

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 19, 2017

MINUTES OF SPECIAL MEETING

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, in the Lone Star GCD – James B. “Jim” Wesley Board Room located at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on July 19, 2017.

President Moffatt called the meeting to order at 9:00 AM, announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

John D. Bleyl, PE
Gregg Hope
Jace Houston
Roy McCoy, Jr.
Webb Melder
Rick J. Moffatt
Jim Stinson, PE
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present, with the exception of Directors McCoy and Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Samantha Reiter, Assistant General Manager; 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 Moffatt, the Board of Directors went into a Closed Executive Session at 9:01 AM pursuant to Texas Government Code, Sections 551.071, to consult with the District’s attorney regarding pending or contemplated litigation, settlement offers, personnel matters, 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 Weisinger arrived at 9:07 AM.

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

No additional action was taken on matters discussed in Executive Session and President Moffatt adjourned the meeting at 9:40 AM.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF AUGUST, 2017.



Gregg Hope, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 19, 2017

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 – James B. “Jim” Wesley Board Room located at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on July 19, 2017.

CALL TO ORDER:

President Moffatt called to order the Public Hearing on Permit Applications at 10:01 AM announcing the meeting open to the public.

ROLL CALL:

The roll was called of the members of the Board of Directors, to wit:

John D. Bleyl, PE
Gregg Hope
Jace Houston
Roy McCoy, Jr.
Webb Melder
Rick J. Moffatt
Jim Stinson, PE
M. Scott Weisinger, PG
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, General Manager; Samantha Reiter, Assistant General Manager; Brian L. Sledge, District Counsel; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

PRAYER AND PLEDGES OF ALLEGIANCE:

Director Wood gave the opening prayer. President Moffatt led the Pledge of Allegiance and the Pledge of Allegiance Texas.

Assistant General Manager, Samantha Reiter informed the Board that there were five permit applications received in July. Ms. Reiter noted that the first four were for construction of new wells and/or registration of existing wells and allocation requests. The last application received a reduced recommendation and it would be reviewed separately. For items #1-4 it was the General Manager's recommendation that items be approved as requested. Lastly, Ms. Reiter stated that it was the General Manager's recommendation to approve the registration and construction of the well as requested for item #5 and further authorize a reduced allocation.

Item #1, Magnolia Technology Park, LLC

This is an existing well found in non-compliance. Applicant is requesting registration of an existing well and production authorization in the amount of 224,000 gallons for 2017 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #2, Valiente Senior Living

Applicant is requesting registration of a new well and production authorization in the amount of 261,000 gallons for 2017, 516,000 gallons for 2018 and 434,000 gallons for 2019 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #3, Mikael Andersson

Applicant is requesting registration of a new well and production authorization in the amount of 255,400 gallons for 2017 and 729,449 gallons for 2018 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #4, Big Shah Food and Fuel

Applicant is requesting registration of a new well and production authorization in the amount of 250,000 gallons for 2017 and 500,000 gallons for 2018 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #5, Daniel Born

Applicant is requesting registration of a new well and production authorization in the amount of 150,000 gallons for 2017 and 300,000 gallons for 2018 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve the registration and construction of the well and further authorize a **reduced** recommendation of 85,000 gallons for 2017 and annually thereafter.

Following Ms. Reiter's report, a motion was made by Director Stinson, seconded by Director Bleyl to approve items #1-4 in accordance with the General Manager's recommendations. Director Stinson then made a motion to approve item #5 in accordance with the General Manager's recommendations. Director Bleyl seconded, and the motion was approved unanimously.

President Moffatt adjourned the public hearing on permit applications at 10:04 AM.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF AUGUST, 2017.



Gregg Hope, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 19, 2017

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 - James B. “Jim” Wesley Board Room located at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on July 19, 2017.

CALL TO ORDER:

President Moffatt presided and called to order the regular Board of Directors meeting at 10:04 AM, announcing that it was open to the public.

ROLL CALL:

The roll was called of the members of the Board of Directors, to wit:

John D. Bleyl, PE
Gregg Hope
Jace Houston
Roy McCoy, Jr.
Webb Melder
Rick J. Moffatt
Jim Stinson, PE
M. Scott Weisinger, PG
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, General Manager; Samantha Reiter, Assistant General Manager; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit "A".*

President Moffatt stated that he would like to discuss item #8 on the agenda before the meeting minutes. President Moffatt stated that Director Melder had requested the Public Comment agenda item be moved to the beginning of the Regular Board Meeting. There being no opposition from the Board, the agenda item was moved to the beginning of the agenda. Upon a motion made by Director Weisinger and seconded by Director Bleyl, agenda item #7, Public Comments, was moved to item #3 on the agenda. The motion was approved unanimously.

PUBLIC COMMENTS:

President Moffatt recognized Kenny Eickelberg, City of Shenandoah. Mr. Eickelberg read a resolution on behalf of the City of Shenandoah opposing LSGCD's proposed water use fee increase and distributed copies to members of the Board. **Copy of the Resolution is attached hereto as Exhibit "B".**

President Moffatt recognized Rigby Owen, Montgomery County resident. Mr. Owen stated that he was one of the original board members for the Lone Star GCD and was on hand when discussions first started regarding the use of surface water conversion to decrease the use of groundwater. He commented that it was very easy for the public to cast stones because they have no idea what goes on behind the scenes and have never sat in those board seats. Mr. Owen criticized the City and public suppliers for adding a line item to their bills in order to point the finger at the District and the SJRA, when in reality those suppliers knew about this planned reduction and made the decision to sign on. Mr. Owen stressed that the lawsuits are unnecessary and no one is winning. He clarified that in fact the public is losing because of the lawsuits. He stressed his concern with options presented to the board because next year there will be a new elected board and they make not like the decisions made by this board. He stated that he knew that all parties wanted out and encouraged everyone involved to call a halt and sit down and talk. Mr. Owen said that he believes if the lawsuits stop, then the rates will go down. Again, Mr. Owen stressed the need for both parties to sit down, communicate and solve the problems, without attorneys.

APPROVAL OF THE MINUTES:

President Moffatt stated the Board would consider all meeting minutes as listed for approval on the day's agenda as one item. Ms. Jones explained that there had been a few changes made and copies of those minutes that were revised were at each director's seat. A motion was made to approve the meeting minutes by Director Houston, seconded by Director Bleyl. The motion to approve the minutes was approved unanimously.

- a) June 6, 2017, Budget Workshop
- b) June 13, 2017, Special Board Meeting
- c) June 13, 2017, Public Hearing on Permit Applications
- d) June 13, 2017, Regular Board of Directors Meeting
- e) June 28, 2017, Special Meeting

COMMITTEE REPORTS:

A. Executive Committee – Rick Moffatt, President

- 1) Brief the Board on the Committee's activities since the last regular Board meeting – President Moffatt reported that the committee had not met since the last regular board meeting.
- 2) Defense of the following lawsuit: City of Conroe et al. v. Lone Star Groundwater Conservation District (and the District's directors and general manager in their

official capacities) – In Mr. Sledge’s absence, President Moffatt stated that the board had previously been briefed and there was nothing additional on this item.

- 3) Defense of Appeal of Desired Future Conditions Adopted by the District: Cities of Conroe/Magnolia and Quadvest – Again, in Mr. Sledge’s absence, President Moffatt stated that the board has previously been briefed and there was nothing additional on this item.

B. Water Awareness and Conservation Committee- Billy Wood, Chair

- 1) Brief the Board on the Committee’s activities since the last regular Board meeting – Director Wood said the committee had not met since the last board meeting.
- 2) Update on public outreach activities, water efficiency, and conservation efforts – James Ridgway – Mr. Ridgway reported that the 2017 Minecraft Water Challenge was a few weeks away and we already have 50 kids registered from various parts of the county. This is a huge increase from last year at this time. Mr. Ridgway is hopeful that by the August 20th deadline we will receive additional students.

Mr. Ridgway then gave an update on the June meeting of the Gulf Coast/Montgomery County Water Efficiency Network which featured speaker, William (Bill) Hoffman, Jr. Mr. Hoffman, Jr. spoke on how conservation and water rate affect one another. The meeting had the highest attendance rate of any network meeting thus far and was very insightful. He continued that for those that are interested in a network meeting but cannot make it to the location, he is continuing to live-streaming the meetings. Mr. Ridgway stated that the next network meeting is scheduled for July 27th at 1:30pm and will be held at the Houston-Galveston Area Council and will host Sachin Shah and Jason Ramage of the USGS to give an annual summary on water-level altitudes and changes in Houston-Galveston Region and Montgomery County, as well as the story of Groundwater-Levels, Long-Term Changes, and Subsidence.

C. Rules and Regulatory Planning Committee – Jim Stinson, Chair

- 1) Brief the Board on the Committee’s activities since the last regular board meeting – Director Stinson stated there had not been any activity to report for the month but he had a request from Director Bleyl to discuss previously tabled ideas so he planned to call a meeting in the near future.

D. Policy and Personnel Development Committee – Jace Houston, Chair

- 1) Brief the Board on the Committee’s activities since the last regular Board meeting – Director Houston said there had not been a meeting and he had no report.

E. Budget and Finance Development Committee – Billy Wood, Chair

- 1) Brief the Board on the Committee's Activities – Director Wood stated that the committee and staff have worked hard to research and incorporate many of the budget cuts that were discussed in the previously held workshop. Last week the committee met to review staff's recommended changes to the District's Administrative Fee Schedule, discuss possible budget amendments and funding opportunities, which we will discuss further today under the agenda items below.
- 2) Review of monthly financial reports – Director Wood reported that, for the month of June, revenue was budgeted at \$138,880—actual was \$142,660. He said expenses were budgeted at \$172,422—actual expenses were \$124,867. Year-to-date net loss, he said, is \$7,211. Director Wood applauded staff for their help in trimming the cost of doing business.
- 3) Review 2nd Quarterly Investment Report 2017 –Director Stinson reported that the District has approximately \$1 million in our money market account and drawing about 2.4% interest, while TexPool account has roughly \$260,000 drawing about 0.3% interest. This totals about \$1.28 million and decreasing.
- 4) Discussion: 2018 budget forecast and funding availability – Mr. Wood directed the board to the summary update at their seats and requested the District's bookkeeper, Kay Martin summarize staff's findings. Ms. Martin gave details on the Capital Injection Loan details received from Bank of America. Ms. Martin stated that based on 50-80% of the appraised value (\$1,640,000) of the District's building and real estate the loan proceeds would be \$820,000 at the current interest rate of 5.25%. The loan will have a 20-year amortization with a 10-year balloon. After monthly payments totalling \$66,727 annually and the balloon payment due after 10 years will be \$499,261, the total repayment will amount to \$1,166,532. Ms. Martin also noted that Bank of America would require a new appraisal, closing costs, an environmental study be performed, satisfaction of the underwriting process, forfeiture of the existing line of credit and the District would have to start banking with the bank. Ms. Martin then discussed the options available with the current line of credit. Per conversations with First Financial, the line of credit term can be renewed until December 22, 2018 but the bank will not increase the limit. The interest rate is based on the "Prime Rate" but is not required to be paid until the District starts drawing on the money. Ms. Martin stated that it was her opinion that the line of credit is more beneficial than the Capital Injection Loan. Director Weisinger commented that the District should look at other entities that would provide us with a higher line of credit between now and the current line of credit's mature date of December 22, 2017. Ms. Martin explained that she will be looking into this as previously requested by the budget committee. Director Bleyl stated that he is in favour of renewing the line of credit for next year. Director Melder restated Director Weisinger's comment regarding additional requests for a higher line of credit and suggested that it be noted we want based on the current appraisal. Director Stinson confirmed that the committee directed staff at the budget meeting to request additional proposals for a higher line of credit from other banking institutions based on terms set by the District. President Moffatt stated that there was no action needed at this time.

- 5) Discuss, consider, and act on Resolution #17-006 authorizing water use fee rate schedule for 2018 - Director Wood stated again that the committee has worked tirelessly to research and incorporate many of the budget cuts that were discussed in the workshop. Unfortunately, there was a slight increase in the line item for litigation expense based on input from our attorneys and the board's recommendation during the June 28th special board meeting. Additionally, the committee has asked the Findings & Review committee to review suggestions proposed during the special board meeting. That committee met yesterday and is reviewing potential modifications to USGS's funding agreement to see what items might be able to be temporarily suspended. Director Wood stated that he planned to call a conservation committee meeting in the near future to do the same. Due to the fact that both the Budget and Findings & Review committees are still working through the draft budget, the committee is not prepared to recommend a proposed rate to the board and recommends that the item be included for action at the August board meeting. A motion was made by Director Stinson, seconded by Director Wood to defer action on the Resolution adoption to the August board meeting. Motion passed unanimously.

Director Stinson wished to comment on the proposed rate increase of 46%, as was mentioned in a recent Courier article. He stated he was concerned as that number is alarming and he feels it is important to put it into perspective for the public. He noted that for The Woodlands residents, there would be a \$0.13 increase per 1,000 gallons on water bills, if the District raised the water use fee rate to the proposed \$0.11 per 1,000 gallons. He stressed that the 46% increase does not mean that each individual's water bill goes up 46%. Director Weisinger noted that the cities he represents asked him to keep the fees down due to citizens having to pay more and he wants to do all he can to ensure they look at all their options before increasing. Director Stinson acknowledged Director Weisinger's comment but stated that he believes the message has gotten lost and it's important to realize that different people throughout the county received different types of water and that needs to be kept in mind. Director Bleyl stated for the record that the City of Conroe passed a Resolution opposing the proposed fee rate increase and that the District does not have to increase the fee because we have the option to use the line of credit. On the topic of setting fees by aquifer layer, Director Melder questioned if the District had the statutory authority to do so. Ms. Jones stated that the District does have the authority to do so, and has done so by way of separation of the Gulf Coast Aquifer layers and the Catahoula confined aquifer formation. She added that is the extent of the District's current rules regarding fee separation by aquifer.

- 6) Consider and act on Resolution #17-007 amending and re-establishing administrative fee schedule – Ms. Reiter stated that both a redline and clear version of the administrative fee schedule was included in the board packets. She noted that there were three additions recommended for approval to the administrative fee schedule including:

- Application to Amend Permit – Aggregate Existing Permit(s) -- \$250 per application;
- Application to Amend LVGU Operating Permit – Add Well Only -- \$250 per application + publication fee; and
- Application to Amend LVGU Permit – Decrease Authorized Withdrawal for GRP Participant -- \$500 per application + publication fee

A motion was made by Director Hope, seconded by Director Stinson to approve Resolution #17-007 amending and re-establishing the administrative fee schedule. The motion passed unanimously.

F. Findings and Review Committee – Rick Moffatt, Chair

- 1) Brief the Board on the Committee’s activities since the last regular Board meeting – President Moffatt reported that the committee has met twice since the last board meeting and received updates on various model runs as well as the results of the LVGU groundwater survey.
- 2) Status Update: update regarding development of a strategic plan evaluating opportunities for additional development of water resources in the District while ensuring long-term viability of the aquifers within the District – President Moffatt again stated that the study is moving along. At yesterday’s meeting, the committee reviewed the findings of model runs, which incorporated the LVGU survey results. President Moffatt has requested the committee review the information on their own and a meeting will be scheduled next week to discuss thoughts and opinions. The committee members praised staff and the consultants for their hard work on these tasks, as well the survey participants who submitted responses.
- 3) Groundwater Management Area 14 – Update the board on the status of the current desired future conditions development process in GMA 14 – Ms. Jones stated that per request she included a financial breakdown of all the GMA 14 participant contributions. She clarified that while she reported at the Budget Workshop last month the District’s portion was approximately 20%, when in actuality the District only contributed 15%. She also noted the remaining funds available to GMA 14 is \$3,000.

GENERAL MANAGER’S REPORT:

Ms. Jones stated that her report was included in the packet and she had nothing further to add.

GENERAL COUNSEL’S REPORT:


President Moffatt stated that there was nothing additional from the General Counsel.

NEW BUSINESS:

Director Weisinger stated that he took offense to statements made during the public comment by Mr. Owen, specifically regarding that the Capital Injection Loan.

There being no further business, upon a motion made by Director Bleyl and seconded by Director Houston, the meeting was adjourned at 11:11 AM.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF AUGUST 2017.



Gregg Hope, Board Secretary

RESOLUTION #17-007

LONE STAR GROUNDWATER CONSERVATION DISTRICT

RESOLUTION AMENDING AND REESTABLISHING ADMINISTRATIVE FEE SCHEDULE FOR THE LONE STAR GROUNDWATER CONSERVATION DISTRICT PURSUANT TO RULE 9.2 OF THE RULES OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

WHEREAS, the Lone Star Groundwater Conservation District (“District”) was created by the Legislature of the State of Texas in Acts 2001, 77th Leg., R.S., ch. 1321, p. 3246, § 1(a), as amended (the “Enabling Act”), as a groundwater conservation district operating under Chapter 36, Texas Water Code, and the Enabling Act; and

WHEREAS, § 36.205(a) of the Texas Water Code authorizes a groundwater conservation district to set fees for administrative acts of the district;

WHEREAS, the Budget and Finance Development Committee met July 14, 2017 to review current administrative fees and determined that such administrative fee schedule is in need of modification and has made necessary amendments for recommendation to the Board of Directors for acceptance and approval;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT AS FOLLOWS:

1. The administrative fee schedule attached hereto is hereby amended and adopted as the administrative fee schedule of the District;
2. The administrative fee schedule so adopted shall be effective September 1, 2017, unless otherwise noted, and continue in effect until modified by the Board of Directors;
3. That administrative fee schedule so adopted shall supersede any and all such schedules previously adopted by Resolution or other action of the Board of Directors; and
4. The General Manager is further authorized to take any and all reasonable action necessary for the implementation of this resolution.

AND IT IS SO ORDERED.

PASSED AND ADOPTED this 19th day of July, 2017.

LONE STAR GROUNDWATER CONSERVATION DISTRICT

By: 
Rick Moffatt, Board President

ATTEST:


Gregg Hope, Board Secretary

**ADMINISTRATIVE FEE SCHEDULE OF THE
LONE STAR GROUNDWATER CONSERVATION DISTRICT
Amended and Approved
July 19, 2017 (Effective 9/1/17)**

Permit Application Fees:

1. Application for New Small Volume Groundwater User (SVGU) Operating Permit = \$250 per Operating Permit application + publication fee
2. Application for SVGU Operating Permit – Existing Well(s) (for an existing well that was never permitted and should have been) = \$100 X ID of the well casing + publication fee. Minimum Application fee = \$300
3. Application to Amend Permit – Aggregate Existing Permit(s) = \$250 per application
4. Application for Water Meter Exception = \$100 per well + publication fee
5. Application for Permit Amendment That **Does** Require Notice and Hearing (Major Amendment) = \$300 per permit + publication fee
 - a. Application to Amend SVGU Permit – Change Water Use Type
 - b. Application to Amend SVGU Operating Permit – Increase in Allocation/Add Well to Aggregate System
6. Application for Permit Amendment That **Does Not** Require Notice and Hearing (Minor Amendment excluding permit transfer) = \$100 per permit
 - a. Application to Amend – Replacement Well
 - b. Change of Ownership

Large Volume Groundwater Usage Permit Application Fees:

1. Application for LVGU Operating Permit = \$500 per Operating Permit application + publication fee
2. Application to Amend LVGU Operating Permit – Add Well Only = \$250 per application + publication fee
3. Application to Amend LVGU Permit – Transfer of Historic Use Permit/Operating Permit = \$1,000 for each application to transfer permit
4. Application to Amend LVGU Permit – Decrease Authorized Withdrawal for GRP Participant = \$500 per application

Alternative Water Source (AWS) Application Fees:

1. Application for Alternative Water Source (AWS) Test Bore Drilling Permit = \$750 for each application
2. Application for Alternative Water Source (AWS) Production Permit = \$1,500 + publication fee

3. Application to Amend Alternative Water Source (AWS) Production Permit – Increase in Allocation/Add Well to Aggregate System = \$750 + publication fee

Groundwater Reduction Plan (GRP) Fees:

1. Minor GRP and Joint GRP Amendment = \$500 for each submittal
2. Major GRP and Joint GRP Amendment = \$1,500 for each submittal

Miscellaneous Fees:

1. Publication Fee = \$70 per applicable Permit Application or GRP/Joint GRP submission or amendment
2. Returned check fee = \$50 per check
3. Fee to cover cost(s) of Certified/Returned Receipt Mailing for non-compliance of District Rules = minimum \$10
4. Meter Verification Re-inspection = \$250 each site visit
5. Well Abandonment/Capping Re-inspection = \$250 each site visit
6. Early Conversion Credit Transfer Application = \$500 for each transfer of Early Conversion Credits
7. Application for Emergency Approval to Drill = \$1,500 per well included in Permit Application (in addition to Permit Application Fee)
8. Expedited Permit Application Fee: Request for “Special” Hearing on Permit Application (hearing at request of applicant in advance of regularly scheduled hearing date) = \$3,750 per well included in Expedited Application + publication fee.
 - Application fee required in advance of scheduling “Special” Hearing.
 - \$1,200 non-refundable fee, should “Special” Hearing on Expedited Permit be cancelled prior to hearing and/or a mutually acceptable hearing date unavailable.
 - Application must meet all Notice of Hearing requirements per Texas Water Code.
 - In addition to applicable application fee(s) owed and due under an “Expedited Permit Application”, applicant is responsible for all reasonable costs associated with holding “Special” Hearing on an Expedited Permit Application that requires a public hearing in advance of a regularly scheduled hearing of the District; including, but not limited to, any and all attorney, engineering, and technical costs that may be associated with the “Special” Hearing and notice of “Special” Hearing.