

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 9, 2009

MINUTES OF SPECIAL BOARD MEETING

The 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 9, 2009.

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 Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present, with the exception of Director McCoy, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; 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 9:06 a.m. pursuant to Texas Government Code, Chapter 551, Subchapter D, Section 551.071, to consult with the District's attorney by phone conference on any item on any notice or agenda for today's meetings 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, Vernon's Texas Codes, Annotated.

Following Executive Session, the Board reconvened an Open Meeting and declared it open to the public at 9:45 a.m. President Tramm stated the Board would take a fifteen minute recess.

The Special Meeting was reconvened at 10:00 a.m.

President Tramm stated that the meeting was open for public comments.

PUBLIC COMMENT:

Ken Conatser, Consultant, referred to written comments submitted to the District April 7, 2009. Mr. Conaster requested that the District postpone the setting of an absolute date for reduction in water pumpage from all water wells in the county until the updated recharge study is received. Mr. Conatser further stated the WRAP, as it is now proposed, would place too much of a burden on the public. Mr. Conatser feels the current users of groundwater should not have to bear the burden of the cost of the WRAP.

Director Stinson asked Jace Houston, Deputy General Manager, Administration, San Jacinto River Authority, whether The Woodlands and the City of Conroe would be on surface water. Mr. Houston stated The Woodlands and the City of Conroe would be on surface water in the early phases of the program.

Jace Houston explained that SJRA is awaiting legislation before they complete their analysis of plant location and construction, because that level of detail would not be finalized until the GRP phase.

Director Weisinger asked Mr. Houston if legislation passes, does SJRA plan to get public input? Mr. Houston stated that they do plan to obtain public input and will look at every option available.

Director Wood addressed Mr. Conatser and explained that in order to meet our schedule, we have to use the data that is available.

President Tramm stated “We want to emphasize that as a regulatory entity, we don’t believe it is the Lone Star GCD’s role to specifically endorse a particular permittee’s compliance plan or the means used to achieve it. Our role is to study the aquifers and enforce the necessary regulations to protect them while allowing as much flexibility as possible to all permittees to find the best compliance solution. However, we have been specifically asked by a member of our legislative delegation to express whether we are supportive of the SJRA’s proposed plan, and we believe it is important to let our legislative delegation know that we support this plan and/or any plan which accomplishes the objectives of LSCGD.”

Director Wood asked Mr. Houston to explain the reason SJRA is doing this the legislative way vs. by individual contract. Mr. Houston explained that when SJRA goes out to borrow money to pay for the project, the agency SJRA borrows from will want to know how the money is going to be repaid. If legislation is passed, then there is statute to guarantee the repayment. Otherwise, SJRA will have to provide the lender with each individual contract signed from the water providers seeking surface water from SJRA. This option would potentially add ¾ % in interest points, as the legislative option would not. Director Wood asked if there was an option to “opt out”. There is an option to “opt out” in the legislation as well as permittees who decrease the usage or permit amount under 10 million gallons would be opted out. Director Wood asked the status of the MOU with the City of Houston. Mr. Houston stated the SJRA and the City of Houston are currently drafting a final contract. The “opt in” cannot

start until a contract with the City of Houston is complete. At that time the SJRA will begin paying reservation fees. Director Wood further voiced concerns regarding the cap on water fees. Mr. Houston explained that there are built-in provisions that control water rates. The SJRA will be subject to the appeal process through TCEQ as other utilities are. And finally, SJRA is a governmental entity and is controlled by a Board in the same manner as LSGCD. Finally, Director Wood also wanted to know what SJRA came up with in regards to conservation. Jace explained that conservation is built into the bill for wholesale purchasers to achieve lower water demands.

President Tramm, speaking for the public utility side, asked Jace if SJRA was planning to put out notices of meetings, etc. and Mr. Houston replied “yes”.

Director Wesley stated if the legislation passes, SJRA would become the largest wholesaler of water, what is your incentive to implement conservation? Jace explained that conservation has never been about saving money on today’s bill. It is about postponing the next phase of conversion and saving later by postponing the cost of the next source of water. The retailer has the ability to promote water conservation and have conservation plans in place as required by the state. SJRA is non-profit so our incentive is to conserve water and no motivation to maximize water use.

Director Wesley would like to go on record as saying if SJRA legislation passes and the availability of water increases within the District; our job of encouraging water conservation becomes more difficult.

Director Stinson states if the District doesn’t have a water conservation program in place it becomes more difficult to acquire grants.

A motion was made by Director Love, seconded by Director Stinson and unanimously carried, with Director Eichelberger abstaining, to adopt Resolution #09-005, Supporting San Jacinto River Authority Legislation. *Copy of Resolution #09-005 is attached hereto as Exhibit “B”.*

There being no further business, upon a motion by Director Wood, seconded by Director Stinson, the meeting was adjourned at 10:45 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF APRIL, 2009.

Sam W. Baker, Board Secretary