

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 11, 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 December 11, 2012.

President Tramm called the meeting to order at 9:05 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 Moffatt, Director Stinson, and 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 9:07 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 9:25 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:52 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:53 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF JANUARY, 2013.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 11, 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 December 11, 2012.

President Tramm called to order the Public Hearing on Permit Applications at 10:02 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 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, **Jacob’s Reserve HOA** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 100,000 gallons for 2012 only. Based on technical review, it is the General Manager’s recommendation to approve that which is being requested.

Item #2, **The Church of Jesus Christ of Latter Day Saints** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 1,800,000 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 #3, **Stone Hedge Utility Company** – 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 369,000 gallons annually thereafter. Based on technical review, it is the General Manager’s recommendation to approve that which is being requested.

Item #4, **Montgomery County MUD #94** – Applicant is requesting an amendment to its Operating Permit for drilling authorization for a new well. No additional authorization 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 #5, **Jimmie Sebree** – Applicant is requesting an amendment to his Operating Permit for an increase in production authorization in the amount of 317,500 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 #6, **Denbury Onshore, LLC** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 303,040 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 #7, **5 Pines Enterprises** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 100,000 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 #8, **City of Shenandoah** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 40,000,000 gallons for 2012 and annually thereafter. The City of Panorama Village Joint GRP sponsor has been notified and no comments on the request were submitted to the District. Based on technical review, it is the General Manager’s recommendation to approve that which is being requested.

Item #9, **Aqua Texas, Inc. (Timberloch Estates)** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 1,750,000 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 #10, **William Vasser III E-Trust/Anthony P. Vasser E-Trust** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 60,000 gallons for 2012 and 1 million gallons annually thereafter. Based on technical review, it would be the General Manager’s recommendation to approve that which is being requested.

Item #11, **Mike McGuinness** – Applicant is requesting authorization for a new well to be drilled with a production authorization of 1 million 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 #12, **Joe McGlaun** – Applicant is requesting drilling authorization for a new well to be drilled with a production authorization of 1 million gallons for 2013 and annually thereafter. Additionally, applicant is requesting authorization to register an existing but non-operating well that applicant might re-work in the future. Based on technical review, it would be the General Manager’s recommendation to approve the registration of the existing well, drilling authorization of a new well, and a reduced amount of 250,000 gallons for 2013 and annually thereafter.

Upon a motion made by Director Baker, seconded by Director Eichelberger, items #1 thru # 12 were approved in accordance with the General Manager’s recommendations with Director Bleyl abstaining from voting on Item #8. Motion passed.

President Tramm adjourned the Public Hearing on Permit Applications at 10:05 a.m.

President Tramm reconvened the Public Hearing on Permit Applications at 10:29 a.m. All members present at the meeting earlier today were present at this meeting.

The meeting was reconvened to address Item #13 City of Conroe which was inadvertently not reviewed during today’s earlier public hearing on permit applications.

Item #13, **City of Conroe** – Applicant is requesting an amendment to its Operating Permit for drilling authorization for a new well. No additional authorization is being requested at this time. Based on technical review, it is the General Manager’s recommendation to approve that which is being requested.

Upon a motion by Director Eichelberger, seconded by Director Wood, item #13 was approved in accordance with the General Manager’s recommendations. Motion passed.

President Tramm adjourned the public hearing on permit applications at 10:30 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8TH DAY OF JANUARY, 2013.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 11, 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 December 11, 2012.

President Tramm called to order the regular Board of Directors meeting at 10:06 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 with the exception of Director 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”.*

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) November 13, 2012, Special Board Meeting
- b) November 13, 2012, Public Hearing on Permit Applications
- c) November 13, 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, Assistant General Manager, update the Board on conservation activities since the last Board meeting.

Briefing on conservation efforts. Mr. Nelson advised that under the agreement with NCM Cinema Network, the new video was released for presentation on December 1st and is being shown in 55 theaters throughout Montgomery County. He added that he has received several calls about the video, one from the Fort Bend County Subsidence District, expressing interest in creating a video of their own.

On November 27th, Mr. Nelson attended a meeting of the Woodlands G.R.E.E.N., (Grass Roots Environmental Education Network). Mr. Bob Dailey, Public Awareness Coordinator for the Woodlands Joint Powers Agency, discussed irrigation and how turf grasses can be improved with less watering. Mr. Nelson was asked to return in February 2013 to make a presentation about LSGCD and its role in conservation.

Lone Star GCD hosted the November meeting of the Water Efficiency Network on November 29th at the Houston-Galveston Area Council offices. Ms. Alia Vinson, a Senior Associate with the law firm of Allen Boone Humphries Robinson, LLP, was the guest speaker. Ms. Vinson discussed the role of Utility Districts (UDs) in conservation and the authority they have been given by the state. Mr. Nelson stated that many Utility Districts do not know what authority they have and do not make use of it. The message to the UD's is that they have the ability to apply tiered water rates, to regulate when watering should occur, and to require irrigation specialists to have licenses. Ms. Vinson pointed out that when UD's set rules, they must also enforce those rules. Utility Districts should look at the rewards of conservation to determine if they outweigh the enforcement costs.

Also on November 29th, Mr. Nelson attended a meeting of the Villages Association of the Woodlands where Jim Stinson, General Manager, Woodlands Joint Powers Agency, announced that 10 of the 11 districts in The Woodlands voted to go to a structured twice weekly watering program. This is the same structure which the City of Conroe has adopted.

Lastly, on December 5th, Mr. Nelson gave a presentation to the local chapter of the Soil and Water Conservation District at their monthly meeting, held at LSGCD's office. Mr. Nelson presented an overview of the activities of the District as well as an explanation of the District's regulatory plan and progress to date. Mr. Nelson conducted a tour of the District's facility including the rainwater harvesting system.

Rules Development Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the Rules and Development Committee had not met since the November 13th Board meeting and will be scheduling the next meeting after the first of the year.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last meeting on November 6th.

Findings and Review Committee – Paul R. Nelson, Coordinator. Mr. Nelson stated that the committee had not met since the last board meeting.

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 stages. The panel is reviewing the last of various scenarios and looking at the impact of those scenarios. Based on the results from the model, Fort Bend and Harris Galveston Subsidence Districts will be considering changes to their regulations. Mr. Lowry explained that LSGCD's objective in participating in the project was to obtain updated science and refinements to the model, not for the purpose of changing the District's rules and regulations. This has been completed.

Mr. Nelson reported that Mike Turco, USGS, delivered the annual water level report, *USGS Water-Level Altitudes 2012 and Water-Level Changes in the Chicot, Evangeline, and Jasper Aquifers and Compaction 1973-2011 in the Chicot and Evangeline Aquifers, Houston-Galveston Region, Texas*. Mr. Nelson stated the Report reflects the results of the drought. Copies will be available following the meeting.

Consider, discuss and take possible action on committee recommendation regarding acceptance of technical memorandum summarizing results of the Catahoula Formation Hydrostratigraphic and Model Study. Ms. Jones stated staff did not receive a draft copy of the report until December 10th. Neither Staff or the Findings and Review Committee had an opportunity to review the draft report at this time; therefore no action will be taken at today's meeting. The draft will be presented to the Findings and Review Committee as soon as possible, followed by a presentation to the Board.

Budget and Finance Development Committee - Jim Stinson, Chair. Brief the Board on the Committee's activities since the last regular Board Meeting. In Director Stinson's absence, Ms. Jones reported that the committee had not met since the last Board meeting.

Review of monthly financial reports. Ms. Jones stated that Director Stinson has reviewed the monthly financial reports and she would be happy to answer any questions that the Board might have.

Discuss, consider, and possible action to approve adoption of the 2013 Operating Budget following January 2013. Ms. Jones stated that LSGCD historically delays adopting the Operating Budget until after the first of the new fiscal year. With the Board's approval, the 2012 Operating Budget will carryover until such time as the 2013 Operating Budget is adopted.

A motion was made by Director Baker, seconded by Director Eichelberger and unanimously carried, to carry forward the 2012 budget to 2013 until the 2013 Operating Budget is adopted.

Discuss, consider, and take action as necessary to approve Resolution #12-005 reviewing and approving Investment Policy and Investment Strategies as required annually by the Public Funds Investment Act of Texas.

Ms. Jones reported that she and Director Stinson reviewed the list of authorized brokers proposed for investments in September 2012. In addition, the policy was reviewed for any legal or required updating that may have occurred following the previous adoption. Ms. Jones added

that no change to the actual investment policy is recommended at this time with the exception of the amended list of brokers.

A motion was made by Director Bleyl, seconded by Director McCoy and unanimously carried, to approve Resolution #12-005 reviewing and approving Investment Policy and Investment Strategies as required annually by the Public Funds Investment Act of Texas.

Lastly, Ms. Jones reported Request for Proposals, as required by the District's Investment Policy, were sent out in October seeking applications from eligible institutions to provide banking services and to serve as depository for the District's public funds for the next two years. The responses are due back this week. As of today, one response has been received. The Finance Committee will be meeting in January to review the proposals.

Building and Facilities Committee - Kathy Turner Jones, Coordinator.

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 stated that the Building and Facilities Committee met on November 29th and reviewed bids submitted for construction of the storage building for the mobile lab. As authorized at the November 13th Board meeting, the committee was instructed to move forward with soliciting bids and hiring a contractor to build the 20 x 40 metal storage building. During the November 29th meeting, the committee voted to accept the low bid submitted by Lakeway Construction, Inc. for the construction project.

In addition, Ms. Jones added, the Building and Facilities Committee discussed the status of the sanitary sewer line in trespass of the District's property and its relocation. Ms. Jones reported that the attorneys have drafted an easement in regards to the potential relocation for the adjoining property owners. In addition, demand letters are near completion to be sent out later this week to both the title company as well as the surveyor regarding reimbursement of expenses incurred in the project.

Lastly, Ms. Jones gave an update on the detention pond expansion. Engineers working with LSGCD have submitted the necessary plans to the City of Conroe for review and final approval. Staff is awaiting comments.

Discussion, consideration, and possible action to support dedication of the LSGCD Boardroom. Ms. Jones reported that the Building and Facilities Committee recommends the Board of Directors support and approve dedicating the District's Board Room in honor and recognition of James "Jim" B. Wesley, a past board member of the District. If approved, there will be a formal presentation and dedication ceremony to be held at the January Board meeting.

A motion was made by Sam Baker, seconded by John Bleyl and unanimously carried, to approve the dedication of the LSGCD Boardroom in the name of James "Jim" B. Wesley.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated that his report was included in the board packets. Mr. Lowry has been keeping up with the irrigation and evaporation statistics spreadsheet, as well as permit reviews. Additionally, Mr. Lowry has been working with the Findings & Review

Committee on comments and review of the following: USGS reports, funding, and Catahoula model study.

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 stated that his efforts for the month have been concentrated on the Texas Water Development Board's (TWDB) Chapter 356 rules. These are the rules implementing the changes from the last legislative session to the future conditions, adoption, and appeals process. Mr. Sledge stated he has been actively participating in this process since January 2012, including submitting comments with the District in mind. The final rules package went to the TWDB on December 6th and was approved. Virtually all of the changes we asked for were addressed by TWDB staff. Mr. Sledge commended the TWDB for a very open stakeholder inclusive process that worked.

Mr. Sledge advised that on December 7th, The Texas Department of Licensing and Regulation (TDLR) published in the Texas Register proposed amendments to the Water Well Drillers and Pump Installers rules. Comments are due to TDLR on January 6, 2013. There are several amendments which involve coordination between groundwater districts and TDLR. Mr. Sledge will be working with District staff to submit comments prior to the January 6th deadline.

Mr. Sledge reported there have been no specific bills filed on groundwater yet. Representative Lyle Larson, who visited with the Board earlier this year, filed a bill to appropriate \$1 billion of economic stabilization funds for use on financing projects in the state water plan. The two prevailing thoughts at present on how to fund projects in the state water plan are to (1) develop some new revenue source that would generate at least \$100 million per year to go into the water infrastructure fund; or (2) a onetime infusion of at least \$1.6 billion to serve as seed money to be used in a revolving fund program to finance the water infrastructure programs, which the legislature has financed from general revenue in the past. Mr. Sledge feels we will see a number of proposals presented to get this project off the ground.

GENERAL MANAGER'S REPORT:

Ms. Jones briefed the Board on pertinent operational and management issues that the District, its employees, and consultants have encountered since the last regular Board meeting.

Ms. Jones reported that on November 15th, the District mailed ballot and nomination forms to appointing entities having board representations expiring this coming January 31, 2013. The District has begun to receive ballots well in advance of the January 14th deadline. 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.

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

PUBLIC COMMENT: None.

NEW BUSINESS: President Tramm and General Manager, Kathy Turner Jones presented Director Eichelberger with a framed copy of the article which appeared in *Dockline* magazine addressing his accomplishments and retirement from SJRA.

Brian Sledge, General Counsel, stated that Item #13 - City of Conroe on the Permit Hearing agenda was inadvertently missed. He requested the Permit Hearing be reconvened after the Regular Board Meeting is adjourned.

There being no further business, upon a motion by Director Wood, seconded by Director Baker, President Tramm adjourned the meeting at 10:28 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY JANUARY, 2013.

M. Scott Weisinger, PG, Board Secretary