

LONE STAR GROUNDWATER CONSERVATION DISTRICT

May 10, 2016

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 May 10, 2016.

President Tramm called the meeting to order at 9:03 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
Greg Hope
Jace Houston
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; 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 Tramm, the Board of Directors went into a Closed Executive Session at 9:15 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.

Following Executive Session, the Board reconvened in Open Session and President Tramm declared it open to the public at 9:53 a.m.

No additional action was taken on matters discussed in Executive Session and President Tramm adjourned the meeting at 9:54 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF JUNE 2016.



Rick Moffatt, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

May 10, 2016

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 May 10, 2016.

CALL TO ORDER:

President Tramm called to order the Public Hearing on Permit Applications at 10:05 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.
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, General Manager; Paul R. Nelson, Assistant General Manager; Brian L. Sledge, District 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”.*

Permitting Director, Samantha Reiter noted to the board that item 2 had been stricken from the agenda and no action would be taken. Ms. Reiter also noted that the remaining items would be split into two groups. Group one includes item 1. Group two includes items 3 and 4.

Item #1, **Joy Ride Center Inc.**, – Applicant is requesting registration of a new well and production authorization in the amount of 400,000 gallons for 2016 and 500,000 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, **B&W Motors Inc.** – This item was stricken from the agenda and no action was taken on this item.

Item #3, **Benders Landing Estates POA** – Applicant is requesting registration of three (3) new wells and production authorization in the amount of 1,325,901 gallons for 2016 and 1,800,000 gallons for 2017 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 wells, as well as the authorization requested for 2016 and 2017. In addition, it is the General Managers recommendation to authorize a **reduced** allocation of 975,000 gallons for 2018 and annually thereafter.

Item #4, **High Meadows Estates POA** – Applicant is requesting registration of a new well and production authorization in the amount of 840,000 gallons for 2016 and 1,440,000 gallons for 2017 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 authorize a reduced allocation of 325,000 gallons for 2016 and 2017 and a further reduced allocation of 175,000 gallons for 2018 and annually thereafter.

In accordance with the General Manager’s recommendation to approve the registration and construction of new wells as requested, as well as authorize reduced allocations:

Group 1 (including item 1): Director Stinson motioned for approval and Director Moffatt seconded the motion. The motion carried unanimously.

Group 2 (including items 3 & 4): Director Stinson motioned for approval and Director Moffatt seconded the motion. The motion carried unanimously.

President Tramm adjourned the public hearing on permit applications at 10:07 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF JUNE, 2016.



Rick Moffatt, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

May 10, 2016

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 May 10, 2016.

CALL TO ORDER:

President Tramm presided and called to order the regular Board of Directors meeting at 10:10 a.m. 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.
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. Also in attendance at said meeting were Kathy Turner Jones, General Manager; Paul R. Nelson, Assistant General Manager; Brian L. Sledge, General Counsel; Mark Lowry, P.E., District Engineer; 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 Houston, seconded by Director Hope, and unanimously carried, to approve the meeting minutes:

- a) March 8, 2016 Regular Board of Directors Meeting
- b) April 12, 2016, Special Board Meeting

- c) April 12, 2016, Public Hearing on Permit Applications
- d) April 12, 2016, Regular Board of Directors Meeting

COMMITTEE REPORTS:

A. Executive Committee – Richard Tramm, President

- 1) Brief the Board on the Committee’s activities since the last regular Board meeting – President Tramm noted that there had not been a meeting of the Executive Committee since the last 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) – Mr. Sledge noted that the Board was briefed and updated on issues related to the lawsuit filed by the City of Conroe et al. during the closed executive session portion of the May 10, 2016 special board meeting.

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

- 1) Brief the Board on the Committee’s Activities – The Budget and Finance Development Committee met on April 25, 2016 to receive the draft audit for FY2015. Later in the month, the committee plans to commence working on developing a five-year budget forecast and has requested staff to begin preliminary steps to start the process. In addition, committee members discussed the District’s current dollar threshold for classifying fixed assets for asset management and inventory control. Director Wood recommended an amendment to the policy to increase fixed-asset costs from \$1,500 to \$5,000 for consideration and approval by the Board of Directors. See item b.4 — Resolution #16-005.
- 2) Review of Monthly Financial Reports – Director Wood reported that the unaudited financials for April showed that the District was \$169,038 under budget. Total year-to-date income was reported at \$970,633 and total year-to-date expenses were reported at \$734,571. Additionally, for the month of April, Director Wood reported the District operated at a loss of \$288,272.
- 3) Receive audit presentation for the fiscal year 2015 - Jon Watson, CPA, BrooksCardiel, PLLC – Jon Watson, representing BrooksCardiel, gave a presentation in which he explained five components for the annual report, including: (1) auditor’s opinion; (2) management discussion and analysis; (3) basic financial statements; (4) other supplementary information; (5) Texas supplementary information. He also explained that his audit had four possible outcomes, including: unmodified; modified; disclaimed; adverse. The District received an unmodified opinion. Mr. Watson highlighted that the total assets exceeded total liabilities by \$2,972,724, total net position decreased by \$54,731 and net cash used by operations during the year ended December 31, 2015 was \$483,293. Total decrease in cash during the year end was \$534,645.

Discuss, consider, and take action to amend Funds and Assets Management Policy by Resolution #16-005 – As recommended by Director Wood, a motion was made by Director Hope, seconded by Director Houston, and unanimously carried, adopting Resolution #16-005 amending the District’s Funds and Assets Management Policy.
Copy of the signed Resolution #16-005 is attached hereto as Exhibit "B".

C. 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 reported the committee met on May 3, 2016 to discuss a path forward in the development of the Water Smart Master Plan to renovate the District’s landscape and detention pond to be a demonstration and education area promoting the benefits of Low Impact Development. Representatives of Asakura-Robinson were in attendance at the meeting and gave presentations of their proposal to move the project forward by developing partnerships with agencies and developers in the county that should be looking at ways to promote Low Impact Development alternatives to common storm water practices. Director Wood explained the underlying concept would be to partner with other entities to assist in funding and overall effort. As of May 10, 2016, the committee was waiting on a cost proposal from the consultants. Once the committee is made aware of the budget for the proposed outreach effort, Director Wood said the committee would then reconvene and made a decision on how to move forward.

D. Update on water efficiency, conservation efforts – Paul R. Nelson

Mr. Paul Nelson updated the board on an April 21, 2016 meeting of the Water Efficiency Network. He said that Dr. Terry King with the Houston Advanced Research Center spoke on local wetland loss and efforts being made to reverse such loss and promote wetland preservation. Mr. Nelson said the next meeting is scheduled for May 26, 2016 at the LSGCD’s office.

- 1) Briefing on public outreach activities – James Ridgway
Mr. Ridgway briefed the board on social media activity. He stated there had been a 112-percent increase in Twitter impressions for April 2016 compared to April 2015. He added that such increases have been a trending pattern throughout all of 2016. Mr. Ridgway then updated the board on recent activities and outreach events, including: Kid’s Day at the Montgomery County Fair; The Woodlands Area Chamber of Commerce’s “Best Volunteers in the Galaxy” volunteer appreciation luncheon; Earth Day rain-harvest demos at the Conroe and Woodlands Home Depot locations; and a recent two-day educational outing to Montgomery Intermediate School during National Drinking Water week.

E. 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 noted there had not been a meeting of the committee since the last board meeting nor had any meetings been scheduled

F. Policy and Personnel Development Committee – Richard J. Tramm, Chair

- 1) Brief the Board on the Committee's activities- President Tramm noted there had not been a meeting of the committee since the last board meeting nor had any meetings been scheduled.

G. Findings and Review Committee – Rick Moffatt, Chair

- 1) Brief the Board on the Committee's activities since the last regular Board meeting - Director Moffatt reported the Findings and Review Committee held a joint meeting of the Stakeholder Advisory Committee (SAC) on May 4th to review findings and provide input on the status report for Task 2 of the District's ongoing Strategic Water Resources Planning Study. Director Moffatt followed by introducing John Seifert, LBG Guyton for the following agenda item.
- 2) Status report on Task 2 and progress update on Task 3 of the Strategic Water Resources Planning Study – John Seifert; LBG Guyton - John Seifert gave a presentation on Task 2 and the findings, which included: reviewing the total estimated recoverable storage (TERS) estimates previously released by the Texas Water Development Board; reviewing the estimates possible implications on groundwater management within the District; assessing the potential volumes of fresh and brackish groundwater in the TERS volumes within the District's management area; exploring options for estimating the amount of water removed from storage by pumping in the District; and developing estimates of subsidence in the District through 2009. Based on the study, Mr. Seifert noted that large amounts of artesian-head decline in a major area of pumping in central and south Montgomery County could occur with very limited head decline and removal of water from storage evident in outcrop area. To obtain a substantial amount of water from the outcrop requires: (1) lowering the water level in the outcrop; (2) reducing pumping rates in wells in the outcrop; (3) constructing many low-yielding wells in the outcrop; Mr. Seifert noted that pumping effects will spread outside the District in aquifer outcrop areas; and that large amounts of static water-level decline can potentially result in wells with limited available drawdown and lower pumping rates. Mr. Seifert concluded the presentation with a summary of the findings stating that factors for TERS analysis for Lone Star GCD are water quality, technical practicability economic feasibility, environmental consequences, land surface subsidence, well-yield declines, impacts to existing wells, and interplay with board policy of sustainable production. Based on subsidence between 1900-2009, Mr. Seifert said the National Geodetic Survey shows that subsidence in Montgomery Country has ranged from less than one foot to about 2.5 feet and the data collected from the Harris-Galveston Subsidence District shows that, in southern and central areas, there are rates ranging from about 0.017- 0.1 foot per year. He said that, looking ahead, Montgomery County can develop estimates of future pumping from Catahoula Aquifer with Board input and review and collaborate to develop future pumping scenarios for additional groundwater withdrawals from the Chicot, Evangeline, and Jasper Aquifers.

Mr. Seifert then followed with a brief overview of what Task 3 of the study would entail, including the development of estimates of future pumping from the Catahoula aquifer and working with the Board to develop future pumping scenarios for additional groundwater withdrawals from the Chicot, Evangeline and Jasper aquifers.

Following Mr. Siefert's presentation, Director Moffatt announced that as part of the District's planning effort and to provide our public with an opportunity to learn more about the status of the study and important findings to date, and receive feedback on Task 2 study results, a stakeholder meeting open to the public has been scheduled for 2:30 PM, May 24, 2016.

- 3) Groundwater Management Area 14 – Update the board on the status of the current desired future conditions development process in GMA 14 – Kathy Turner Jones – Ms. Jones stated that the GMA 14 Planning Group met Friday, April 29th to finalize action to adopt the Desired Future Conditions as required by Section 36.10(d-3) of the TAC for the relevant aquifers in GMA14, with the inclusion of the Yegua-Jackson in Washington County that had been inadvertently left out of the previous document. Final edits were incorporated to the Explanatory Report following approval by the planning group for submission to the Texas Water Development Board. A copy of the final report has been uploaded to the District's website for public distribution and review.

H. Professional Services Review Committee – Rick Moffatt, Chair

- 1) Brief the Board on the Committee's activities – Director Moffatt reported that there had not been a meeting of the committee since the last board meeting nor was there a meeting scheduled.

ENGINEERING REPORT:

Mark Lowry, District Consultant, reported that it had been a relatively light month. A copy of his report was included in the Board's packet.

GENERAL MANAGER'S REPORT:

Kathy Turner Jones stated that a copy of this month's general manager's report is included in everyone's board packet and commented the majority of the items included had previously been discussed in earlier agenda items today. Ms. Jones did note for the Directors attention that the District has refunded a total of \$75,652.50 in unused water use fees based on 2015 permitted authorization which is in excess of the \$40,000 budgeted for 2016.

GENERAL COUNSEL'S REPORT:

Mr. Sledge provided a report to the Board on pertinent legal issues and developments impacting the District since the last regular Board meeting. Mr. Sledge noted that the Board was briefed and updated on issues related to the lawsuit filed by the City of Conroe et al. during the

closed executive session portion of the May 10, 2016 special board meeting. Mr. Sledge provided an update to the Board regarding the pending rulemaking process at the Texas Commission on Environmental Quality (TCEQ) related to Aquifer Storage and Recovery projects pursuant to House Bill 655 of 2015. Mr. Sledge apprised the Board that the TCEQ commissioners unanimously adopted the revised proposed rules on Wednesday, April 27, 2016, and that the adopted rules included most of the changes requested by the District in the comments it submitted. Mr. Sledge noted that the House Natural Resources Committee met in Brownsville on April 26, 2016, to discuss desalination and other issues, and that its other interim hearings more directly related to groundwater and groundwater conservation districts are tentatively going to be scheduled for later this summer. Finally, Mr. Sledge noted that he and his team have been working with staff over the last month on various permitting and DRP implementation issues.

Director Wood left the meeting at 11:27a.m.

PUBLIC COMMENTS:

Jill Savory, a Willis resident, addressed the board and commended Mr. Seifert for his presentation on strategic water resource planning. In addition, Ms. Savory said she appreciated the District's position changing auditors periodically in an effort to gain a fresh perspective. When assessing modeling tools, Ms. Savory stated that not all wells are created equal and it's important to keep a broad perspective as well.

NEW BUSINESS:

No new business was reported.

There being no further business, upon a motion made by Director Wood, and seconded by Director Stinson, the meeting was adjourned at 11:31 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF JUNE 2016.



Rick Moffatt, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

May 10, 2016

MINUTES OF SHOW CAUSE HEARING

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 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on May 10, 2016.

President Tramm called to order the Show Cause Hearing at 10:08 a.m.

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

John D. Bleyl, PE
Greg Hope
Jace Houston
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; 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" on the Regular Board of Directors Meeting minutes.*

President Tramm stated this was a Show Cause Hearing pursuant to District Rule 2.5, directing Respondents to appear before the Lone Star Groundwater Conservation District Board of Directors and show cause why the District should not issue a cease and desist order, file a civil suit against Respondent in State District Court seeking enforcement of District rules and the collection of all due and owing water use fees, late payment penalties, other civil penalties and attorneys fees and court costs incurred by the District and take all other enforcement action that is necessary and appropriate under the laws of the State of Texas.

Samantha Reiter, permitting director, noted for the Board of Directors the following persons and/or entities originally noticed for Show Cause Hearing today had been resolved:

- a) # 5 James Knowles

- b) # 6 Magnolia Mobile Home Park
- c) #11 Magnolia Mobile Home Park

President Tramm reviewed the remaining persons and/or entities listed for Show Cause Hearing as follows:

- a) #3 Kingscrossing Partners
- b) #4 Kingwood Propane
- c) #7 Clayton Homes
- d) #8 Houston Grass
- e) #9 Juan E. & Gamina Jimenez
- f) #10 Kingwood Propane
- g) #12 Houston Grass
- h) #13 Joe Worthy
- i) #14 RediDrill Energy
- j) #15 Raul Ramirez


President Tramm asked if anyone was in attendance for the Show Cause Hearing. President Tramm asked that the record show there was no one in attendance.

President Tramm then turned the meeting over to Brian Sledge, General Counsel. Mr. Sledge noted that each of the remaining persons and entities on the agenda had been previously ordered to appear for the show cause hearing, and that notice had been provided to them by the District staff in accordance with the requirements in the District Rules. Because all of the remaining persons and entities on the agenda had failed to appear for the hearing, Mr. Sledge recommended to the board that it proceed with the recommended enforcement actions against them.

Director Stinson made a motion that the board take action consistent with the recommended enforcement actions in the agenda for each of the remaining persons and entities for the violations associated with each on the agenda, which included issuance of a cease and desist order, authorization of filing of a civil suit, and other actions against each such person or entity as specifically set forth in the agenda. Director Bleyl seconded the motion. It passed unanimously.

President Tramm adjourned the Show Cause Hearing at 10:09 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF JUNE 2016.


Rick Moffatt, Board Secretary