

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 13, 2011

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 December 13, 2011.

President Tramm called the meeting to order at 9:08 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 Eichelberger, 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; 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”.*

After a proper and legally sufficient announcement to the public by President Tramm, the Board of Directors went into a Closed Executive Session at 9:08 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 9:11am.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:40 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:40 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF JANUARY, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 13, 2011

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 December 13, 2011.

President Tramm called to order the Public Hearing on Permit Applications at 10:06 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; 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 #1, **City of Montgomery**, Item #2, **City of Shenandoah**, Item #3, **Aqua Texas, Inc. (Westwood 1&2/Old Egypt)**, Item #4, **Aqua Texas, Inc. (Lake Conroe Forest & Tejas Creek)**, Item #5, **Enviro Management**, Item #6, **River of God Church**, Item #7, **Klein Memorial Park Inc.**, Item #8, **Klein Funeral Home**, Item #9, **River Plantation MUD**, Item #10, **Lake Conroe Hills MUD**, Item #11, **Kings Manor MUD**, and Item #12, **Far Hills Utility District** – Applicants are requesting amendments to their existing permits for additional production authorization for 2011 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 Baker to approve the above amendments in accordance with the recommendations of the General Manager. Director Bleyl abstains from voting on Item #1, City of Montgomery, Item #2, City of Shenandoah, and Item #9, River Plantation MUD and the motion passed.

Item #13, **Conroe ISD (York Jr. High)**, Item #14, **Conroe ISD (Moorehead Jr. High/Caney Creek High)**, and Item #15, **Clayton Homes** – Applicants are requesting amendments to their existing permits for additional production authorization for 2011 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 Baker to approve the above amendments in accordance with the recommendations of the General Manager. Motion passed.

Item #16, **Is Zen Center Inc.** – Applicant is requesting an amendment to their existing permit to add a new well and an existing well. 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 Baker to approve the above permit amendment in accordance with the recommendations of the General Manager. Motion passed.

Item #17, **Point Aquarius MUD** – Applicant is requesting an amendment to their existing permit for additional production authorization for 2011 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 requested. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #18, **Chateau Woods MUD** – Applicant is requesting an amendment to their existing permit for additional production authorization for 2011 and annually thereafter and to add a new well. 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 Baker to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Bleyl abstains from voting and motion passed.

Item #19, **Heritage Farms Association, Inc.** – Applicant is requesting an amendment to their existing permit for additional production authorization for 2011 and annually thereafter and to add an existing well. 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 Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion Passed.

Item #20, **T&W Water Services (Old Mill Lake)**, Item #21, **City of Willis**, Item #22, **Keenan Water Supply Corp**, Item #23, **Lake Bonanza Water Supply Corp**, Item #24, **C&R Water Supply Inc (Bee Creek Estates)**, Item #25, **C&R Water Supply Inc (Bridgepoint Water System)**, Item #26, **C&R Water Supply Inc (Clear Water Cove)**, Item #27, **C&R**

Water Supply Inc (Creekside Acres), Item #28, Lake Conroe Park (MC Pct. 1), Item #29, C&R Water Supply Inc (Emerson Estates), Item #30, C&R Water Supply Inc (Rogers Road WS), Item #31, C&R Water Supply Inc (Timberline Estates), Item #32, C&R Water Supply Inc (Timber Oaks), and Item #34, 177 Lake Estates HOA – Applicants are requesting amendments to their existing permits for additional production authorization for 2011 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 Baker to approve the above permit amendment in accordance with the recommendation of the General Manager. Director Bleyl abstains from voting on Item #21, City of Willis and motion passed.

Item #33, **T&W Water Services (Hidden Springs Ranch)** – Applicant is requesting an amendment to their existing permit for additional production authorization for 2011 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 2 mg for 2011 and annually thereafter. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit applications in accordance with the recommendations of the General Manager. Motion passed.

Item #35, **Chris Delussey (Action Ventures Inc.)** – Applicant is requesting drilling authorization for a new well and production authorization for 2011 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 Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #36, **Montgomery County MUD #99**, Item #37, **Montgomery County MUD #112**, Item # 38, **East Plantation Utility District**, Item #39, **Mt. Pleasant Village Water System**, Item #40, **Dobbin-Plantersville WSC**, and Item #41, **CLW, Inc.** – Applicants are requesting amendments to their existing permits for additional production authorization for 2011 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 Baker to approve the above permit application in accordance with the recommendations of the General Manager. Director Bleyl abstains from voting on Item #38, East Plantation Utility District and motion passed.

Item #42, **Tam Nguyen Retreat Center** – Applicant is requesting drilling authorization for a new well and production authorization for 2011 and annually thereafter. Based on technical review of 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 Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #43, **Rayford Road MUD**, Item #44, **Spring Creek Utility District**, Item #45, **Moorhead’s Blueberry Farm**, Item #46, **Palm Beach Estates POA**, and Item #47, **DDGF Enterprises Inc** – Applicants are requesting amendments to their existing permits for additional

production authorization for 2011 and annually thereafter. Based on technical review of 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 Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #48, **George Turek** – Applicant is requesting an amendment to their existing permits for additional production authorization for 2011 and annually thereafter. Based on technical review of information supplied by application, it is the General Manager's recommendation to approve that which is being requested for 2011 only. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #49, **Time Mart #16/242 Business Inc.**, Item #50, **Kiet Dang**, Item #51, **Montgomery County Animal Control Shelter**, Item #52, **Montgomery County MUD #83**, Item #53, **Denbury Onshore, LLC (South TexB)**, Item #54, **Joe Morgan**, and Item #55, **Read Youth Charities** – Applicants are requesting amendments to their existing permits for additional production authorization for 2011 and annually thereafter. Based on technical review of 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 Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

President Tramm adjourned the Public Hearing on Permit Applications at 10:12 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF JANUARY, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 13, 2011

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 December 13, 2011.

President Tramm called to order the regular Board of Directors meeting at 10:12 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 Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District 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 Stinson and unanimously carried, to approve the meeting minutes as presented:

- a) November 8, 2011, Special Board Meeting
- b) November 8, 2011, Public Hearing on Permit Applications
- c) November 8, 2011, Regular Board of Directors Meeting

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood stated that the committee met on November 16th to discuss various conservation efforts.

Briefing on conservation efforts. Mr. Nelson gave an update on LSGCD's conservation efforts. Mr. Nelson stated that the Water on Demand campaign now has fifty (54) restaurants signed up to promote only serving water on request. Mr. Nelson is working with staff to update LSGCD's website with new conservation information and links. Additionally, Mr. Nelson and the General Manager are looking into updating the mobile lab trailer internally and mechanically and hope to have information on potential updates soon to bring before the committee.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee has not met since the last board meeting. Ms. Jones stated that a follow up meeting will be scheduled soon to discuss rule incorporation as well as other ideas discussed in executive session.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee met on December 6th and discussed the potential replacement of the District's Field Operations Coordinator, which is still under review.

Discuss, consider, and take possible action as necessary to adopt Educational/Tuition Assistance Policy. Ms. Jones stated that the policy is to encourage staff to enroll in classes that would benefit their job with the District. The policy states that the District will reimburse up to \$2,500 per fiscal year and that the employee must maintain a grade equivalent to an "A" or "B" to receive 100% reimbursement, or a passing grade of a "C" to receive 80% reimbursement. Anything less than a "C" will not be eligible for reimbursement. Reimbursement is set up so the District will pay 50% of the reimbursement to the employee at the beginning of the course and the final 50% will be paid upon successful completion of the class. A motion was made by Director Stinson, seconded by Director Moffatt and unanimously carried, to adopt the Educational/Tuition Assistance Policy as written.

Consideration and possible action regarding 2012 Payroll Expenses. Director Baker stated that the overall raise budget for 2012 payroll was 3.7% and if members of the Board had any questions Ms. Jones could provide further details. A motion was made by Director Stinson, seconded by Director Bleyl, and unanimously carried to approve the 2012 Payroll Expenses.

Findings and Review Committee. Mr. Nelson reported that the Committee met with Mark Lowry, District Consultant, and Mike Turco of USGS on December 5th to discuss the testing of waters taken from wells drilled, or to be drilled, into the Catahoula aquifer throughout Montgomery County. The USGS, in conjunction with SJRA will be performing an array of tests on the Catahoula "test" well that SJRA will be drilling at the same time as they complete a new Jasper production well. The array of tests that will be conducted by USGS include Carbon 14 and other isotopes that will address specific questions about the Catahoula, including the age of the water and where the water originated. The tests to be performed by USGS are tests that are not ordinarily done on public water supply wells; that is they are in addition to state and federal drinking water parameters. The Committee discussed the possibility of performing these same tests on other Catahoula wells, both existing and future, in order to accumulate additional data. Mr. Lowry explained that these test results would be beneficial to the modeling of the

Catahoula. Mr. Turco provided more details about the types of testing that will be done. Because it is felt that this additional testing will be beneficial to the District, the Committee requested that Mr. Nelson and the General Manager work with Mr. Turco to determine the exact parameters, or array of parameters that would benefit our purposes and determine the cost associated with the testing. Once that is determined, the matter will be brought back to the committee for consideration.

Update and status project report related to Regional Groundwater Update Project with HGSD and the FBSD. Mark Lowry began by stating that a copy of the report from Freese & Nichols detailing the month's activities was included in the board packet. Mr. Lowry stated that the project is in the finalization stage of the early tasks with some heavy lifting being done in the population and water demand departments. The draft model is complete and John Seifert, LBG-Guyton is in the process of reviewing it while Fugro is finalizing its report. A stakeholder meeting is also in the process of being set up.

Update and status project report related to the District's modeling study of the Catahoula Formation/Aquifer. Mark Lowry stated that the panel has completed five (5) tasks, and has five (5) more tasks to be completed. During the months of December and January the panel will be doing the implementation of the model boundary conditions and groundwater pumping. The project was originally anticipated as a 10 month project, and looks to be on track, with anticipated completion around the end of January/early February. The panel does plan on having meetings with staff at the end of January, with a public input meeting to follow.

Discuss, consider, and take action as necessary concerning approval of joint-funding agreement with USGS for the period of 01.01.12 through 12.31.12 – Mike Turco, USGS. Mr. Turco stated that the agreement was a continuation of the items that began in 2008. A final report should be completed late spring, including information on Carbon-14 testing. The overall funding level has decreased and is back to the 2009 levels. The agreement includes continuous water level monitoring and the annual water level measurements, as well as other on-going projects, and no new projects have been added. Mr. Turco anticipates a presentation in March on the water level results. Mr. Turco explained to the Board that the information gained from the recharge study will help the District to better understand the long term availability of water and also be able to plug the information into models to better understand what changes could occur in the future. He added that this information was gathered for all aquifers. A motion was made by Director Baker, seconded by Director Eichelberger and unanimously carried to authorize the General Manager to execute joint-funding agreement with USGS for the period of 01.01.12 through 12.31.12 in the amount of \$183,000 with LSGCD's funding contribution to be \$155,500.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee met on November 18th and toured the site. A status meeting was held this week with District staff, the architect, and the contractor. Currently, we are waiting on the underground cistern to be put in to complete the storm sewer system, while the main water line has been connected to the meter and the interior rough in is still in progress. The rough in of the walls and the ceiling is done, and the masons have begun stoning the outside. Once the stone work is finished on the west side of the building, they can complete pouring concrete on the exterior. In addition, the dry-wall on exterior wall in the electrical room has been placed and the three-hour wall has been framed. The District is still dealing with the new owners of Byrne Medical on the encroaching sanitary sewer line. Byrne Medical has turned the matter over to an attorney and we hope to receive a response back at the beginning of the 2012.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee met on November 29th to review audit proposals for the fiscal year ending 2011-2012. The committee reviewed four (4) proposals and recommends VanWassehnova. Per General Counsel’s recommendation, this item will be posted on next month’s agenda, where it can then be voted on.

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 income of \$156,000 over budget and expenses of \$293,000 under budget. The capital improvement program has a budgeted expense of \$1.3 million versus an actual expense of \$360,000.

Discuss, consider, and possible action to approve adoption of the 2012 Operating Budget following January 2012. A motion was made by Director Eichelberger, seconded by Director Bleyl, and unanimously carried to approve the adoption of the 2012 Operating Budget following January 2012.

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. This month Mr. Lowry worked on permit applications and the Catahoula study.

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

- a. Process Water Conversion Project, Montgomery County MUD 8** – MUD 8 is proposing to utilize treated wastewater effluent in part of their treatment process for chlorine injection, breaking up solids, and periodic wash down of their basins and clarifiers. They hope to offset as much as 780,000 gallons of fresh groundwater production each month by using effluent.
- b. Surface Water Conversion at Walden Yacht Club, Montgomery County MUD 8** – MUD 8 is proposing to convert landscape irrigation at Walden Yacht Club, which is currently supplied by groundwater, to surface water system by diverting water from Lake Conroe that they will purchase from SJRA. They have permanently disconnected that specific system (the yacht club) from their irrigation system and will be metering the surface water being used, resulting in a potential savings of 200,000 gallons each month.
- c. Rainwater Harvesting at Walden Racquet Club and Recreation Center, Montgomery County MUD 8** – MUD 8 is proposing that this rainwater harvesting system could offset as much as 55,000 gallons of groundwater each month.

It is the recommendation of the General Manager to approve the applications 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 Stinson, seconded by Director Bleyl, and unanimously carried with Director McCoy abstaining, to approve the above applications for Early Conversion Credits pursuant to the Early Conversion Incentive as described in Addendum D of the LSGCD Rules.

UPDATE AND STATUS REPORT ON INSTALLATION OF PERIODICALLY ACCESSIBLE MONITOR (“PAM”) EQUIPMENT FOR SUBSIDENCE MONITORING – Paul R. Nelson.

Mr. Nelson stated that as of last month two more units were introduced into the rotation and a route within the county has been established for weekly moves. Precinct 2 and Precinct 4 are making progress getting their fences up and within a month all the locations should be in the sequence.

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 there has been no action by the interim legislative committees since the hearings on the drought in November. Mr. Sledge stated that there have been a couple of applications to amend permits that are forcing the District to evaluate protocols on permit applications for permittees in joint GRPs and they are in the process of doing so.

GENERAL MANAGER’S REPORT:

Kathy Turner Jones, General Manager, stated that her report was included in the packets and if anyone had any questions she would be glad to address them. Ms. Jones stated that there have been a number of permit amendments due to the drought and the end of the year; she also listed some important meetings that the Board may be interested in.

PUBLIC COMMENT: None.

NEW BUSINESS: None.

There being no further business, upon a motion by Director Wood, seconded by Director Baker, President Tramm adjourned the meeting at 11:07 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF JANUARY, 2012.

M. Scott Weisinger, PG, Board Secretary