

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 11, 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 January 11, 2011.

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
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present with the exception of Director Baker, Director McCoy, 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; Jason Hill, 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 convened in a Closed Executive Session at 9:21 a.m. pursuant to Texas Government Code, Sections 551.071, to consult with the District's attorney on any item on any notice or agenda for today's meetings or hearings 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.

9:07 a.m. Director McCoy and Director Weisinger arrive.

9:15 a.m. Director Baker arrives.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:44 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:45 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF FEBRUARY, 2011.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 11, 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 January 11, 2011.

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
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
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; Jason Hill, 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, **H.H.J., Inc. / Decker Utilities**, Item #2, **INRI**, Item #4, **C & R Water Supply Inc. (Clear Water Cove)**, Item #5, **Aqua Texas, Inc. (Lake Conroe Village)**, Item #6, **Aqua Texas, Inc. (Deerwood Sub.)**, Item #8, **C & R Water Supply Inc (Creekside Acres)**, Item #12, **San Jacinto River Authority**, Item #13, **C & R Water Supply Inc (Emerson Estates)**, and Item #16, **Woodland Oaks Utility Co. Inc.** – To be discussed collectively. The applications are all requesting amendments to increase allocation under their existing Operating Permits. Based on technical review of information supplied by applicants, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Wood, and seconded by Director Weisinger to approve the above permit applications in accordance with the recommendations of the General Manager. Director Eichelberger abstains from Item #12, **San Jacinto River Authority**. Motion passed.

Item #3, **San Jacinto River Authority (Office)**, and Item #17, **Scott & Judy Robinson (Pine Knob Est.)** – To be discussed collectively. The applicants are requesting applications for new Operating Permits and are associated with existing Historic Use Permits. 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 Wood, and seconded by Director Weisinger to approve the above permit applications in accordance with the recommendations of the General Manager. Director Eichelberger abstains from Item #3, **San Jacinto River Authority (Office)**. Motion passed.

Item #7, **Mike Simpson – Conroe Taxidermy LP**, Item #10, **DDGF Enterprises Inc**, Item #14, **Jason McKenzie (The Pineywoods Nursery)**, Item #15, **Carey Jordan (TownHall Texas)**, and Item #19, **Sonya E. Sinclair (Sweet Dreams Kennels)** – To be discussed collectively. The applicants are requesting Operating Permits for existing wells, which were found in non-compliance. Based on technical review of the information supplied, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Wood, and seconded by Director Weisinger to approve the above permit applications in accordance with the recommendations of the General Manager. Motion passed.

Item #9, **Abdallah Rassey** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Applicant provides water to a strip center with four connections. Based on technical review of the information supplied, it is the General Manager’s recommendation to authorize a reduced amount of 300,000 gallons annually. A motion was made by Director Wood, and seconded by Director Weisinger to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #11, **Cedarstone One Investors LTD**, and Item #18, **KTI Inc.** – To be discussed collectively. The applicants are requesting applications for new Operating Permits and are associated with existing Historic Use Permits. 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 Wood, and seconded by Director Weisinger to approve the above permit applications in accordance with the recommendations of the General Manager. Motion passed.

President Tramm adjourned the Public Hearing on Permit Applications at 10:03 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF FEBRUARY, 2011.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 11, 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 300, Conroe, Texas, within the boundaries of the District on January 11, 2011.

President Tramm called to order the regular Board of Directors meeting at 10:03 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
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
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; Jason Hill, 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 four meeting Minutes listed as one item. Upon review of the following, a motion was made by Director Weisinger, seconded by Director Love and unanimously carried, to approve the meeting minutes as presented:

- a) December 14, 2010, Special Board Meeting
- b) December 14, 2010, Public Hearing on Permit Applications
- c) December 14, 2010, Show Cause Hearing
- d) December 14, 2010, 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 last month's meeting. Ms. Jones noted that the committee does have a meeting scheduled for January 19th with Conroe ISD to discuss Lone Star GCD/SJRA joint educational program, which will promote water awareness and conservation within the Conroe schools. The program is already being provided in Splendora schools.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee had not met since last month's meeting and that due to the legislative session there will not be a meeting for another 30-60 days. A majority of the committee's time is being devoted to working with GRP sponsors and after the April deadline, the group's refocus will be on the rule revisions.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that there are two Resolutions to discuss and take action on.

Discuss, consider and take possible action regarding approval of Resolution #11-001 adopting amendments to the District's Personnel Policies and Procedures for the Lone Star Groundwater Conservation District. Employment attorney, Jo Miller, was present to discuss the clarifications and changes made to the Personnel Policies and Procedures. Ms. Miller stated that she created additions and "firmed up" the Family Medical Leave Act section, pursuant to the recent legal changes to the Act. Ms. Miller highlighted the major changes which included updating employee definitions; strengthening the cell phone policy by including other cellular devices; adding a no expectation of privacy clause. Additional changes and clarifications involve the overtime provision; vehicle reimbursement policy; confidentiality agreement; removal of the consideration of payment for dependent coverage; increasing the flexible medical expense limit to \$3500 from \$2500; clarified the sick leave policy; added a zero tolerance for violation of conflicts of interest and ethic violations; broadened the sexual harassment policy to prohibit harassment based on any protected reason; and added a wage deduction authorization. Lastly, the arbitration policy was moved to a separate document, which clarified that the District will pay for the first \$2500 of Arbitration activity. The changes, additions and clarifications are necessary in order to bring the Personnel Policies and Procedures up to date with current laws. A motion was made by Director Baker to adopt Resolution #11-001, seconded by Director Stinson and unanimously carried to approve Resolution #11-001 adopting amendments to the District's Personnel Policies and Procedures for the Lone Star Groundwater Conservation District. *A copy of Resolution #11-001 is attached hereto as Exhibit "B".*

Discuss, consider, and take possible action regarding approval of Resolution #11-002 adopting amendments to the District's Code of Ethics, Travel, Professional Services and Management Policies for the Lone Star Groundwater Conservation District. Ms. Jones reported that in August the committee recognized that the Ethics Policy did not reflect changes made to the District's Bylaws in 2009, specifically on how to treat per-diems for the Board. The red-lined copy was presented to the Board, amending Section 3.02 in the Code of Ethics, Travel, Professional Services and Management Policies to match the current Bylaws. A motion was made by Director Baker, seconded by Director Love and unanimously carried to approve Resolution #11-002 adopting amendments to the District's Code of Ethics, Travel, Professional Services and Management Policies for the Lone Star Groundwater Conservation District. *A copy of Resolution #11-002 is attached hereto as Exhibit "C".*

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported the committee has not met since the last Board Meeting.

Review of Monthly Financial Reports. Director Stinson stated he had reviewed the monthly financial report and if anyone had any questions he would be glad to address those. The District is \$229,000 under budget in income and \$263,000 under budget in expenses.

Review of 4th Quarterly Investment Report 2010. Director Stinson reported that he had reviewed and recommended approval on the District's 4th Quarterly Investment Report. A motion was made by Director Baker, seconded by Director Love and unanimously carried to approve the 4th Quarterly Investment Report for 2010.

Findings and Review Committee – Orval R. Love, Chair. Director Love reported the committee had not had an official meeting since last month's board meeting.

Update and status report on redevelopment of Information Technology (GIS Project). Cori Stallings, Permitting Director, stated that the GIS project was currently in the final phase with the mobile devices going online next week, with the project still moving very smoothly.

Update and status project report related to Regional Groundwater Update Project. Mark Lowry, District Consultant, stated that the District is continuing to be involved with the Regional Groundwater Update Project, through a contract with USGS, Harris-Galveston Subsidence District and the Fort Bend Subsidence District. The project is a complete review, overhaul, and conversion of the existing groundwater model, the Northern Gulf Coast GAM, to an actual groundwater flow model. The USGS is doing the bulk of the work with information provided by LBG-Guyton's John Seifert. Project work is well underway at this time, and they have been able to do a post-audit, which has helped to identify areas where the model is either over-predicting or under-predicting drawdown based on the revised 2009 pumpage numbers. The correct pumpage data and locations have been input, the model has been run and the drawdown has been observed, what they have found is that there is more discrepancies in the Jasper than there is in either the Chicot or Evangeline. Currently they are continuing to work on retrieving better data and making revisions to the Jasper portion of the model, which will allow it to better reflect the drawdown effects that are being observed on site. An additional meeting is scheduled for this afternoon in order to obtain further information from USGS. Mr. Lowry reminded the Board that this particular model is actually using the data that has been collected for infiltration rather than the previously used assumptions. The model will be calibrated with the infiltration data, which will produce more accurate information. Director Weisinger asked about the time frame until the information is gathered from the Jasper aquifer. Mr. Lowry stated that it was anticipated that they will be pulling together all the information they can gather within the next 90 days, there is still some uncertainty that all the discrepancies will be resolved, due to the potential lack of data that is available. The plan is to bring in all the updated data they can in order to make sure that model tract is as accurate as possible. Director McCoy questioned why USGS is not utilizing the three years of data from the Jasper that the District has provided them. Mr. Lowry stated that one of the policies USGS follows is there must be certification of the data, including how it is collected, and how accurate it is. The USGS reports all undergo a local review and a national panel review so they need to be extremely careful as to the data they include because they must be able to officially back up the standards that were used. Still, Mr. Lowry will bring up the Director's concerns to USGS at the meeting.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee had not met since the last Board Meeting. There is a scheduled meeting on January 20th at SJRA offices to receive a presentation from Fort Hood, which was originally scheduled for the November board meeting, on conservation strategies. Ms. Jones gave an update with regard to the new building and added that a request has been made with the Conroe Development Corporation to move bisect lines that were part of the original two tracts purchased, she added that leaving the lines will complicate how the new building is set on the property and removing the lines will also be a predecessor to expediting the re-platting, which is set for January 20th at 4pm.

Advisory Committee on Countywide Conservation – Mark V. Lowry/Kathy Turner Jones. Mark Lowry, District Consultant, stated that the committee has provided the Board of Directors with their official report. Mr. Lowry noted that it was the consensus of the committee that at this time, there are not any large items of requests to attend too from the legislative delegation. He mentioned that one of the positives that came from the meetings is that numerous platting agencies have agreed to work with the Board as far as new plats are concerned, in order to determine whether or not they have available water supplies, are aware of the GRP requirements and what they need to do to comply with them. The meetings also allowed for an outside group to realize all the District does with regard to conservation and promoting it. The report primarily indicates that there is not legislation needed at this time, though there are areas that the committee may be coming back to the Board for future rule changes. It is important to note that there is existing authority for the District to continue to expand on in the future. Director Wesley questioned the committee's recommendation that no action be taken with regard to a central countywide water conservation authority and asked whether the committee discussed how the issue might be reconciled in the future. Mr. Lowry said the committee did not come to a firm conclusion because a number of utilities are already doing what they can by selling bonds, becoming involved in GRPs and going out on a limb to allow for the conversion which is already mandated by the Board. The District has done a lot to talk about ways they can conserve and currently the best thing the District can do without being prescriptive is providing people and entities with the proper conservation tools. Jason Hill, General Counsel, named a list of fundamental items that the committee recognized with one being that the District is statutorily created to regulate groundwater and in order for the District to get involved in areas other than groundwater will require a bit of a legislative makeover. The second issue was that the committee did have a bit of skepticism on an official main authority, though it was not directly rejected. There was recognition by the committee that there might be a future need for this type of role or an entity in Montgomery County to oversee all water conservation but because of plans like Phase II (B) and the fact the economic means which have traditionally underlined water use decisions are going to be changing in 2016, there will not be a need for a central standard. The idea is that because there are some important things happening in the future, now is not the time to start throwing in an additional leader. Director Wesley understands and agrees with the committee's report and it was agreed on that this is an opportunity for different entities to come together to provide education and promote conservation even more in Montgomery County. A motion was made by Director Wesley, seconded by Director Wood and unanimously carried to accept the Advisory Committee on Countywide Conservation's Report and allow District staff to refer this report to our county's delegation.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated his report was included in the packets. In addition to the information provided Mr. Lowry stated there was a GRP Sponsor's meeting on January 7th. The meeting allowed everyone who submitted a Declaration of Intent to have a single or joint GRP of any description attend and go through the Phase II (B) rules, and what was expected of them in the submission of a GRP. The meeting was well attended and seemed to be well received. The District asked all of the Sponsors to continue to stay in communication with them on any questions and/or issues that might come about.

GENERAL COUNSEL REPORT:

Jason Hill, General Counsel, updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting. Mr. Hill advised that the Judge's Recommendations on the TexCom applications have been placed on the agenda for TCEQ on January 26th at 1pm. The District will be represented and it will be an opportunity for all participating parties, applicants, and protestors to make their arguments. Mr. Hill reminded that this is an opportunity for the District and community to show up in force and show their support. The TCEQ commissioners will be deciding on whether to deny or grant the applications. The next biggest issue is that 82nd regular session of the Texas Legislature convenes today, the agenda of this session is dominated by two central issues, one of which is a multi-billion dollar budget deficit and the second is that this is a redistricting session. Mr. Hill made mention that the current Speaker of the House, Joe Straus of San Antonio will be keeping his place. The Texas Water Conservation Association and The Texas Rural Water Association will be hosting their annual Water Law Conference in Austin on Jan. 27-28th, at which Mr. Hill will be moderating a panel.

GENERAL MANAGER'S REPORT:

Kathy Turner Jones, General Manager, stated that her report was included in the Board packets and that she had no additional items to discuss with the District and if anyone had any questions, she would be glad to address them. Director Wood added that he felt it was important to point out that there are no enforcement actions again this month.

PUBLIC COMMENT: None

NEW BUSINESS:

President Tramm reminded the Board and public that this was the last meeting for a few of our Board members whose terms expires February 1, 2011 and are up for re-election. President Tramm recognized Director Orval Love, who represents MUDs East of I-45, who is not seeking re-election and is also one of the last of the original members of the Board. Additional Board members whose terms are also ending and are up for re-appointment are Director Sam Baker, Director Jim Stinson, Director Roy McCoy, and Director Billy Wood.

Lastly, President Tramm made mention that the Conroe Courier had their top ten stories for 2010 this month and Lone Star Groundwater Conservation District was part of two of those

stories, one revolving around the GRP process and the second over the on-going struggle with TexCom. President Tramm ended by thanking the District staff, Board of Directors and public for their help and support.

There being no further business, upon a motion by Director Love, seconded by Director Weisinger, President Tramm adjourned the meeting at 11:00 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF FEBRUARY, 2011.

Sam W. Baker, Board Secretary