

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 12, 2011

MINUTES OF SPECIAL MEETING

Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, at 207 W Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on April 12, 2011.

President Tramm called the meeting to order at 9:09 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:

Sam W. Baker
Reed Eichelberger, PE
Roy McCoy, Jr.
Ricky J. Moffatt
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Baker, and Director Moffatt, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, General 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”.*

After a proper and legally sufficient announcement to the public by President Tramm, the Board of Directors went into a Closed Executive Session at 9:10 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.

Director Baker arrives at 9:15 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:55 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:55 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF MAY, 2011.

M. Scott Weisinger, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 12, 2011

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 – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on April 12, 2011.

President Tramm called to order the Public Hearing on Permit Applications at 10:11 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:

Sam W. Baker
Reed Eichelberger, PE
Roy McCoy, Jr.
Ricky J. Moffatt
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Moffatt, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, General 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”.*

Item #1, **K&K Construction** – No action will be taken.

Item #2, **Rayford Road MUD** – Applicant is requesting a permit amendment in order to drill a new well and an increase of 25,000,000 gallons annually. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendation of the General Manager. Director Weisinger abstains. Motion passed.

Item #3, **Kathy Martin** – Applicant is requesting an amendment to increase allocation under their existing Operating Permit. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendation of the General Manager. Director Weisinger abstains. Motion passed.

Item #4, **Roadhouse Tackle** – Applicant is requesting drilling authorization for a new well and 500,000 gallons for 2011 and 800,000 gallons annually thereafter. Applicant will provide water to a bait shop and restaurant. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested for 2011 and a reduced amount of 500,000 gallons annually thereafter. A motion was made by Director Stinson, and seconded by Director Wood to approve the above permit application in accordance with the recommendation of the General Manager. Director Weisinger abstains. Motion passed.

Item #5, **C&R Water Supply, Inc. (Clear Water Cove)**, Item #6, **C&R Water Supply, Inc. (Bridgepoint Water System)**, and Item #7, **C&R Water Supply, Inc. (Creekside Acres)** – To be discussed collectively. Applicant is requesting an amendment to existing operating permits. Applicants are requesting drilling authorization only for a new well to be in aggregate with their current system. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendation of the General Manager. Director Weisinger abstains. Motion passed.

Item #8, **Montgomery County UD #3 (AWS Production Well)** – Applicant has already requested and received approval for drilling authorization for an alternative water source well in the Catahoula formation. Applicant is requesting production authorization of 80,000,000 gallons for 2011 and 350,000,000 gallons annually thereafter. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendation of the General Manager. Director Weisinger abstains. Motion passed.

Item #9, **Montgomery County UD #18 (AWS Production Well)** – Applicant has already requested and received approval for drilling authorization for an alternative water source well in the Catahoula formation. Applicant is requesting production authorization of 300,000,000 gallons beginning in 2012 and annually thereafter. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendation of the General Manager. Director Weisinger abstains. Motion passed.

President Tramm adjourned the Public Hearing on Permit Applications at 10:13 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF MAY, 2011.

M. Scott Weisinger, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

April 12, 2011

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 – Board Room located at 207 W. Phillips Street, Suite 301, Conroe, Texas, within the boundaries of the District on April 12, 2011.

President Tramm called to order the regular Board of Directors meeting at 10:13 a.m. announcing that it was open to the public.

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

Sam W. Baker
Reed Eichelberger, PE
Roy McCoy, Jr.
Ricky J. Moffatt
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Moffatt, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, General 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”.*

APPROVAL OF THE MINUTES:

President Tramm stated the Board would consider all four meeting minutes listed as one item. Upon review of the following, a motion was made by Director Weisinger, seconded by Director Baker and unanimously carried, to approve the meeting minutes as presented:

- a) March 7, 2011, Board Work Session/Workshop
- b) March 8, 2011, Special Board Meeting
- c) March 8, 2011, Public Hearing on Permit Applications
- d) March 8, 2011, Regular Board of Directors Meeting

USGS PRESENTATION REGARDING GROUNDWATER ACTIVITIES, DATA COLLECTION, WATER LEVEL MONITORING, AND WATER WELL INVENTORIES FOR MONTGOMERY COUNTY – Mike Turco, USGS.

Mike Turco, USGS, gave a slideshow presentation on groundwater activities, data collection, water-level monitoring and water well inventories for Montgomery County. The data presented is a cooperative effort from the USGS, the Lone Star Groundwater Conservation District, the Subsidence Districts of Fort Bend and Harris-Galveston and the City of Houston. Mr. Turco presented information on water-level altitudes for 2011, as well as water-level changes in the Chicot, Evangeline, and Jasper aquifers. Mr. Turco also discussed maps which highlighted one, five, and ten year changes in the Chicot, Jasper, and Evangeline aquifers. The data from the maps showed that there has been a general decline in water-level changes across all aquifers throughout the years.

Mr. Turco spoke on the subsidence issues in the aquifer system and provided data from 2000-2011 which showed half a foot of subsidence in The Woodlands and Kingwood. He stated that data also showed there was a quarter of a foot of subsidence that has built up over the last four years on the north side of Conroe.

Mr. Turco finished by summarizing that the Chicot, Evangeline, and Jasper changes have happened in the middle areas with most of the changes being a decline in water-level over the past year. Specific data for Montgomery County shows mainly declines in the Evangeline and Jasper aquifers. Mr. Turco stated that the report has gone through an internal review, is currently out for public comments and is expected to be sent off for final approval by next week.

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood reported that the committee had not met since the last Board meeting. He stated that the mobile lab trailer has been very busy, with appearances at Splendora schools, Sacred Heart schools, and is currently on display at the Montgomery County Fair in Conroe. Ms. Jones added that SJRA was working with LSGCD on the trailer last weekend as a joint educational effort. The mobile lab will remain at the Montgomery County Fair throughout the week, as a display for the school kids and parents. This weekend it will be moved to the East County Sawmill Festival in New Caney. Ms. Jones also mentioned that LSGCD has authorized a serve water on request only campaign for restaurants. This has been kicked off with some articles in The Dockline, and the District is getting ready to meet with the Restaurant Association to get table tents put in the restaurants. Ms. Jones expects to have more information regarding the campaign at the next committee meeting.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee had not met since last month's meeting and they are planning to get back together, though session is still ongoing.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last Board meeting and had no report at this time.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee met on March 29th to review the draft audit for 2010.

Review of Monthly Financial Reports. Director Stinson stated he had reviewed the monthly financial report and if anyone had any questions he would be glad to address those. The District shows an income of \$1.3 million for January through March with a budget of \$1.2 million, and expenses of \$360,000 with a budget of \$490,000. Our capital budget is approximately \$1.5 million with \$47,000 in expenses.

Review 1st Quarterly Investment Report 2011. Director Stinson stated that the Quarterly Report was included in the packet and if anyone had any questions he would be glad to address them.

Discuss, consider, and take action as necessary regarding Annual Financial Report for fiscal year 2010. – Bob VanWassehnova, CPA; Bob VanWassehnova and Associates. Bob VanWassehnova was on hand to answer questions regarding the 2010 Audit. Bob gave a brief explanation of the audit, pointing out that in a comparison of 2009 and 2010 other assets stayed about the same at \$2.8 million dollars, with capital assets increasing from \$23,000 to \$323,000 as a result of purchasing the land that will be used for the new office. Changes in net assets and water use fees went from nearly \$2 million to \$1.6 million due to the change in rate from seven cents to six cents. Mr. VanWassehnova added that there was still an increase in net assets for the year, totaling \$213,000. Mr. VanWassehnova explained that as an auditor he is pleased with the internal controls in place, from the bookkeeper, to the general manager, to the finance committee. He praised that it is an ideal situation that the board members are so involved in the process. Director Stinson stated that the finance committee did meet to review the audit and the committee is recommending that the board approve the audit as presented. A motion was made by Director Baker, seconded by Director Eichelberger and unanimously carried, to approve the Annual Financial Report for fiscal year 2010.

Findings and Review Committee. Ms. Jones reported that the committee had not had an official meeting since the last Board meeting.

Update and status project report related to Regional Groundwater Update Project with HGSD and the FBSD. A copy of the report was included in the packet and Mr. Lowry reminded the board that items in bold were items that represented progress for this particular period. A number of things have happened with regard to the project, including approval of work orders for additional population and water demand studies. There have been ongoing meetings and coordination with the Water Development Board on the population and water demand projections. LBG-Guyton is working with USGS on revisiting some of the original pumpage data to ensure that all the data is being captured. Mr. Lowry stated that LBG-Guyton has done a sampling of billing records for Kingwood's domestic irrigation wells and developed data that indicates the actual domestic pumpage from the wells collectively is about 3/10th of a million gallons a day. This information provides some guidance on indoor versus outdoor usage, which will be helpful in the project. There is also an effort to identify exempt usage in outside counties, as Montgomery County currently has a pretty good handle on it. Additionally, the initial increments of the 2010 census data have been received and they are working with it. Mr. Lowry explained that one of the project benefits to LSGCD is that we will have a common database on

population and water demand between all the counties and we have never had that consensus. The second benefit is that having the 2010 census data will help us to determine how far off the original projections were and what it means for the future. The third benefit is that the information will allow the model to change from the boundary condition model to incorporating work USGS has done in all the counties on recharge. All the elements combined will provide a much more defensible model to use for groundwater scenarios in the various counties.

Update and status project report related to the District's modeling study of the Catahoula Formation/Aquifer. Mr. Lowry stated that the study has been authorized and the bulk of the work is being done by Intera, in terms of the literature search, the delineation of the strategy and characteristics of the water quality. There was discussion amongst the Board members regarding the study. John Seifert, LBG-Guyton, explained to the Board that the process remains an open one, noting that they are collecting data from various sources and all are being incorporated into the study, as well as data from sources outside of the District. The objective is to be open and allow for public comments and opinions so that the best model is created and made available. Mr. Seifert explained that it was known that the Catahoula had some water available, though the exact quality and quantity was unknown. The data that has been developed so far is showing the areas with the better quality are probably a little larger than envisioned two years ago. The data is also showing that the areas with better quantity are bigger than would have been estimated two years ago. All of the data is being incorporated into the effort in order to give an assessment of the availability of groundwater, the effects of pumping the groundwater, the quality of the groundwater, and the potential for groundwater movement or water quality changes with time of pumping. Mr. Seifert explained that there is a reasonable amount of data available now, but in terms of improving the strategies, developing the model is more of a 10 month timeline. This model is a model designed for the Catahoula and Jasper, not a GAM model; it will be built to assess the Catahoula/Lower Jasper as an alternative water supply.

The Board recessed at 11:07 a.m. due to a fire alarm and reconvened at 11:25 a.m.

GRP status submittal update. Cori Stallings, Permitting Director, discussed the GRP submittal status and was pleased to report that all GRPs were received by the April 1st deadline. LSGCD received a total of 31 GRPs, of those 24 were single GRPs and 7 were joint-GRPs. She stated that Mark Lowry and Philip Taucer, AECOM, are currently reviewing the GRPs, with the hope of finishing the reviews and providing recommendations within 30 - 45 days. Ms. Jones added that as of now they do not foresee anything that will prevent them from having clear cut answers by the 90 day deadline. The legal team will also be looking through some of the GRPs as well.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee had met last week for a 25% meeting, to review the progress of the consulting teams. The City of Conroe has approved the replatting and the last hurdles include submitting the building permit, site plan approval, and approval of the tree analysis.

DISCUSSION AND POSSIBLE ACTION TO ACCEPT 2010 ANNUAL REPORT FOR THE LONE STAR GROUNDWATER CONSERVATION DISTRICT.

Ms. Jones stated that there was a copy of the annual report included in the packet and a colored copy was being passed around for review. Ms. Jones asked for consideration to approve the 2010 annual report and explained a few of the changes that were made compared to the previous years' report. A motion was made by Director Wood, seconded by Director Weisinger and unanimously carried, to approve the 2010 annual report for the Lone Star Groundwater Conservation District.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated his report was included in the packets and if there were any questions he would be happy to answer them. This month Mr. Lowry worked almost exclusively on GRP and permitting issues.

GENERAL COUNSEL REPORT:

Jason Hill, General Counsel, updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting. Mr. Hill gave an update on the legislative session and the issue involving the legislative effort to define the relationship between groundwater district's regulatory authority and the property interest of the individual landowners. There has been work in the Senate to combine the two bills, with the committee substitute moved out of the Natural Resources Committee and moved out of the Senate and has been heard in the House Natural Resources Committee. The general consensus from the key interest groups that have been involved, The Farm Bureau and the Cattle Raisers on one side, and the Groundwater Districts and other groundwater producers on the other side, are typically satisfied that they have struck a decent compromise between the two positions on that bill. Last week it was heard in the House Natural Resources Committee, though it is not yet clear where the chairmen's support is. We are still looking at a long road before it makes it out on the House floor for a vote. Mr. Hill will continue to keep the Board apprised of the situation.

GENERAL MANAGER'S REPORT:

Kathy Turner Jones, General Manager, stated that her report was included in the Board packets and if anyone had any questions, she would be glad to address them. Ms. Jones highlighted the rebate program, which was authorized in 2009, and mentioned that to date, based on the 2010 pumpage reports; the LSGCD has refunded \$31,000 back to permittees.

PUBLIC COMMENT:

Mike Stoecker, Stoecker Corporation, questioned why the City of Huntsville stopped using the Catahoula. Mr. Seifert explained that the City of Huntsville used the Catahoula until the 1980s after which they realized the Catahoula was not sufficient enough to provide the water that was projected to be needed into the future. The City of Huntsville then partnered with The Trinity River Authority and the Texas Prison System to develop a surface water source from Lake Livingston to utilize water from that source. Mr. Seifert noted that the City did keep a

number of public water supply wells which continued to provide some water to their system. Mr. Stoecker asked Mr. Lowry to confirm that the consultants on the Catahoula Panel were LBG-Guyton and two others. Mr. Lowry stated that the Groundwater Panel included four consultants from three different firms. Lastly, Mr. Stoecker encouraged the Board to drill a well in order to find the depth of salinity and heat, so that the southern and northern limits could be established. Mr. Stoecker stated that he believed that drilling would produce “real”, up to date science based on real holes in the ground as opposed to relying on Texas Water Development Board maps or old oil well maps. The directors agreed that if the consultants recommended they drill a well they would all be open to it.

NEW BUSINESS:

There being no further business, upon a motion by Director Wood, seconded by Director Weisinger, President Tramm adjourned the meeting at 11:46 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF MAY, 2011.

W. Scott Weisinger, Board Secretary