association property for irrigation use. The existing

groundwater connection to the irrigation system has been disconnected. This project was completed in June 2012.

It is the General Manager's recommendation to approve the application for Early Conversion Credit eligibility. This approval does not award any specific number of gallons and it does not constitute any final determination. The award of credits will come after they provide the proper records and documentation to the District; they can accrue credits through December 31, 2015. A motion was made by Director Eichelberger, seconded by Director Moffatt, and unanimously carried to approve the recommendation by the General Manager. Director McCoy abstains.

ENGINEERING REPORT:

President Tramm stated that Mr. Lowry's report was included in the packet and if there were any questions they could be directed to District staff after the meeting.

GENERAL COUNSEL REPORT:

Jason Hill updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting.

Mr. Hill stated that Representative Lyle Larson of the House Natural Resources Committee made a trip to the District on June 21st. Mr. Larson has become a rising star on water resource management issues and has taken a keen interest in brackish water de-mineralization. Mr. Larson had a chance to visit with staff and board members and received a nice presentation on the District and its regulatory program. The District was the first groundwater district Mr. Larson met with on his water resource management issues "fact-finding" tour throughout the state. The District also hosted members from SJRA, as well as staff from local legislative offices. Mr. Hill reported that Representative Larson was impressed with the District's operation and is looking forward to additional leadership from the District on some of the cutting-edge water resource management issues.

Lastly, the Texas Water Development Board has heard stakeholder's comments on the DFC rule revisions and expected to produce those proposed rule changes within the next few days. The revisions will be important to the District, as it is the hope that the revisions will better reflect the heightened role that individual groundwater district boards, like LSGCD, will play in the statutory process created by the legislature for **DFC billings/fillings**.

GENERAL MANAGER'S REPORT:

Ms. Jones stated that the General Manager's report was included in the packets and if anyone had any questions she would be glad to address them.

PUBLIC COMMENT: None.

NEW BUSINESS: None.

There being no further business, upon a motion by Director Baker, seconded by Director Wood, President Tramm adjourned the meeting at 10:29 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF AUGUST, 2012.

M. Scott Weisinger, PG, Board Secretary