

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 11, 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 April 11, 2017.

President Moffatt called the meeting to order at 9:00 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:

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 Weisinger, 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 L. 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 Moffatt, the Board of Directors went into a Closed Executive Session at 9:00 AM pursuant to Texas Government Code, Sections 551.071 and 551.074, 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.

Following Executive Session, the Board reconvened in Open Session and President Moffatt declared it open to the public at 10:07 AM.

No additional action was taken on matters discussed in Executive Session and President Moffatt adjourned the meeting at 10:07 AM.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF May, 2017.


Gregg Hope, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 11, 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 April 11, 2017.

CALL TO ORDER:

President Moffatt called to order the Public Hearing on Permit Applications at 10:07 a.m. 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 Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, General Manager; Paul R. Nelson, 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”.

Permitting Director Samantha Reiter informed the board that there were 3 permit applications received in March. Ms. Reiter noted that the third application of the 3 is for authorization to drill only, with no request for allocation at this time. She then stated that it was the General Manager’s recommendation that all three permit applications be approved as requested.

Item #1, **Colt Concrete** – Applicant is requesting registration of a new well and production authorization in the amount of 3,775,000 gallons for 2017 and 6,474,000 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.

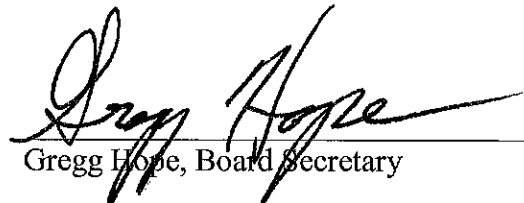
Item #2, **Cherry Crushed Concrete (Keenan)** – Applicant is requesting registration of a new well and production authorization in the amount of 7,200,000 gallons for 2017 and 9,500,000 gallons for 2018 and annually thereafter. Based on technical review of the information supplied, it is the General Manger's recommendation to approve that which is being requested.

Item #3, **Les O'Farrell** – Applicant is requesting an amendment to an Operating Permit for drilling authorization for a new well. No additional production authorization is being requested at this time. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Following Mrs. Reiter's report, a motion was made by Director Bleyl, seconded by Director Houston to approve items #1-3 in accordance with the General Manager's recommendations. Director Bleyl made a motion to approve the minutes. Director Houston seconded, and the motion was approved unanimously.

President Moffatt adjourned the public hearing on permit applications at 10:08 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF May, 2017.



Gregg Hope, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 11, 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 April 11, 2017.

CALL TO ORDER:

President Moffatt presided and called to order the regular Board of Directors meeting at 10:08 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 Weisinger, thus constituting a quorum of the Board of Directors. Also in attendance at said meeting were Kathy Turner Jones, General Manager; Paul R. Nelson, Assistant General Manager; Brian L. Sledge, General Counsel; 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 Moffatt stated the Board would consider all meeting minutes as listed for approval on the day’s agenda as one item. A motion was made to approve the meeting minutes by Director Stinson, seconded by Director Bleyl. Director Melder commended Mr. Ridgway on the quality of the minutes. The motion to approve the minutes was approved unanimously.

- a) March 14, 2017, Special Board Meeting

- b) March 14, 2017, Public Hearing on Permit Applications
- c) March 14, 2017, Regular Board of Directors Meeting
- d) March 20, 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 met several times since the last regular board meeting. He stated that they had some discussions concerning the lawsuit with the City of Conroe and also had a meeting with the City of Conroe to discuss the possibility of mediation between the two entities. President Moffatt then asked Mr. Brian Sledge to update the Board on pending legal matters.
- 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) – Mr. Sledge said that he and the committee did meet with the City of Conroe to discuss potential mediation terms. Those discussions are ongoing, he said.
- 3) Defense of Appeal of Desired Future Conditions Adopted by the District: Cities of Conroe/Magnolia and Quadvest – Mr. Sledge said it was determined that the District will have a preliminary hearing to work out scheduling, deadlines, etc. in May. The meeting will be in the District board room. He said the final hearing will likely be September or October. Additionally, he noted that the Water Development Board released its Technical and Scientific Analysis for the DFC appeal.

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 water efficiency, conservation efforts – Paul R. Nelson – Mr. Nelson recapped the Water Efficiency Network meeting with Ms. Paniz Miesen who reported on the 2016 annual findings of water quality monitoring for the region. He stressed attendance at the upcoming Water Efficiency Network meeting to be held on April 20th. Dr. Kevin Wagner with Texas Water Resources Institute, Texas A & M University, is the scheduled speaker.

Mr. Nelson also stated the District added two stations to its Evapotranspiration network in the far west, in the Dobbin area, and far southeast, near FM 1485 and the east fork of the San Jacinto River. The total number of stations is now twelve with the goal of tapping other areas to expand the program’s accuracy. Mr. Nelson further commented that Mr. Ridgway is now sending the Weekly Watering Recommendation via the District’s Constant Contact account, which includes a simple sign-up form accessible online and easily shareable should citizens wish to forward to

friends/family who might also be interested. Director Melder asked about the dissemination of this report to local residents in enhancing their knowledge of how much weekly irrigation to use. Mr. Ridgway explained that the analytics embedded in the Constant Contact emails can track the number of people examining the data. Director Wood stated that the true value of the program would be the reduction in irrigation quantities consumed. Director Stinson followed commenting that achieving a significant reduction in water irrigation takes a multi-pronged approach including education and reasonable regulations.

- 3) Briefing on public outreach activities – James Ridgway – Mr. Ridgway reported that April's *Dock Line* magazine article encouraged readers to join the District's Weekly Watering recommendations. He noted the new website's launch since the last board meeting. He said the new site includes several features that will enhance outreach efforts. Additionally, the Mobile Lab outreach attendance was as follows: Wildlife and Woodland Expo, 2500; The Kids Day, 1200 and Montgomery Intermediate schools, 660. Mr. Ridgway was to give a presentation at Lone Star College to the Environmental Science class, Tuesday, April 11th. He announced the Earth Day visit of the rainwater harvester to Home Depot in both the Woodlands and Conroe. Also, upcoming is the KidzFest on April 29th sponsored by the City of Conroe.

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.

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 any activity to report since last month.

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

- 1) Brief the Board on the Committee's Activities – Director Wood stated that the committee had met on Thursday, April 6, 2017, to receive a draft of the annual financial report ending December 31, 2016 from the auditor. Director Wood then called upon Mr. Jon Watson with BrooksCardiel, PLLC to give the LSGCD Annual Audit Report. Mr. Watson proceeded by discussing the five basic components comprising the audit: 1) Auditor Opinion; 2) Management's Discussion and Analysis (compares this year with last year); 3) Basic Financial Statements; 4) Other Supplementary Information; and 5) Texas Supplementary Information. *(A copy of the PowerPoint presentation is attached hereto as Exhibit "B".)*

The auditors issued an "unmodified" opinion which is the highest rank an audit can earn indicating "no" items found in the financials were questioned to be outside the normal accounting practices. Mr. Watson highlighted to the Board by use of graph that the Statement of Revenues, Expenses, and Changes in Net Position indicates a

significant deficit. Mr. Watson emphasised that the total assets exceeded total liabilities by \$2,151,258, total net position decreased by \$778,621 and net cash used by operations during the year ended December 31, 2016 was \$647,392. Total decrease in cash during the year ended December 31, 2016 was \$661,364. Cash balance as of December 31, 2016 was \$1,221,230. Mr. Watson explained that the litigation expense is the most important disclosure. The auditors said that management and Ms. Kay Martin did a phenomenal job. He said that it is extremely rare to do an audit in which there are no single proposed audit adjustments.

Director Melder thanked Mr. Watson for promptly responding to his questions on pages 31, 36 and 45 during a conference call the previous day. Director Melder asked if the answers to his questions had been added to the report and supplement. Mr. Watson said they had been added via footnotes. Director Hope commended Ms. Martin for her efforts.

A member of the public, Mike Stoecker, asked how the board had cut expenditures so there would be less of a deficit. President Moffatt replied that numerous collaborative efforts had helped the board significantly tighten the budget. Mr. Stoecker asked for a report showing what expenses had been cut and a description of a bank loan, if necessary. Staff indicated the requested information could be obtained from previous minutes posted on the District's website.

Director Wood asked for a motion to accept the audit as presented. Director Hope seconded. The motion carried unanimously.

- 2) Review of monthly financial reports – Director Wood reported that, for the month of March, revenue was budgeted at \$168,000—actual was \$177,000. He said expenses were budgeted at \$172,000—actual expenses were \$93,000. Year-to-date net income, he said, is \$137,000.
- 3) Review 1st Quarterly Investment Report 2017 –Director Stinson reported that the total balance of the investment pools, including TexPool and First Financial, is \$1.2 million.
- 4) Receive audit presentation for fiscal year 2016 – Jon Watson, CPA: BrooksCardiel, PLLC – Mr. Watson gave his presentation in the first part of the Budget Committee report. See E.1.0

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 there had not been a meeting since the last regular board meeting.
- 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 provided an update on Task #3 of the planning study stating that LBG Guyton and Mullican & Associates had completed the Base Run and developed the methodology for Run A and B. Moffatt added that he had asked management to schedule a meeting of the F&R Committee before May to discuss findings of model runs A and B. Director Bleyl asked if the planning study's timeline was still on target. Ms. Jones stated that with the addendum, Task 3's completion date is August.

- 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 she had an opportunity to discuss a future meeting date with the other member GCDs. She said the consensus was to delay having a meeting until the results were in from the legislative session. The planning group was in agreement that when the planning group convenes this summer to add an agenda item regarding developing a RFQ for consultants for the next planning cycle. The focus is on early July for the next scheduled GMA 14 meeting.

ENGINEERING REPORT:

Mark Lowry, was not present. There was no report.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING THE FOLLOWING PERMITTEES, OR THEIR DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION SHOULD NOT BE TAKEN, INCLUDING WITHOUT LIMITATION INITIATING A LAWSUIT AGAINST IT FOR FAILURE TO SUBMIT 2016 PRODUCTION REPORT AND/OR FINES ASSOCIATED WITH TIMELY SUBMISSION:

- 1) LCBGH15, LLC – OP-08092501

Ms. Jones stated that on March 1st, Notice of Violations were mailed out to permittee(s) in violation for non-submittal of their 2016 production report. Notice of violation included: non-compliance penalty fine associated with not submitting their pumpage reports, as well as a \$250 meter verification/inspection fee for staff to go out and read the meters. It is the General Manager's recommendation that the Board consider action to direct the above listed permittee to appear at a Show Cause Hearing held in conjunction with the May 9th board meeting and show cause why appropriate action should not be taken against them for failure to submit 2016 pumpage reports and/or associated fines associated with timely submission. A motion was made by Director Stinson, and seconded by Director Wood in accordance with the General Manager's recommendation. The motion was unanimously approved.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING THE FOLLOWING PERMITTEES, OR THEIR DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION

SHOULD NOT BE TAKEN, INCLUDING WITHOUT LIMITATION INITIATING A LAWSUIT AGAINST IT FOR FAILURE TO REMIT 2017 WATER USE FEES AND/OR FINES ASSOCIATED WITH TIMELY SUBMISSION:

- ~~1) GEOT, LP – OP-05060703~~
- 2) LCBGH15, LLC – OP-08092501
- ~~3) The Water Hole – OP-07040401~~
- 4) Triumph Downhole Services – OP-09082501

It was noted that two entities, GEOT, LP and The Water Hole had since come under compliance and would not be considered for enforcement action today. Ms. Jones followed by again stating, that on March 1st, Notice of Violations were sent out for failure to pay the 2017 water usage fees. Ms. Jones noted that original invoices was sent out on November 22, 2016, followed by a second invoice on February 1, 2017. It is the General Manager's recommendation that the board consider action to direct the above listed permittees to appear at a Show Cause Hearing to be held in conjunction with the May 9th board meeting and show cause why appropriate action should not be taken against them for failure to remit 2017 water use fees and/or fines associated with timely submission. A motion was made by Director Stinson, and seconded by Director Wood in accordance with the General Manager's recommendation. The motion was unanimously approved.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING THE FOLLOWING PERMITTEES, OR THEIR DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION SHOULD NOT BE TAKEN, INCLUDING WITHOUT LIMITATION INITIATING A LAWSUIT AGAINST IT FOR OVERPRODUCTION OF 2016 PERMITTED ALLOCATION AND/OR FINES ASSOCIATED WITH TIMELY SUBMISSION:

- ~~1) Thousand Trails Lake Conroe – HUP230/OP-10030301~~

The item was withdrawn due to the permittee's recent compliance. No action was taken.

GENERAL MANAGER'S REPORT:

Ms. Jones said it had been a busy month. With the legislature in session, legislative changes are occurring constantly. The District's fiscal audit for 2016, performed by Brooks Cardiel, PLC was completed this past month. Kay Martin assisted working closely with the auditors and the Budget and Finance Development Committee.

GENERAL COUNSEL'S REPORT:

Mr. Sledge said he had no further comments.

PUBLIC COMMENTS:

President Moffatt stated that there were no comment cards.

NEW BUSINESS:

Director Melder asked if the meetings could open in prayer. President Moffatt asked Ms. Jones to add both Opening Prayer and the Pledge of Allegiance to next month's agenda items.

There being no further business, upon a motion made by Director Wood and seconded by Director Melder, the meeting was adjourned at 10:54 AM.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF May 2017.


Gregg Hope, Board Secretary