

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 13, 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 December 13, 2016.

President Tramm called the meeting to order at 9:02 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.
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 Directors McCoy and Stinson, 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 9:03 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.

Director Stinson joined the meeting at 9:13 AM.

Following Executive Session, the Board reconvened in Open Session and President Tramm declared it open to the public at 10:09 AM.

No additional action was taken on matters discussed in Executive Session and President Tramm adjourned the meeting at 10:09 AM.

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


Rick Moffatt, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 13, 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 December 13, 2016.

CALL TO ORDER:

President Tramm called to order the Public Hearing on Permit Applications at 10:23 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.
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 McCoy, 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 informed the board that items #11 and #15 had been removed and required no action. The remaining items were split into two groups for consideration. The first group included items #1-10 and #12-14. Mrs. Reiter further noted that

items #1-2 and #5-8 were exclusively requests for increases for 2016. The second group included items #16-18.

Item #1, **Mena Francois (Duncan Lane)** - Applicant is requesting an amendment to an Operating Permit in the amount of 225,000 gallons for 2016 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #2, **Mena Francois (Wainoco)** - Applicant is requesting an amendment to an Operating Permit in the amount of 150,000 gallons for 2016 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #3, **ELC Realty Management LLC** - Applicant is requesting an amendment to an Operating Permit in the amount of 50,000 gallons for 2016 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, **G & S Concrete (Fernando Garza)** - Applicant is requesting registration of a new well and production authorization in the amount of 1,000,000 gallons for 2016 and 8,000,000 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 #5, **Crown Point Development** - Applicant is requesting an amendment to an Operating Permit in the amount of 215,000 gallons for 2016 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #6, **Darst Funeral Home** - Applicant is requesting an amendment to an Operating Permit in the amount of 100,000 gallons for 2016 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #7, **J. Beard Commercial V, LP** - Applicant is requesting an amendment to an Operating Permit in the amount of 450,000 gallons for 2016 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #8, **Wynonna Clark** - Applicant is requesting an amendment to an Operating Permit in the amount of 40,500 gallons for 2016 only. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #9, **Conroe ISD (San Jacinto Elementary)** - Applicant is requesting an amendment to an Historic Use Permit, resulting in the issuance of an Operating Permit in the

amount of 400,000 gallons for 2016 and 2,000,000 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 #10, **Woodland Oaks Utility Co. Inc.** - 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.

Item #11, **Liberty Material** – No action taken.

Item #12, **3083 Investments LLC (Leisure Lane RV Park)** - Applicant is requesting registration of two existing wells and one new well along with production authorization in the amount of 250,000 gallons for 2016 and 2,000,000 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 #13, **Thousand Trails Lake** - Applicant is requesting an amendment to an Operating Permit in the amount of 463,100 gallons for 2016 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 #14, **Montgomery County MUD #99** - 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.

Item #15, **Western Rim Property Services (Towers Woodland)** – No action taken.

Item #16, **Montgomery County E.S.D. #10 (Magnolia Fire Station #187)** - Applicant is requesting registration of a new well and production authorization in the amount of 350,000 gallons beginning in 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 new well as well as authorize a reduced amount of 75,550 gallons for 2017 and annually thereafter.

Item #17, **Terry Wibberg** - Applicant is requesting registration of a new Ag well and production authorization in the amount of 1,000,000 gallons beginning in 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 new well as well as authorize a reduced amount of 196,000 gallons for 2017 and annually thereafter.

Item #18, **Conroe Storage Group, LLC** - Applicant is requesting registration of an existing well (previously registered with the District as an exempt well) and production authorization in the amount of 100,000 gallons for 2016 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to

approve the registration of the new well, issuance of the permit as well as authorize a reduced amount of 18,250 gallons for 2016 and annually thereafter.

Following Ms. Reiter's report, a motion was made by Director Moffatt, seconded by Director Stinson to approve Group 1 (items #1-10 and #12-14) in accordance with the General Manager's recommendations. Director Weisinger abstained from voting on items #10, #12, and #14 and the motion passed.

Next, a motion was made by Director Moffatt, seconded by Director Stinson to approve Group 2 (items #16-18) in accordance with the General Manager's recommendations. The motion passed unanimously.

President Tramm adjourned the public hearing on permit applications at 10:25 AM.

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


Rick Moffatt, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 13, 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 December 13, 2016.

CALL TO ORDER:

President Tramm presided and called to order the regular Board of Directors meeting at 10:26 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.
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 McCoy, 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; 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 as listed for approval on the day's agenda as one item. Upon review of the following, a motion was made to approve the meeting minutes by Director Wood, seconded by Director Houston, and unanimously carried, to approve the meeting minutes:

- a) November 8, 2016, Special Board Meeting
- b) November 8, 2016, Public Hearing on Permit Applications
- c) November 8, 2016, Show Cause Hearing
- d) November 8, 2016, Regular Board of Directors Meeting

COMMITTEE REPORTS:

A. Executive Committee – Richard J. Tramm, President

- 1) Brief the Board on the Committee's activities since the last regular Board meeting – President Tramm reported that there had been one meeting, primarily related to lawsuit activities, including an update on an appeal to the District's previously adopted Desired Future Conditions (DFCs).
- 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) – President Tramm said the committee had been kept apprised of the ongoing lawsuit activities at its most recent committee meeting.
- 3) Defense of Appeal of Desired Future Conditions Adopted by the District: Cities of Conroe/Magnolia and Quadvest – Mr. Sledge stated that the District had received the cities of Conroe and Magnolia's petition of the DFCs on December 2, 2016 and Quadvest's petition of the DFCs on December 6, 2016. Mr. Sledge said these petitions will be carried forward to the Texas Water Development Board within the appropriate timeframes and the related legal processes would be underway soon. Mr. Sledge further explained that Conroe and Magnolia filed a joint petition and Quadvest a separate petition; however, it was Mr. Sledge's opinion that each petition would likely be processed together.

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 reported that the committee had not met since the last board meeting.
- 2) Update on water efficiency, conservation efforts – Paul R. Nelson – Mr. Nelson shared several event notices to the board, including: January's Water Efficiency Network meeting with Dr. Ken Kramer on water-related legislation on the horizon; a SWIFT Funding Workshop in Richmond, Tx on Dec. 15; and, on Feb. 22, 2017, the annual Gulf Coast Water Conservation Symposium. Additionally, Mr. Nelson reported to the board that, since the last board meeting, he attended the North Texas Water Conservation Symposium and the Hill Country Water Summit.
 - a. Presentation update on "Water Smart Master Plan" – Ashley Francis – Ms. Francis thanked the board for initiating the Water Smart Master Plan. She reported that there had, thus far, been two stakeholder meetings. She also noted that the attendees of these meetings were made up of individuals from across Montgomery County, including various city and county officials, top-ranking developer leadership, engineering consultants, and numerous others.

Ms. Francis shared a number of opportunities and obstacles generated during stakeholder discourse at the two meetings. She also highlighted the signed pledges of support received from the stakeholders. Going forward, Ms. Francis said there is still much work to be done, but the momentum already in place will prove an essential component in the project's overall success.

3) Briefing on public outreach activities – James Ridgway

Mr. Ridgway stated that Mr. Nelson covered outreach activities in his briefing to the board.

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 noted there had not been a meeting of the committee since the last board meeting.

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

- 1) Brief the Board on the Committee's activities since the last regular Board meeting –
President Tramm said the committee had brought forward a couple resolutions to the board for approval, including resolution #16-013 and #16-014 (see below).
- 2) Evaluation and Review of General Manager – President Tramm stated that the committee met to have the annual review of the General Manager and that a summary of that review was presented during executive session.
- 3) Discuss, consider, and take action regarding approval of Resolution #16-013 adopting amendments to the District's Code of Ethics, Travel, Professional Services, and Management Policies – See summary below.
- 4) Discuss, consider, and take action regarding approval of Resolution #16-014 adopting amendments to the District Bylaws – See summary below.

Summary on resolutions #16-013 and #16-014: Mr. Sledge stated that the resolutions had been an initiative started the previous fall after certain changes in state law made clear that conflict of interest provisions applied to board members. He further noted that the District had been complying with the law since those changes and prior to the changes. The changes, collectively, were substantial, Mr. Sledge said. Several other items, like expense reimbursement, were also updated, he said. Director Weisinger requested that the board postpone voting on the resolutions until next month to give those not on the committee additional time to review the changes and possibly submit additional comments to the General Manager. After a brief discussion, Director Stinson motioned to delay approval of the resolutions until the January meeting. Director Houston seconded the motion. It passed unanimously.

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 twice since the previous board meeting. During the committee's November 11th meeting, Director Wood said members discussed staff identifying expenses relating to the ongoing litigation and re-categorizing as litigation expenses going forward in the 2017 budget—the intent being to show how much the budget will be increased, due to the lawsuit. Director Wood said these increased legal fees will necessitate future rate increases. The budget and finance development committee met again on December 5th to continue discussion of line item expenses and finalization of the 2017 draft budget that was presented to the board during its December 9th board public workshop, he said.
- 2) Review of monthly financial reports – Director Wood stated that the financials for the District for the month of November report a net loss of (\$119,893); under the budgeted monthly loss of (\$179,603), by \$59,710. Year-to-date net loss is (\$480,175); under the budgeted year to date loss by \$87,790, he said.
- 3) Discuss, consider, and possible action regarding approval of Resolution #16-015 adopting FY 2017 Operating and Capital Outlay Budgets – Director Wood stated that during the past six to seven months the Budget and Finance Committee had worked with staff to ensure the preparation of a fiscally restrained budget for the coming fiscal year. All departments and related committees of this board had compiled and submitted financial and program information to the Budget Committee where it was reconciled with other factors that may impact the District's operations, he said. Director Wood said the committee recommends a \$2.274 million budget for fiscal year 2017, in which 18 percent of those monies is set aside specifically for the defense of both the lawsuit and DFC appeal hearing. Director Wood added that the recommended budget reflects this District's disciplined approach to fiscal management and is consistent with the board's strategic goals. Director Wood made a motion to approve. Director Stinson seconded. The motion carried unanimously. *(Copy of Resolution #16-015 is attached hereto as Exhibit "B").*

F. Findings and Review Committee – Rick Moffatt, Chair

- 1) Brief the Board on the Committee's activities since the last regular Board meeting – There was no meeting of the committee since the previous board meeting.
- 2) Discuss, 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 – Director Moffatt said the committee is at a point where they are ready to finalize Task 2 of the Strategic Water Resources Planning Study. He stated that Mr. John Seifert, with LBG-Guyton Associates, was in attendance to present a final summary of that report.
 - a. Summary report of final draft technical memorandum for Task 2 of the Strategic Water Resources Planning Study – Mr. Seifert reviewed the Task

2 portion of the Strategic Water Resources Planning Study with the board of directors, which covered issues involving Total Estimated Recoverable Storage (TERS), water quality, and subsidence. A discussion ensued between board members and Mr. Seifert on subsidence issues, what is known about subsidence in the county, and causes of that subsidence.

- 3) Discuss, consider, and possible action to accept "Technical Memorandum Regarding Total Estimated Recoverable Storage and Implications for Groundwater Management" for Task 2 of the SWRPS as recommended by the Findings and Review Committee – Director Bleyl asked what the schedule looks like for completing Task 3. Mr. Seifert said the timeline has slipped a little, but not to a degree where it would extend the duration of Task 3. Director Weisinger, for clarification, asked whether accepting the report implied agreement with its findings. President Tramm answered that accepting the report neither implied agreement or disagreement. Director Stinson made a motion to officially accept the report. Director Bleyl seconded. The motion carried unanimously.
- 4) Groundwater Management Area 14 – Update the board on the status of the current desired future conditions development process in GMA 14 – Ms. Jones said there was not anything to report.

ENGINEERING REPORT:

Mark Lowry, District Consultant, reported that a copy of his report was included in the Board's packet.

GENERAL MANAGER'S REPORT:

Ms. Jones stated that the GM's report provides a timeline on the DFC process as well as information on recent Ch. 357 rulemaking hearings. Ms. Jones said it had been a very busy month with numerous committee meetings related to the 2017 budget. She thanked all the committee chairs, committee members, and District staff for helping the District prepare a 2017 budget for adoption in a timely manner.

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 District had received two petitions appealing the desired future conditions adopted by the District from the Cities of Conroe/Magnolia and from Quadvest on December 2 and December 6, respectively, and had begun work on that process. He updated the board on the Texas Water Development Board's rulemaking effort for revisions to its Chapter 357 rules related to the regional water planning process, which include revisions to the interplay between regional water planning and the joint planning process for the establishment of DFCs. On November 17, he said the TWDB held a Board meeting, at which the Board unanimously approved the adoption of proposed amendments to Chapter 357, Texas Admin. Code, relating to Regional Water Planning

Guidelines. He noted that this rulemaking introduced the definition and use of a new concept—Modeled Available Groundwater (MAG) Peak Factor—for Regional Water Planning. In early September, Mr. Sledge explained that the District submitted written comments on the proposed amendments, focusing on this new concept and any potential impacts resulting from its implementation. He said, ultimately, the Executive Administrator of the TWDB determined that several changes related to the MAG Peak Factor were warranted based on the District's written comments, and the rule amendments that were adopted by the TWDB Board included the additional changes and clarifications the District requested. Mr. Sledge then noted that the Senate Committee on Agriculture, Water, & Rural Affairs recently released its interim committee report, which included review of various water planning, surface water and groundwater issues. He noted that three of the senators on the committee filed letters to be included in the report that were supportive of groundwater conservation districts. The House Natural Resources Committee interim report has still not yet been finalized, but he expects it to be released soon. Mr. Sledge also apprised the Board on the recent work of the Texas Water Conservation Association Groundwater Committee and its efforts to develop consensus groundwater-legislation for the upcoming legislative session. Finally, Mr. Sledge updated the board on legislation of interest filed to date.

PUBLIC COMMENTS:

Jill Savory spoke during public comment. She thanked Ms. Francis for her presentation on the Water Smart Master Plan. She said she had heard of a similar, federal program and suggested the District tap its resources to subsidize area fee payers. She encouraged the District's attorney, Mr. Sledge, to push for state-wide data integrity laws and concluded her comments with a story with an emphasis on hope.

NEW BUSINESS:

No new business was reported.

There being no further business, upon a motion made by Director Wood and seconded by Director Houston, the meeting was adjourned at 11:35 AM.

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


Rick Moffatt, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

Resolution No. 16-015

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT ADOPTING AN OPERATING AND CAPITAL OUTLAY BUDGET FOR 2017

WHEREAS, the Lone Star Groundwater Conservation District (the "District") was created by the Legislature of the State of Texas by the Act of May 17, 2001, 77th Leg., R.S., ch. 1321, 2001 Tex. Gen. Laws 3246, as amended (the "Enabling Act"), as a groundwater conservation district operating under Chapter 36, Texas Water Code, and the Enabling Act; and

WHEREAS, 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 the Board's consideration and deliberation (the "2017FY Budget");

WHEREAS, the District Board of Directors (Board) has reviewed and considered the 2017 Operating and Capital Budget;

WHEREAS, pursuant to Section 36.154 of the Texas Water Code, the District has prepared a budget that contains a complete financial statement, including a statement of the outstanding obligations of the District, the amount of cash on hand to the credit of each fund of the District, the amount of money received by the District from all sources during the previous year, the amount of money available to the District from all sources during the ensuing year, the amount of the balances expected at the end of the year in which the budget is being prepared, the estimated amount of revenues and balances available to cover the proposal budget, and the estimated fee revenues that will be required;

WHEREAS, the Board finds that the adoption of the 2017 Budget, attached hereto as Attachment A and incorporated herein by this reference for all purposes, is merited to support the District's activities and related expenses from January 1, 2017 through December 31, 2017 and that the attached budget will allow the District to carry out the District's objectives and responsibilities as prescribed by the Enabling Act and Chapter 36 of the Texas Water Code.

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

1. The above recitals are true and correct.
2. The Board of Directors of the Lone Star Groundwater Conservation District hereby adopts an operating and capital outlay budget for January 1, 2017 to December 31,

2017 as provided in the budget appended hereto as "Attachment A," which is incorporated herein by this reference and is hereby approved and adopted.

3. The Board of Directors, its officers, and the District employees are further authorized to take any and all actions necessary to implement this resolution.

AND IT IS SO ORDERED.

PASSED AND ADOPTED on this 13th day of December, 2016

LONE STAR GROUNDWATER CONSERVATION DISTRICT

By: _____


Richard J. Tramm, Board President

ATTEST:


Rick Moffatt, Board Secretary