

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 9, 2016

MINUTES OF BOARD WORK SESSION

A "board work session" sponsored by the Budget and Finance Development Committee, open to the public, was held 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 at 11:08 a.m. on December 9, 2016.

CALL TO ORDER:

Secretary Moffatt, in President Tramm's absence, called to order the Board Work Session at 11:08 a.m.

ROLL CALL:

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

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

All members of the Board were present, with the exception of President Tramm, Directors Stinson and McCoy, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, General Manager; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit "A".*

Director Wood, chair Budget and Finance Development, stated that the District's Budget & Finance Committee has worked diligently to identify all reasonably anticipated District revenues, expenses, and activities for the January 1 through December 31, 2017 budget cycle, and, after giving much consideration to these important factors, has developed a proposed 2017 budget for review and discussion at today's workshop.

Ms. Jones presented a current balance sheet and statement of revenue as of December 5, 2016 and proceeded by sharing budget-item explanations and answering board member questions as they arose.

Ms. Jones noted the Budget and Finance Committee requested a significant change under budget category "Attorney Fees," namely that legal expenses related to an ongoing lawsuit as well as legal expenses related to an appeal to the District's Desired Future Conditions (DFCs) had been separated into their own line items further down in the draft budget. Director Bleyl asked why the District is over budget on "General Counsel Work." Ms. Jones explained that some of the additional 2016 "General Counsel Work" were due to unforeseen legal expenses mostly related to litigation. The Board's authorized letter brief related to TexCom Gulf Disposal, LLC, was also included as "General Counsel Work". Director Weisinger asked if the 2017 budgeted monies for "General Counsel Work" needs to be readjusted. The board discussed and considered Director Weisinger's inquiry. Ultimately, the board agreed to leave the draft budget monies unchanged.

Mr. Ridgway reviewed items under "Education/Public Awareness Coordination." Director Weisinger inquired whether the monies committed to television advertising cover the entire county. Mr. Ridgway said, while the majority of the county is being covered, there is not a financially accessible option to cover the county's entire geographic footprint. The current joint-funded TV advertising agreement does not cover the very northeast area of Montgomery County, he said. However, Mr. Ridgway emphasized that there had been, and will continue to be, extra outreach efforts through other means for this area. Regarding Education Curriculum in Schools, Mr. Ridgway explained that due to the success of the program thus far, staff has recommended increasing the program's resources by about 33 percent, totalling \$40,000 for 2017. Mr. Ridgway noted that even with this increase, the "Education/Public Awareness Coordination" budget category, as a whole, would be about \$10,000 less than the previous year.

11:35 a.m., Director Stinson entered the meeting.

On fuel expense under "Field and Tech Expenses," Ms. Jones noted that staff identified a budget reduction opportunity for 2017, namely due to reduced personnel commute and a newer, more fuel-efficient vehicle. The board recommended reducing this item, which was budgeted at \$6,000 in 2016, to a total budgeted amount of \$2,500 for 2017.

On Vehicle/Mobile Lab Repair and Maintenance under "Field and Tech Expenses," the board recommended reducing this item from staff's 2017 budgeted amount of \$4,500 to \$3,500.

On "Litigation Expense," regarding an ongoing lawsuit, Ms. Jones and the board discussed possible scenarios which could take place in 2017 and their corresponding financial implications. Ms. Jones explained that the dollar amount recommended under this budget item was derived by considering likely scenarios and averaging costs. Regarding the DFC appeal, Ms. Jones stated that the actual costs could be much more than the 2017 proposed amount of \$100,000; however, due to the appeal process timeline, there is a fair chance that some of those expenses will fall in the 2018 fiscal year. Director Weisinger asked whether the DFC appeal costs would potentially be shared with any other members of Groundwater Management Area 14. Ms. Jones stated that, since the appeal was only challenging LSGCD's DFCs, she would not anticipate that other entities would share in such legal costs.

On "Payroll Expenses," Director Weisinger asked whether the District anticipates a possible need for an increase or reduction in staff in the near future. Ms. Jones stated that the District is not looking to increase staffing at this point. Director Weisinger asked Ms. Jones whether there were any positions that could be eliminated. Ms. Jones answered that workloads are tight and eliminating one position could result in losing two. Director Moffatt added that the Policy and Personnel Committee had previously examined the subject of staffing and concluded that another person would be ideal, but that it needed to be the right person. Director Wood asked Ms. Jones if, for instance, Montgomery County experiences significant growth in the next five years, then where would the District most likely need additional staffing resources. Ms. Jones said administrative responsibility in permitting would increase with growth. Also, at some point in the future, the District may need to consider creating an in-house engineer position, she said.

A discussion took place on the status of the Water Smart Master Plan and the District monies thus far invested. Mr. Ridgway explained that the 2016 budgeted monies took the District as far as producing a locally applicable Low Impact Development manual, i.e. a reference guide available to the general public, developers, and various government officials. Ms. Jones added that monies allocated for 2017 will help keep county-wide momentum and cooperation moving forward. Director Moffatt explained that it is the collaborative spirit which may prove to have the biggest financial reward in the long run. He noted that, via reports from one of the consultants on the Water Smart Master Plan, there are potential dollars available which could cover significant costs related to the various detention pond improvements. Those dollars, however, are entirely contingent upon establishing community buy-in, he said.

Director Houston exited the meeting at 1:04 p.m.

Following the item-by-item examination of the budget, the board proceeded with a discussion on the District's cash reserves. After a brief explanatory presentation on the District's cash reserves, Kay Martin, the District bookkeeper, approximated that the District will deplete its cash reserves toward the end of 2017.

Ms. Jones stated that the workshop had identified an additional \$3,000 in savings which would be incorporated for final presentation at December's upcoming regular board meeting.

With there being no further comments to address, Vice-President Stinson, adjourned the workshop at 1:14 P.M.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF JANUARY, 2017.


Rick Moffatt, Board Secretary