

LONE STAR GROUNDWATER CONSERVATION DISTRICT

DECEMBER 12, 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 December 12, 2017.

President Moffatt called the meeting to order at 9:04 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.
Webb Melder
Rick J. Moffatt
Jim Stinson, PE
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present, with the exceptions of Director(s) McCoy and Weisinger thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Samantha Reiter, 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”.*

After a proper and legally sufficient announcement to the public by President Moffatt, the Board of Directors went into a Closed Executive Session at 9:05 AM 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.

Following Executive Session, the Board reconvened in Open Session and President Moffatt declared it open to the public at 10:03 AM.

No additional action was taken on matters discussed in Executive Session and President Moffatt adjourned the meeting at 10:03 AM.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF JANUARY, 2018.


Gregg Hope, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 12, 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 December 12, 2017.

CALL TO ORDER:

President Moffatt called to order the Public Hearing on Permit Applications at 10:13 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.
Webb Melder
Rick J. Moffatt
Jim Stinson, PE
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exceptions of Director(s) McCoy, and Weisinger, 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; 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”.*

PRAYER AND PLEDGES OF ALLEGIANCE:

Director Melder gave the opening prayer. President Moffatt led the Pledge of Allegiance and the Pledge of Allegiance to the state flag.

Assistant General Manager, Samantha Reiter informed the Board that there were nine permit applications received in December. Ms. Reiter noted that item #2 was a request for a new well to be drilled with an associated production allocation. She noted item #5, Aqua Texas (Enchanted Forest) was requesting an increase of allocation for 2017 only. She last noted that item #8, Montgomery County MUD #8 was a request to increase allocation for 2017 only for their Catahoula permit. She then stated it was the General Manager's recommendation to approve all items #1-9 as requested.

Item #1, Pine Knob Estate Water Inc.

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 739,000 gallons for 2017 and 250,000 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, Larry Austin

Applicant is requesting registration of a new well and production authorization in the amount of 25,000 gallons for 2017 and 800,000 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 #3, Cheesemakers, Inc.

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 100,000 gallons for 2017 and 150,000 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, Craig A. Gorewitz

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 1,000,000 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, Aqua Texas, Inc. (Enchanted Forest)

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 3,750,000 gallons for 2017 **only**. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is requested.

Item #6, Aqua Texas, Inc. (White Oak Ranch)

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 1,200,000 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 requested.

Item #7, Aqua Texas, Inc. (Woodland Ranch)

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 1,000,000 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 requested.

Item #8, 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 2017 **only**. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is requested.

Item #9, CET Limited

Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 1,000,000 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 requested.

Following Ms. Reiter's report, a motion was made by Director Stinson, seconded by Director Bleyl to approve items #1-9. The motion was approved.

President Moffatt adjourned the public hearing on permit applications at 10:17 AM.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF JANUARY, 2018.



Gregg Hope, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 12, 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 December 12, 2017.

CALL TO ORDER:

President Moffatt presided and called to order the regular Board of Directors meeting at 10:25 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 exceptions of Director(s) McCoy and Weisinger, 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; 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".*

PUBLIC COMMENTS:

No comments.

APPROVAL OF THE MINUTES:

President Moffatt stated the Board would consider all meeting minutes as listed for approval on today’s agenda as one item. A motion was made to approve the meeting minutes by Director Houston, seconded by Director Wood. The motion to approve the minutes was

approved unanimously.

- a) November 14, 2017, Special Board Meeting
- b) November 14, 2017, Public Hearing on Permit Applications
- c) November 14, 2017, Public Hearing on Amendments to Permits to Establish Total Qualifying Demand Under the District Regulatory Plan
- d) November 14, 2017, Regular Board of Directors 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 not met.
- 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) – No change. No update.
- 3) Defense of Appeal of Desired Future Conditions Adopted by the District: Cities of Conroe/Magnolia and Quadvest – Mr. Sledge reported that the DFC appeal had gone through two days of mediation, November 31st and December 1st. He stated that the details would be kept confidential as prescribed by law and while there remain some items to be resolved, Mr. Sledge is optimistic a resolution will be reached.

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.
- 2) Update on public outreach activities, water efficiency, and conservation efforts – James Ridgway – Mr. Ridgway presented a timeline illustrating future education and public outreach events. He showed photos recently taken of his visits to local LEGO League teams and discussed one of their projects.
- 3) Presentation – Brazos Valley WaterSmart Program – Alan Day, Brazos Valley Groundwater Conservation District. Mr. Day gave a detailed overview of the Brazos Valley’s WaterSmart program. He was joined by Megan Haas, Education/ Conservation Outreach Coordinator/Water Resource Specialist and David Coleman, Director of Water Services for the City of College Station. The informative presentation gave examples of the success in lowering lawn irrigation usage via the WaterSmart website. Of interest was the capability of their website to pinpoint an exact residence and match it to the nearest weather station. The weather station gathers rainfall, temperature, soil radiation, humidity and windspeed and calculates the ET (Evapotranspiration) for each household in the WaterSmart network. Another feature offers homeowner’s a free irrigation consultation or irrigation audit.

C. Rules and Regulatory Planning Committee – Jim Stinson, Chair

- 1) Brief the Board on the Committee’s activities since the last regular board meeting –
No meeting to report.

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 stated that the Committee met in November to review proposed 2018 payroll expenses for approval and inclusion in the 2018 operating budget.

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

- 1) Brief the Board on the Committee’s Activities – Director Wood stated the Budget and Finance committee meet on Wednesday, November 29th, to review requests for proposals received for 2017/2018 Audit Services and to make final recommendations to the 2018 operating budget for today’s consideration and possible approval.
- 2) Review of monthly financial reports – Director Wood reported that, for the month of November, revenue was budgeted at \$138,880—actual was \$145,187. He said expenses were budgeted at \$167,421—actual expenses were \$335,784. Year-to-date net loss is \$738,896.
- 3) Discuss, consider, and take action to approve Budget and Finance Committee’s recommendation of audit firm to serve as the District’s auditor for the fiscal years of 2017 and 2018 – Kathy Jones reported staff solicited requests for proposals from eight certified public accounting firms with two firms responding with proposals for financial audit services for fiscal years 2017 and 2018. Following the committee’s review of both submittals, it was the Committee’s recommendation to accept BrooksCardiel proposal of \$8,500 annually to continue as auditor for the District for fiscal years 2017 and 2018. A motion to approve BrooksCardiel was made by Director Stinson and seconded by Director Bleyl. The motion passed unanimously.
- 4) Discuss, consider, and possible action regarding approval of Resolution #17-010 adopting FY 2018 Operating and Capital Outlay Budgets – Director Wood reported 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, 2018 budget cycle, and, after giving much consideration to these important factors, has developed a proposed 2018 budget reflecting a 1.16% decrease from 2017 and offer it for the Board’s consideration today. Director Bleyl expressed his desire to see the District to prioritize review and possible consideration of well spacing regulations during 2018. Director Wood followed by stating that it was his desire to use any found revenue for conservation efforts previously suspended. Following discussion, motion to approve Resolution #17-010 adopting FY2018 Operating and Capital Outlay Budgets was made by Director Hope and seconded by Director Wood. The motion passed unanimously. *Copy of the Resolution #17-010 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 –
The Committee met this week to review the Strategic Water Resources Planning Study’s Task 3 final report.

- 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 reported the Findings and Review Committee had met yesterday to discuss and approve the final report. It was noted that the final report presented today remained the same as the draft report distributed last week in the board packet with the with exception of the addition of the Executive Summary, a comparison chart for average aquifer layer drawdowns in surrounding counties and final conclusion of accepting Run “D” as the definitive predictive model.
 - a) Discuss, consider, and possible action to accept Task 3 Technical Memorandum Regarding Future Groundwater Availability - Director Stinson made a motion to accept the final Task 3 Technical Memorandum Regarding Future Groundwater Availability. Director Bleyl seconded. The motion passed.

- 3) Groundwater Management Area 14 – update the board on the on the December 8, 2017, GMA 14; consider legal, technical, and financial issues related to joint planning activities and development of desire future conditions in GMA 14 – Ms. Jones, reported that LSGCD gave a formal presentation of “Final Order” requesting GMA 14 to begin the process of adopting new or amended Desired Future Conditions, followed by the planning group’s unanimous agreement to formally consider Lone Star’s request to adopt new desired future conditions consistent with Run D, Task 3, in an expeditious manner. Lone Star’s legal counsel and technical consultants laid out the history of the Strategic Water Resources Planning Study, with particular emphasis on Task 3 and Run D, and the survey of water users in Montgomery County on wells and water level declines, and how the survey responses and the science and groundwater availability model runs led to the board’s adoption of Run D as its new preferred DFC. GMA 14 will meet again in January to continue moving forward with the process of considering Lone Star’s proposed DFCs, discussing the process of retaining consultants for this round of joint planning, discussing financing arrangements and scope of work issues, and developing a schedule for moving forward.

GENERAL MANAGER’S REPORT:

Ms. Jones explained that counsel had given an update on the Denbury UIC application in Executive Session.

GENERAL COUNSEL’S REPORT:

Mr. Sledge completed his report earlier in the meeting.

NEW BUSINESS:

There was no new business.

Director Houston departed the meeting at 11:25 a.m.

There being no further business, upon a motion made by Director Wood and seconded by Director Hope, the meeting was adjourned at 11:27 AM.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF JANUARY 2018.


Gregg Hope, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

Resolution No. 17-010

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT ADOPTING AN OPERATING AND CAPITAL OUTLAY BUDGET FOR 2018

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, 2018 budget cycle, and, after giving much consideration to these important factors, has developed a proposed 2018 budget for the Board's consideration and deliberation (the "2018FY Budget");

WHEREAS, the District Board of Directors (Board) has reviewed and considered the 2018 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 2018 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, 2018 through December 31, 2018 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, 2018 to December 31,

		2018 Approved Budget
Income		
ADMINISTRATIVE FEES		
Application Fees		
Total Application Fees	\$	37,450.00
Change in Ownership	\$	4,000.00
Open Records Request	\$	1,500.00
Publications Fees	\$	5,000.00
Returned Check Fee / Other Admin fees	\$	50.00
Well Re-inspection Fee	\$	2,000.00
Total ADMINISTRATIVE FEES	\$	50,000.00
INTEREST INCOME	\$	-
LONE STAR GCD WATER USE FEES		
Early Conversion Credit Water Use Fee	\$	15,000.00
Export Water Use Fee	\$	600.00
Historical Use	\$	1,701,995.00
Ag Permits	\$	1,733.00
Operating Permit - prepaid 2017	\$	451,999.00
AWS Production Fees -2015	\$	151,728.00
Over Pumpage Fee	\$	5,500.00
Penalty/Interest	\$	5,000.00
Total LSGCD WATER USE FEES	\$	2,333,555.00
Total Income	\$	2,383,555.00
Expense		
ADVERTISING/PUBLIC NOTICES	\$	9,000.00
ATTORNEY FEES		
General Counsel Work	\$	100,000.00
Additional Legal Work	\$	30,000.00
Total ATTORNEY FEES	\$	130,000.00
AUDIT FEES	\$	8,500.00
BOARD EXPENSE		
Per Diem	\$	52,000.00
Payroll Tax Liability	\$	4,000.00
Board Meeting Expense	\$	4,000.00

Total BOARD EXPENSE	\$ 60,000.00
BUILDING EXPENSE	
Building Maintenance	\$ 10,000.00
Utilities/Custodial/Phone/Cable	\$ 27,500.00
Total BUILDING EXPENSE	\$ 37,500.00
COMPUTER SUPPORT	
Hosting/Internet/Backup	\$ 12,000.00
Software	\$ 3,000.00
Computer Repair & Support	\$ 15,000.00
Total COMPUTER SUPPORT	\$ 30,000.00
EDUCATION/PUBLIC AWARENESS COORDINATION	
Educational Curriculum in Schools	\$ 50,000.00
ComCast TV Advertising	\$ -
Media - video loops, etc...	\$ -
ET Weather Station Network	\$ 7,500.00
Communication/Public Awareness	\$ 7,500.00
Water Efficiency Network	\$ 4,000.00
Website Modification	\$ 7,000.00
Rainwater Collection Expansion Project	\$ 1,000.00
Conservation products	\$ 3,000.00
Total COMMUNITY AWARENESS/PUBLIC RELATIONS	\$ 80,000.00
ELECTION EXPENSE	\$ 175,000.00
ENGINEERING CONSULTANT SERVICES	
District Engineer	\$ -
Engineering Consultant Services	\$ 85,000.00
Well Permitting Database Management	\$ 9,500.00
GMA 14 Planning	\$ 130,000.00
Well Spacing -	\$ 11,000.00
Total ENG/CONSULTANT SERVICES	\$ 235,500.00
FIELD/TECHNICAL EXPENSE	
Field Supplies	\$ 1,800.00
Fuel Expense	\$ 2,700.00
Vehicle/Mobile Lab Repair and Maintenance	\$ 3,500.00
Total FIELD/TECH EXPENSE	\$ 8,000.00
INSURANCE EXPENSE	
Bonds	\$ 2,000.00
Building Insurance	\$ 2,570.00

Errors & Omissions	\$ 3,500.00
Liability	\$ 1,250.00
Vehicle Insurance	\$ 3,100.00
Total INSURANCE	\$ 12,420.00
LITIGATION EXPENSE	
Legal - Lawsuit	\$ 405,000.00
Legal - DFC Appeal	\$ 20,000.00
Engineering Consultant Services	\$ 75,000.00
GMA 14 Planning (amendment)	\$ 20,000.00
Total LITIGATION EXPENSE	\$ 520,000.00
MANAGER	
Travel/Edu/Training	\$ 6,000.00
Vehicle Allowance	\$ 12,000.00
Total MANAGER	\$ 18,000.00
MEMBERSHIPS DUES/SUBSCRIPTIONS	\$ 6,000.00
MISCELLANEOUS	\$ 1,000.00
OFFICE	
Office Equipment	\$ 10,500.00
Equipment Lease - Copier	\$ -
Supplies	\$ 7,500.00
Total OFFICE	\$ 18,000.00
PAYROLL EXPENSES (Employee)	
Salaries	\$ 590,000.00
Medical/Life	\$ 92,000.00
Payroll Tax Liability	\$ 43,955.00
Unemployment Tax	\$ 800.00
Retirement	\$ 35,400.00
Payroll Service Fees	\$ 800.00
Tuition Assistance	\$ -
Temporary	\$ -
Workman's Comp	\$ 2,300.00
Total PAYROLL EXPENSES	\$ 765,255.00
POST CONSTRUCTION MODIFICATIONS	
Detention Pond Improvements	\$ -
Total POST CONSTRUCTION MODIFICATIONS	\$ -
POSTAGE EXPENSE	
Postage/Shipping/Delivery Service	\$ 5,000.00

Postage Meter and Supplies	\$ 750.00
Total POSTAGE EXPENSE	\$ 5,750.00
PRINTING (Non-PR...Envelopes, Letterhead...)	\$ 8,000.00
PROGRAMS	
Hydrogeological Modeling/Protection	\$ 1,000.00
Strategic Planning Comprehensive Study	
LBG - Guyton & Associates	\$ -
Mullican & Associates	\$ -
USGS JOINT FUNDING AGREEMENT	
<i>USGS - Groundwater Level Data</i>	\$ 73,500.00
<i>USGS - Water Level change/subsidence</i>	\$ 78,000.00
<i>USGS - Water Quality Recon/Catahoula</i>	\$ -
Total PROGRAMS	\$ 152,500.00
REBATE WATER USE FEES	\$ 15,000.00
RESERVE FUNDS - Expense	
TRAVEL/TRAINING STAFF	\$ 3,500.00
Total Expense	\$ 2,298,925.00
Other	
DEPRECIATION	\$ 60,000.00
NET INCOME	\$ 24,630.00