

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 11, 2018

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 December 11, 2018.

CALL TO ORDER:

President Melder called to order the Public Hearing on Permit Applications at 6:00 PM announcing the meeting open to the public.

ROLL CALL:

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

Jon Paul Bouché
Harry Hardman
Webb Melder
Jonathan Prykryl
Larry A. Rogers
Jim Spigener
Stuart Traylor

All members of the Board were present, with the exceptions of Director(s) Prykryl and Spigener, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, General Manager; Samantha Reiter, District staff; and members of the public. *Copies of the public sign-in sheets and comment cards received are attached hereto as Exhibit "A".*

PRAYER AND PLEDGES OF ALLEGIANCE:

President Melder called on Director Traylor, for the opening prayer. Director Bouché led the United States Pledge of Allegiance and the Pledge of Allegiance to the State Flag - Texas.

Assistant General Manager, Samantha Reiter briefed the Board on permit applications received for the month. Items #2, #6 and #7 were for increase in allocations for 2018 only. Applications for consideration and recommended for possible approval included the below:

Item #1, Enviro Management

Applicant is requesting the registration of a new well and production authorization in the amount of 826,000 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 requested.

Item #2, Mary Hay (Uni-Fab Inc – Lessee)

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 33,000 gallons for 2018 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is requested.

Item #3, Blue Water L & C Properties, LLC

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 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 that which is requested.

Item #4, Aqua Texas, Inc. (Piney Point)

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 3,000,000 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 requested.

Item #5, Holly Estates Apartments LLC

Applicant is requesting the registration of a new well and production authorization in the amount of 250,000 gallons for 2018 and 1,472,000 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 requested.

Item #6, Undine Texas LLC (Lakewood Colony)

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 1,000,000 gallons for 2018 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is requested.

Item #7, Montgomery County MUD #8 – AWS Production Well

Applicant is requesting an amendment to an Alternative Water Source Permit for an increase in production authorization in the amount of 50,000,000 gallons for 2018 and 2019 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is requested.

Item #8, Aqua Pure (Beau View)

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 5,100,000 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 requested.

Following Ms. Reiter's report, motion was made by Director Hardman and seconded by Director Traylor to approve permit applications and amendments for items #1-8 as recommended by staff. The motion carried.

President Melder adjourned the public hearing on permit applications at 6:06 PM.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF JANUARY 2019.



Stuart Traylor, Board Secretary



SIGN IN SHEET

December 11, 2018
Board Meeting

Do you wish to speak on an agenda item?	NAME	CITY, STATE, ZIP	E-Mail	Would you like to receive LSGCD updates & information?
No	TINA FELKAI	CONROE, TX	ON FILE	
N	Margarie Taylor	Montgomery TX	margarie@taylorsizedPR.com	
N	Tom Michel	Montgomery TX		
N	Eric Hall/Sam Hall	Conroe TX	ehalle@hrpcon.com/eagletraveltxase@Ade.com	✓
	Michael Sullivan	Conroe TX	msullivan@bleylengineering.com	
N	Kenny Engelberg	Shenandoah	—	—
	Mill Kauf			
No	BOB HARDEW	Ackerly TX	on file	
no	Sheila Silva	Porter TX	on file	✓
—	Susan Stebbins	Houston TX	on file	
	Scott Custer	T Woodlands, TX	scott@ciderofreeson.com	
	Andrew Custer	OTW, TX		
	PAUL NELSON	WOODLANDS	on file	

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 11, 2018

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 December 11, 2018.

CALL TO ORDER:

President Melder presided and called to order the regular Board of Directors meeting at 6:06 PM, announcing that it was open to the public.

ROLL CALL:

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

Jon Paul Bouché
Harry Hardman
Webb Melder
Jonathan Prykryl
Larry A. Rogers
Jim Spigener
Stuart Traylor

All members of the Board were present, with the exceptions of Director(s) Prykryl and Spigener, 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 and comment cards received are attached hereto as Exhibit "A".*

RECESS INTO EXECUTIVE SESSION TO RECEIVE BRIEFING FROM LEGAL COUNSEL ON LITIGATION/APPEAL:

After a proper and legally sufficient announcement to the public by President Melder, the Board of Directors went into a Closed Executive Session at 6:06 PM 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.

RE-CONVENE IN OPEN SESSION:

Following Executive Session, the Board reconvened in Open Session and President Melder declared it open to the public at 7:25 PM. Due to the length of Executive Session, President Melder waived the agenda order to allow public comments to be taken next.

PUBLIC COMMENTS:

Mr. Eric Yollick, representing himself as a resident of precinct 3, spoke on the importance of focusing on the big picture. He encouraged the new Board to continue on the path of reducing government spending, eliminating bureaucracy and ending the litigation.

Mr. Mike Stoecker thanked the directors for their effort in running for the Board of Directors. He noted the importance of ongoing discussions regarding aquifer boundaries and property rights as it relates to groundwater management.

By email request dated December 11, 2018, Mr. Rick Hughes representing Montgomery County WCID #1, asked the Board to leave current pumping limits as approved in the 2013 management plan. An updated graph was offered as attachment to email. *A copy of the email and graph is attached hereto as Exhibit "B".*

DISCUSS, CONSIDER, AND TAKE ACTION AS NECESSARY CONCERNING DISMISSAL OF DISTRICT LEGAL COUNSEL AND/OR THE APPEAL.

President Melder prefaced the discussion with a formal statement emphasizing that "this newly elected board has many challenges; as president of the newly elected board, I choose to view them as opportunities to work with you to fix a system that is broken." *A complete copy of President Melder's statement is attached hereto as Exhibit "C".*

Director Hardman stated this was the most important item on the day's agenda. He motioned for a special session of the Board on December 18th to review the current settlement to form a fair and expeditious handling of District appeal. Director Bouché seconded. The motion passed.

Director Hardman made a motion to dismiss the District's current General Counsel, with the exception of services as may be required relegated to the litigation. Director Bouché seconded. The motion passed.

DISCUSS, CONSIDER, AND TAKE ACTION AS NECESSARY ON REQUEST FOR QUALIFICATIONS AND PROPOSALS FOR PROFESSIONAL SERVICES RELATED TO:

- a) Legal Counsel

The following RFQ's were received by the District for professional services related to legal counsel: Johnson Petrov LLC, Kemp Smith LLP and Stacey Reese Law. Following discussion, Director Hardman motioned that Stacey Reese, with Stacey Reese Law, be retained as District Counsel effective January 1, 2019. Director Bouché seconded. The motion passed with 4 ayes and 1 nay vote by Director Rogers.

Director Hardman motioned to add Johnson Petrov LLC as an approved vendor for alternate legal counsel effective January 1, 2019. Director Bouché seconded. Director Rogers queried page 11 of Mr. Johnson's statement of qualification submission concerning conflict of interest. Mr. Johnson stated there was no conflict of interest even though in the past he had represented Quadvest, plaintiff in LSGCD's lawsuit. The motion carried.

APPROVAL OF THE MINUTES:

President Melder stated the Board would consider the meeting minutes as listed for approval on today's agenda. Without further discussion, upon a motion by Director Hardman seconded by Director Rogers, the board approved the meeting minutes as presented.

- a) November 27, 2018, Special Board Meeting

REVIEW OF UNAUDITED FINANCIALS FOR THE MONTH OF NOVEMBER 2018:

Ms. Kay Martin, bookkeeper, reported that for the month of November, revenue was budgeted at \$198,631—actual was \$202,470. November expenses were budgeted at \$332,294—actual expenses were \$138,335. The main reason for the variance was due to the way the cost of the election was budgeted. We budgeted \$175,000 in November but 60% of the amount due to Montgomery County Election Administration was paid in October. Net income for the month was \$64,135. Year-to-date net income is \$570,990. Director Bouché motioned to accept the financials as presented and Director Traylor seconded. Motion carried.

DISCUSS, CONSIDER, AND TAKE ACTION AS NECESSARY CONCERNING THE FOLLOWING CONTRACTUAL AGREEMENTS:

President Melder proceeded through the list of contracts asking Ms. Martin for a brief review of each one.

- a) Texas A&M AgriLife – provider agreement for data interpretation and rainfall calculations
- b) Adobe Creative Cloud - Software subscription for desktop publishing
- c) BlueCross BlueShield of Texas - Employee health insurance benefit plan detailing employee cost share
- d) Interlocal Agreement for Governmental Functions and Services related to GMA14 - Interlocal agreement made and entered into by and between participating groundwater districts and counties located within GMA14 to cover costs and expenses associated with joint planning activities and the preparation of desired future conditions for the current 3rd round of joint planning
- e) The Hartford - Short term disability policy

- f) Humana - Employee health benefit policy
- g) ICMA-RC - 401a retirement program
- h) JI-Special Risks Insurance Agency - provider for Public Official Director's Bond issued by Hartford Casualty Insurance Company
- i) Interlocal Agreement w/ Montgomery County – custodial services and supplies.
- j) Pitney Bowes Lease Agreement - postage meter
- k) TWCA Risk Management Fund - general liability, property, Directors errors and omissions, and worker comp coverage
- l) United States Department of the Interior/USGS - joint funding agreement with the USGS for groundwater data collection, water level change and subsidence monitoring, and Catahoula Water Chemistry monitoring
- m) Verizon Wireless - cellular data service
- n) Waste Management – trash collection agreement
- o) Western Surety Company - employee dishonesty bond

DISCUSS, CONSIDER, AND TAKE ACTION AS NECESSARY ON REQUEST(S) FOR QUALIFICATIONS FOR PROCUREMENT OF PROFESSIONAL SERVICES TO SUPPORT THE DISTRICT AS NEEDED FOR:

President Melder noted that he would recuse himself from the Board's discussion regarding professional services for Hydrogeologist and/or Engineering. He announced openly disclosing his relationship with regards to Harden Hydrology, LLC, Thornhill Group, Inc. and Bleyl Engineering; as there was pending litigation and/or personal and business associations with these three firms. Therefore, Vice President Hardman presided over this discussion. The following RFQ's were received by the District and are included in the packet:

- LRE Water, LLC
- Harden Hydrology, LLC
- Thornhill Group, Inc.
- Bleyl Engineering

During the discussion, Director Rogers suggested deferring a decision until such time as representatives could be present to discuss their qualifications. Director Bouché motioned to take no action on this item. Director Traylor seconded. Motion carried.

DISCUSS AND TAKE ACTION AS NECESSARY TO ESTABLISH A LEGISLATIVE REPORT AND PROTOCOL TO UPDATE LOCAL STATE ELECTED OFFICIALS ROUTINELY ON MATTERS OF THE DISTRICT:

President Melder noted the importance of communicating with the state officials. After brief discussion, Director Hardman motioned that state officials together with the County Commissioners should be kept apprised of the District's proceedings. Director Bouché seconded. The motion passed.

GROUNDWATER MANAGEMENT AREA 14 - UPDATE THE BOARD ON THE LEGAL, TECHNICAL, AND FINANCIAL ISSUES RELATED TO JOINT PLANNING ACTIVITIES AND DEVELOPMENT OF DESIRED FUTURE CONDITIONS IN GMA 14:

Ms. Jones reported that the next meeting of the GMA 14 is scheduled for January 30th at 10:00 AM at the LSGCD offices.

GENERAL MANAGER'S REPORT:

Ms. Jones reported that the TWDB and the TCEQ had been notified that the Board would address the Management Plan adoption with a hearing in 60 days of the directors' installation. She noted the upcoming Water Law Seminar hosted by Texas Water Conservation Association and the Texas Rural Water Association to be held on January 10-11 at the Omni Southpark in Austin. President Melder asked that the seminar be listed on the December 18, 2018 agenda for additional discussion.

NEW BUSINESS:

President Melder set the next meeting as a special meeting at 2:00 pm, Tuesday, December 18, 2018. The agenda is to include legal issues, lawsuit appeal and possible approval of statement of qualifications for hydrogeologist and/or engineering.

ADJOURN:

There being no further business, upon a motion made by Director Traylor and seconded by Director Hardman, the meeting was adjourned at 8:43 PM.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF JANUARY 2019.



Stuart Traylor, Board Secretary



SIGN IN SHEET

December 11, 2018
Board Meeting

Do you wish to speak on an agenda item?	NAME	CITY, STATE, ZIP	E-Mail	Would you like to receive LSGCD updates & information?
No	TINA FELKAI	CONROE, TX	ON FILE	
N	Margarie Taylor	Montgomery TX	margarie@TaylorizedPR.com	
N	Tom Michel	Montgomery TX		
N	Eric Hall/Sam Hall	Conroe TX	ehall@hrgreen.com/eagletraveltravase@Ade.com	✓
	Michael Sullivan	Conroe TX	msullivan@bleylengineering.com	
N	Kenny Enkelberg	Shenandoah	—	—
	Mill Hall			
No	BOB HARDEW	Ackerly TX	on file	
no	Sheila Silva	Porter TX	on file	✓
—	Susan Stebbins	Houston TX	on file	
	Scott Custer	T Woodlands, TX	scott@cidercreason.com	
	Andrew Custer	OTW, TX		
	PAUL NELSON	WOODLANDS	on file	

Kathy Turner Jones

From: Rick Hughes <bluedelaware@gmail.com>
Sent: Tuesday, December 11, 2018 4:22 PM
To: Kathy Turner Jones
Subject: Groundwater Management Plan - Static Level Bar Graph Evangeline and Jasper - MC WCID #1
Attachments: Static Water Level Bar Graph WCID1 Wells 1,2,3,4.pdf

Kathy,

Unfortunately we are not able to attend tonight's meeting but would appreciate our voice being heard in tonight's meeting. Would you please forward this email and attachment to the Lonestar Groundwater Conservation District Board before tonight's meeting.

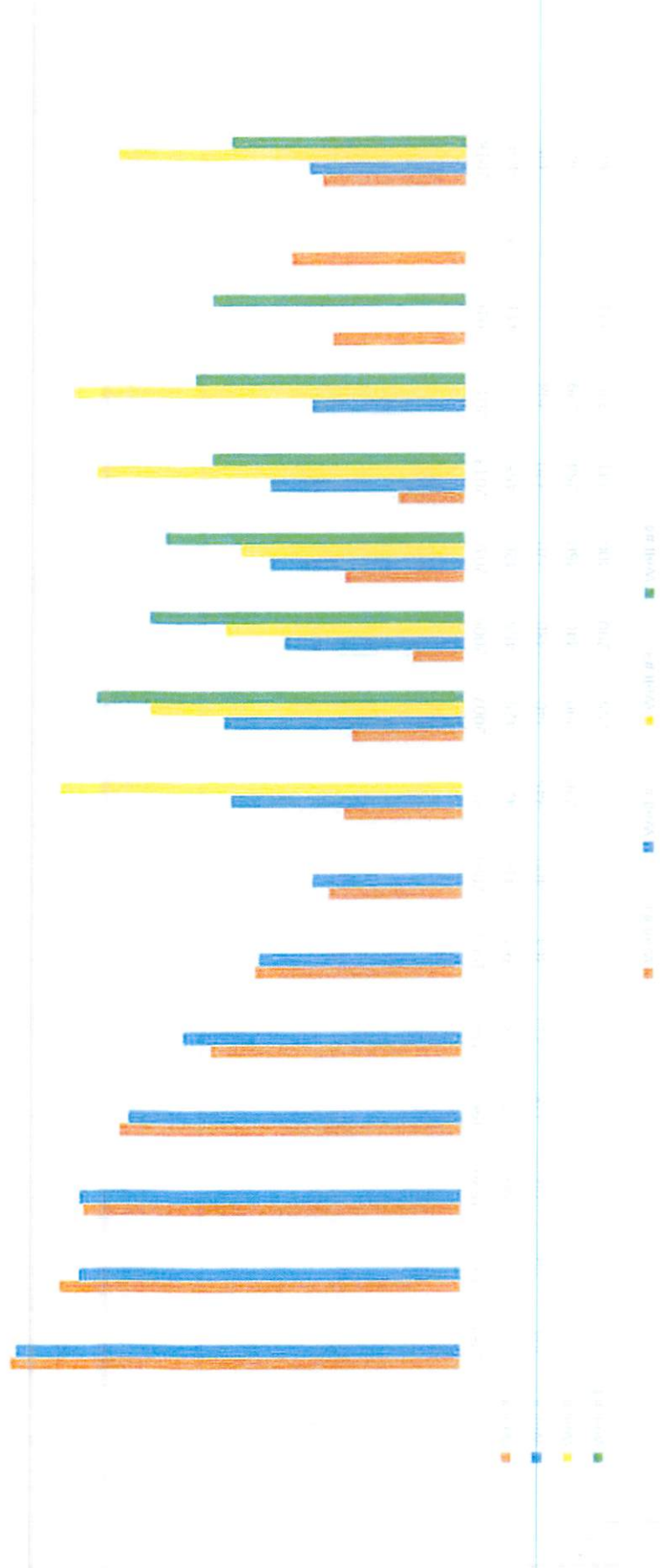
The Board of Montgomery County WCID #1 are all in agreement to the following: To leave the current pumping limits in the current (not proposed plan) Groundwater Conservation Plan in place that was imposed by the previous Lonestar Groundwater Conservation District Board,

These limits are working, They have stabilized our ground water. We do not want to risk losing the gains that the former Groundwater Conservation Plan has achieved.

We appreciate your help in this matter.

Respectfully,
Rick Hughes
Assistant General Manager
Montgomery County WCID#1

Static Water Levels for Montgomery County WCID #1 1983 - 2018



Wells #1 & #2 – Evangeline Wells #3 & #4 – Jasper

Webb Melder
December 11, 2018

THE CURRENT SITUATION the NEWLY ELECTED LSGCD BOARD has " INHERITED ":

1. CURRENT LITIGATION COSTING the TAXPAYERS APPROX. \$1.8 MILLION INVOLVING LAWSUITS DEFENDING THEIR RULES & DFC

2. A STATE DISTRICT JUDGE RULED AGAINST LSGCD on THEIR RULES / SAYING THEY DID NOT HAVE the STATUTE AUTHORITY to REGULATE in the MANNER THEY WERE REGULATING ; At the 12th. HOUR, the PREVIOUS BOARD DECLARED THEIR OWN 64,000 ACRE Ft. DFC " UNREASONABLE " as PART of a LEGAL SETTLEMENT in the SOAH PETITION HEARING

3. THE NEWLY ELECTED BOARD WILL NEED to CONSIDER REVISING the RULES and DISTRICT REGULATORY PLAN so we WILL be in LEGAL COMPLIANCE

4. REGARDING the DFC, GMA 14 VOTED AGAINST THE PROPOSED NEW DFC of 100,00 ACRE Ft. ; BECAUSE of THIS, WE CURRENTLY HAVE NO DFC, and a SITUATION WHEREBY a GMA 14 VOTING MAJORITY of 3 SALARIED GENERAL MANAGERS OUTSIDE of MONTGOMERY COUNTY ARE HOLDING MONTGOMERY COUNTY LANDOWNER's PRIVATE PROPERTY (groundwater) HOSTAGE

5. THE CURRENT MANAGEMENT PLAN " DRAFT " IS FLAWED and WILL REQUIRE REWRITING

6. THE DAY AFTER the NOV. 6th. SPECIAL ELECTION the PREVIOUS BOARD, INSTEAD of FILING for an EXTENSION, FILED an APPEAL REGARDING the JUDGE's RULING AGAINST the DISTRICT's RULES; THIS SHOULD HAVE BEEN the NEWLY ELECTED BOARD's DECISION

7. THIS NEWLY ELECTED BOARD HAS MANY CHALLENGES; AS PRESIDENT of the NEWLY ELECTED BOARD, I CHOOSE to VIEW THEM

Exhibit "C"

as OPPORTUNITIES to WORK WITH YOU to FIX a SYSTEM THAT is BROKEN.

8. AND THERE IS MORE

REGARDING PRIVATE PROPERTY RIGHTS

1. FIRST and FOREMOST, the TEXAS SUPREME COURT's RULINGS CONTINUE to CLEARLY DEFINE GROUNDWATER as PRIVATE PROPERTY

2. THERE is a STATE STATUTE (thank you), that says PROPERTY OWNERS HAVE a VESTED INTEREST in the GROUNDWATER BELOW THEIR LAND

3. BECAUSE GROUNDWATER, LIKE OIL & GAS is FUGITIVE, the TEXAS SUPREME COURT's " FAIR SHARE " DOCTRINE is a BEAUTIFUL, CLEAR and PURE CREATION. MANY BELIEVE TEXAS COULD not be BETTER SERVED

4. A SOCIETY WITH RELIABLE PRIVATE PROPERTY RIGHTS and READILY AVAILABLE MARKETS for EXCHANGE of THOSE RIGHTS has PROVEN to be CONDUCIVE to GREATER PRODUCTION and CIVILIZED BEHAVIOR than a SOCIETY that CONDONES GOVERNMENT REGULATORY FORCE in RESOLVING DIFFERENCES of OPINIONS ABOUT the USE of ECONOMIC and NATURAL RESOURCES

5. I HOPE THIS NEWLY ELECTED BOARD WILL RECOGNIZE and SUPPORT the LAWS of TEXAS in HONORING PRIVATE PROPERTY RIGHTS