



**Barton Springs
Edwards Aquifer**
CONSERVATION DISTRICT

ANNUAL REPORT FOR FISCAL YEAR 2010

BOARD OF DIRECTORS (August 31, 2010)

Mary Stone, President	Precinct 1	Feb 2008 - May 2012
Gary Franklin, Vice President	Precinct 2	May 2006 - May 2014
Craig Smith, Secretary	Precinct 5	May 1998 - May 2014
Dr. Robert D. Larsen, Director	Precinct 3	May 2003 - May 2012
Jack Goodman, Director	Precinct 4	May 1988 - May 2012

DISTRICT STAFF
August 31, 2010

W.F. (Kirk) Holland	Chief Operating Officer and General Manager
Dana Christine Wilson	Administrative / General Services Team Leader
Tammy Raymond	Administrative Assistant – Personnel
Shannon DeLong	Administrative Assistant – Accounting
Brian Smith	Senior Hydrogeologist Aquifer Research Team Leader
Brian Hunt	Senior Hydrogeologist
Joseph Beery	Hydrogeologist
John Dupnik	Senior Environmental Permit Specialist Regulatory Compliance Team Leader
Robin Gary	Environmental Educator Community Outreach and Education Team Leader
Julie Jenkins	Environmental Educator
Guy Rials	Regulatory Compliance Technician
Nathanael Banda	Geospatial Systems Administrator

Table of Contents

Background.....	1
General Information about the District.....	1
District Mission and Vision Statements	2
District Critical Success Factors.....	3
District Programs and Team Highlights	3
Required Data and Information	9
Aquifer Status	9
Grant Programs	10
Habitat Conservation Plan Completion Grant.....	10
Aquifer Recharge Facility Enhancements Grant.....	11
Professional Services	11
Capital Projects	12
Self-Evaluation Pursuant to the Valdez Principles	12
Financial Report.....	12
Evaluation of District’s Long-range Plan Pursuant to §36.1071	12
Background.....	12
Board Evaluation and Assessment of Objectives and Metrics	13
Appendix A: Independent District Financial Audit Report.....	16
Appendix B: Evaluation of Progress Toward Goals and Objectives.....	17

1.0 BACKGROUND

The Barton Springs/Edwards Aquifer Conservation District's ("District") Bylaws require the District Board President or General Manager to report on the status of the District and its programs annually to the Board and to the Texas Commission on Environmental Quality (TCEQ). This document is the Annual Report for Fiscal Year 2010, covering the period from September 1, 2009 to August 31, 2010.

According to District Bylaw 4-6, this report shall include:

1. The status of the aquifer and the District's programs.
2. A financial report to include the report of the annual audit and the security of any District investments.
3. A review and evaluation of professional services rendered to the District.
4. A status report of any capital projects of the District.
5. The evaluation of the District's long-range plans pursuant to §36.107 (now §36.1071) of the Texas Water Code.
6. A self-evaluation of the District's compliance with the Valdez Principles.

This introductory section provides an overview of the District, and summarizes the mission and vision of the District, and its Board-established critical success factors. Other major sections of this report include a summary of the active programs in FY 2010; a recap of other specific information required by statute, including an assessment of performance in terms of objectives and performance standards identified in the prevailing Management Plan; and a financial summary. The annual audit report conducted by an independent audit firm is included in its entirety as Appendix A.

1.1 General Information about the District

The District was created in 1987 by the 70th Texas Legislature, under Senate Bill 988. Its statutory authorities include both Chapter 52 (later revised to Chapter 36) of the Texas Water Code and its enabling legislation, now codified as Chapter 8802, Special District Local Laws Code. The District's legislative mandate is to conserve, protect, and enhance the groundwater resources of the Barton Springs segment of the Edwards Aquifer and other groundwater resources located within the District boundaries. The District has the power and authority to undertake various studies, assess fees on groundwater pumpage and transport, and to implement structural facilities and non-structural programs to achieve its statutory mandate. The District has rule-making authority to implement its policies and procedures and to help ensure the management of groundwater resources.

The District's jurisdictional area is bounded on the west approximately by the western edge of the Edwards formation outcrop, and on the north by the Colorado River, which is the regional groundwater discharge boundary. The eastern boundary is generally formed by the easterly service area limits of the Creedmoor-Maha Water Supply Corporation, Goforth Special Utility District, and Monarch Utilities, Inc. The District's southern boundary is generally along the "groundwater divide" that hydrologically separates the Barton Springs and the San Antonio segments of the Edwards Aquifer, generally along FM 150 west of Interstate 35. This area

encompasses approximately 250 square miles in parts of four counties that are rapidly changing from rural to urban/suburban. A portion of the Barton Springs segment of the Edwards Aquifer was designated a Sole Source Aquifer by the Environmental Protection Agency in 1997. It was estimated to be the primary source of drinking water for 45,000 people in a 1995 survey; the current estimate is about 60,000 people. Spring discharge from the Barton Springs segment of the Edwards Aquifer contributes to Lady Bird Lake and the Colorado River system, a surface-water resource heavily used for municipal supplies. Barton Springs provides significant recreational opportunities at Barton Springs Pool in Austin's Zilker Park, and is home to the federally listed endangered Barton Springs salamander and the candidate-for-listing Austin blind salamander. Some wells in the District also produce water from the Taylor, Glen Rose, and Trinity Formations, as well as various alluvial deposits along river and stream banks.

A five-member Board of Directors ("Board") governs the District. The Directors are elected in even-numbered years to staggered four-year terms from the five single-member precincts that comprise the District. In FY 2010, elections were held in Director Precincts Two and Five, and the voters re-elected the incumbent directors Gary Franklin and Craig Smith, respectively.

The Board elects its officers annually, in June following the May local elections. For the current annual-reporting period, between September 2009 through May 2010, the elected officers were Dr. Robert D. Larsen as President, Mary Stone as Vice President, and Gary Franklin as Secretary; between June 2010 through August 2010, the elected officers were Mary Stone as President, Gary Franklin as Vice President, and Craig Smith as Secretary. As a local political subdivision of the State of Texas, all meetings of the Board are conducted in accordance with the Open Meetings Act, and the District's business is subject to the Texas Public Information Act.

The District is not a taxing authority. Its only sources of income are groundwater usage fees, administrative processing fees, and from time to time grants from various local, state, and federal programs.

1.2 District Mission and Vision Statements

The Board of Directors of the Barton Springs/Edwards Aquifer Conservation District has assessed and articulated not only the mission of the District but also the vision and overarching strategic purpose of the District today. These are some of the early outputs of a continuing strategic planning process that was initiated in late FY 2005, providing a consensus basis for near-term, mid-term, and long-term planning that is ongoing.

The mission of the District is largely mandated by and adapted from its enabling legislation and statutes:

"The Barton Springs/Edwards Aquifer Conservation District, as the responsible public agency and authority, is committed to conserving, protecting, recharging, and preventing waste of groundwater and to preserving all aquifers within the District."

The vision of the District was added in FY 2006 as a succinct statement of the ultimate, continuing goal of the District, describing the standard by which it will execute its mission:

"The Barton Springs/Edwards Aquifer Conservation District will excel in its operations and administration so that it is considered the model and standard for other groundwater districts."

A more action-oriented, overarching strategic purpose was also articulated:

“We will manage the District aquifers to optimize the sustainable uses of groundwater in satisfying community interests.”

1.3 District Critical Success Factors

The District’s Board also has established a set of continuing “critical success factors” that flow from and are generally consistent with the goals and objectives that are in the Management Plan. These critical success factors include:

- Providing sound science to support and form the basis of policy and tactical decisions made by the District that affect water supply users and endangered species habitat;
- Being highly efficient, accurate, and fair in administering staff activities related to all District programs;
- Developing and instituting an equitable and consistently administered regulatory program that is required to serve our mission;
- Becoming a respected and effective part of the state and local political landscape for water resource management and its stakeholder communities;
- Serving our permittees, stakeholders, and the public at large as a readily accessible source of first resort for reliable information about local water, groundwater, aquifer science, water use and conservation; and
- Providing the programmatic and resource basis for innovative, cost-effective solutions to augment the sustainable quantity of water in the District and to protect the quality of District waters required for various existing uses.

2.0 DISTRICT PROGRAM AREAS AND HIGHLIGHTS FOR 2010

The District continues to use successfully a matrix-type organizational structure, in which all staff members report for administrative supervisory purposes to the General Manager/Chief Operating Officer of the District, and both standing and *ad hoc* teams execute the programs. This section of the report summarizes the operational teams that existed throughout FY 2010 and provides some highlights and notable achievements for each. Appendix B contains more information and details on the work undertaken by these teams in support of the various goals, objectives, and performance standards identified in the District Management Plan.

2.1 General Management

Mr. W.F. (Kirk) Holland, P.G., served as the District’s General Manager (GM) for all of FY 2010. The GM is responsible for the day-to-day business of the District, and is an *ad hoc* member of all the other teams. The GM is the District’s Chief Operating Officer, who:

1. ensures the policies and direction of the Board of Directors are implemented effectively, appropriately, and efficiently;

2. provides leadership, both inside and outside the District organization, in accomplishing the mission, vision, and goals of the District; and
3. serves as an advocate for the staff with the Board and an advocate for the Board with the staff.

The key areas of functional responsibilities for the General Manager include staff management and development, programmatic planning and execution, stakeholder relationship development and cultivation, and financial administration of the District.

In FY 2010, some highlights for the GM Team included:

- Maintaining a productive, efficient, and motivated staff;
- Participating actively in the joint groundwater planning processes of GMA 9 and GMA 10, including interfaces with Texas Water Development Board (TWDB) on aquifer modeling and assessments;
- Serving as the Secretary for the state-wide association of GCDs, the Texas Alliance of Groundwater Districts;
- Serving as a lead contributor to the Envision Central Texas Water Advocacy Working Group;
- Planning, preparing, and providing testimony in the City of Kyle permit amendments contested-case hearing;
- Preparing three proposals for grant projects concerning Edwards desalination feasibility studies; and
- Providing overall project management of the District Habitat Conservation Plan grant project.

2.2 Administrative and General Services Team

Ms. Dana Christine Wilson serves as the Leader of the Administrative and General Services Team, with Ms. Tammy Raymond and Ms. Shannon DeLong as team members for administrative programs support, and with Mr. Nathanael Banda serving as Geospatial Systems Administrator. Ms DeLong worked on a three-quarter time basis throughout 2010, including telecommuting one day per week.

The Administrative Programs Team is responsible for banking, accounting, timekeeping administration, payroll administration, records retention and management, facilities and vehicle fleet management, human resources administration, director compensation and reimbursement administration, and state/federal grant administration. In 2010, the Geospatial Systems capability was assigned to the team, and the team was re-named. The Geospatial Systems Administrator provides on-going geo-coding and mapping support to all District endeavors.

In FY 2010, some highlights for the Administrative and General Services Team included:

- Maintaining the financial records to receive a clean financial audit (See Appendix A);
- Scanning electronically thousands of historical hard-copy records for archival purposes;
- Conducting one uncontested and one contested director election;
- Creating and documenting estimate of exempt well use in the District;

- Completing first stage of 3-D structural model of the Barton Springs Segment of the Edwards Aquifer, including creating a report published in the proceedings of the annual conference of the GCAGS as well as a GIS-focused presentation at the Texas GIS Forum;
- Assisting IT Consultant in the migration to new server hardware and software including the migration of the Exchange mail server; and
- Providing administrative and webmaster contractual support to Texas Alliance of Groundwater Districts.

2.3 Aquifer Science Team

Dr. Brian Smith, P.G., serves as the Leader of the Aquifer Science Team, which is involved in various internal- and external-funded groundwater research and assessment programs. The Team also is supported by Senior Hydrogeologist Brian Hunt, P.G., Hydrogeologist Joe Beery, and from time to time other staff members, including interns; in 2010, intern Jenna Kromann provided notable support.

To protect and manage the groundwater resources of the District's aquifers, the District continued an active research program that is designed to better understand the hydrogeology and hydrodynamics of aquifers in the District.

In FY 2010, some highlights for the Aquifer Science Team included:

- Developing new data series reports, giving numerous technical talks with published abstracts, and publishing several technical papers;
- Developing monitor well standard operating procedures and refining the hydrologic database;
- Collecting hourly water-level data from about 30 wells in the Edwards and Trinity aquifers including monthly water-level data from 13 zones in the District's multiport well;
- Collecting water-quality and isotope data from 25 wells and Springs in the Edwards and Trinity aquifers in a partnership with the TWDB;
- Collaborating with GBRA and USGS regarding synoptic well monitoring program to delineate better the Edwards groundwater flow regimes in the San Marcos-Kyle-Buda area;
- Determining and documenting when the District reached drought thresholds going into and emerging from drought, including refining the District's drought monitor blog;
- Participating with Hays-Trinity GCD and Blanco-Pedernales GCD staff and consultants in initiating the development of a hydrogeologic atlas of the Trinity Aquifer in Blanco, Travis, and Hays Counties;
- Partnering with the EAA and COA on a dye tracing program on the Blanco River watershed to help characterize flow and recharge characteristics;
- Collaborating with EAA, COA, HTGCD, and other GCDs in GMA-9 to develop a synoptic potentiometric map of drought conditions for the Edwards and Trinity Aquifers;
- Developing a geologic database and initial regional 3-D visualization model of the Edwards and Trinity Aquifers in Central Texas;
- Participating with GMA-9 technical discussions and DFC language for draft MAG model runs;
- Finished upgrading the Antioch Cave BMP as part of the 319(h) grant from EPA and TCEQ;

- Drilled a borehole near Antioch Cave for installation of a multiport monitor well that was completed in September 2010; and
- Investigating, designing and promoting a saline-zone feasibility study and pursuing funding for projects to better understand the opportunities and issues associated with utilizing brackish groundwater as an alternative new water supply for the area.

2.4 Education and Community Outreach Team

Ms. Robin Havens Gary serves as the Team Leader of the Education and Community Outreach Team. Ms. Gary and Ms. Julie Jenkins are the District's Environmental Educators and are the primary members of the Education and Community Outreach Team. Most other members of the staff, including interns, support this team from time to time.

The District continues its active, multi-dimensional educational program that emphasizes awareness of the finite and fragile aspects of the groundwater resources in the District. The District was in No-Drought conditions for much of FY 2010. Education and Outreach efforts focused on promoting the use of rainwater harvesting as a supplemental water supply, increasing awareness of aquifer dynamics, and protecting the quality of water that recharges the aquifer.

The Education and Community Outreach Team constantly seeks to maintain and create new partnerships with like-minded local entities to more efficiently and effectively carry out the District's mission. Through these partnerships, staff members augment their knowledge base and are able to make a contribution to efforts that reach larger and more diverse audiences. This year staff continued its partnerships with the Aquarena Center, Capital Area Master Naturalists (CAMN), City of Austin's (COA) Watershed Protection Development Review Department, COA's Water Quality Protection Lands, COA's Water Conservation Department, COA Water Utility, City of Sunset Valley, EAA, Grow Green, Hill Country Foundation, Keep Austin Beautiful, Lady Bird Johnson Wildflower Center, LCRA, Oak Hill Association of Neighborhoods, Regional Water Quality Protection Plan, Save Barton Creek Association, San Antonio River Authority, San Antonio Water System; Splash! Exhibit, Texas Cave Management Association, Texas Parks and Wildlife Department, TWDB, University of Texas' Bureau of Economic Geology, and University of Texas Geology Department.

In addition, the Education and Community Outreach Team continued to develop its volunteer program, most notably utilizing CAMN. Education and Outreach staff helped educate CAMN trainees on local groundwater issues. CAMN volunteers assisted the District at booth events and the Austin Cave Festival and continued their commitment to care for their installed water-wise landscaping at the District.

In FY 2010, some highlights of the Education and Community Outreach Team included:

- Refining content on the District website and trained District Team Leads on the use of the content management system to facilitate updating team web pages;
- E-publishing three editions of the District's Aquifer Bulletin;
- Hosting the 5th Annual Groundwater to the Gulf Summer Institute for Educators, which won the collaborating agencies Keep Austin Beautiful 2010 Education Award; and
- Participating in approximately 35 outreach events that reached approximately 1,100 adults and nearly 2,900 children.

2.5 Regulatory Compliance

The Regulatory Compliance Team Leader is John Dupnik, P.G., and other team members are Joseph Beery (Hydrogeologist) and Guy Rials (Technician). Other members of the staff also support this team from time to time.

The Regulatory Compliance Team is responsible for a wide range of the District's responsibilities including: drought management, pumpage tracking/compliance assessment, rule making, rule and well construction standard interpretation, permitting, enforcement, well inspections, well plugging, and drilling oversight. Regulatory Compliance Team members have also actively attended and participated in community outreach and regional development and planning groups and served as District liaisons to local municipalities, political subdivisions, permittees, and licensed drillers and pump installers in the area.

In FY 2010, some highlights of the Regulatory Compliance Team include:

- **Database Enhancements:** The District's permitting and pumpage database was updated to incorporate changes from the rule revisions adopted on September 10, 2010. This round of enhancements focused on creating attributes that designated the appropriate management zone for each existing well in the District. More enhancements are budgeted and scheduled for FY 2011.
- **Inspections:** A permittee inspection program was reinstated in FY 2010. A set schedule was created with the objective of completing 18 inspections per year. According to the schedule, a representative sampling of permittees with a range of well classifications and permitted pumpage volumes will be inspected each year with every permittee being inspected at least once every 5 years.
- **Conservation Credits:** Credits for FY 2010 were issued to 32 permittees for a total of \$36,063 which includes the portion credited to the COA. The policy was also revised in FY 2010 to address the calculation of credits relative to conditionally permitted pumpage. Revisions were recommended to the Board by staff to clarify that Conditional Permit volumes would not be used in the formulas for calculating credits. The rationale for the recommended policy change was that non-use of conditional pumpage did not constitute conservation and; therefore, should not be considered when determining credits for the implementation of actual conservation measures. The Board adopted the revised policy on June 24, 2010.
- **User Drought Contingency Plan Updates.** Regulatory Compliance staff members were responsible for ensuring that all permittee UDCPs were updated in response to new rules promulgated affecting drought provision and pumpage curtailments. Staff updated all of the template plans and pumpage charts to incorporate the new requirements and made them available to each permittee. At the end of FY 2010, each of the District's 89 permittees submitted the required updates prior to FY 2011 permit renewals.
- **Well Construction Standards** – The Regulatory Compliance Team was successful in drafting a substantially complete draft of the revised Well Construction Standards. The revision was a complete overhaul of the previous standards involving reorganization, an

update reflecting current standards and technology, inclusion of new Trinity and Saline Edwards management zones, and codification as part of the Rules. The draft was the product of stakeholder meetings occurring in FY 2010 and previous years and consultation with our core stakeholders – John Mikels and Joe Vickers. The draft was made available to the public and sent to a select group of drillers, consultants, and groundwater conservation districts for comment near the end of the fiscal year.

- **Rule Making** – An extensive review and revision of the Rules that occurred largely during FY 2009 was completed with the adoption of the revised Rules in early FY 2010 (September 10, 2010). New rulemaking activity was initiated in the summer of 2010 with staff being directed by the Board to consider refinements to the conditional permitting rules. The Rule review was initiated in response to the anticipated Managed Available Groundwater (MAG) estimates and the lifting of the permitting moratorium. Rule-making concepts were developed by staff for Board consideration and then vetted by the Policy Advisory Committee (PAC) at a meeting on August 2, 2010.
- **Drought Management** – The District’s aquifers were on the way out of drought in the beginning of FY 2010 with no drought being declared on December 17, 2010. In the recovery stage of the drought, the District experienced one month of Alarm Stage Drought (November) and two months of Critical Stage Drought (September and October). There were limited occurrences of non-compliance during those months and overall, the District’s permittees were successful in achieving the requisite pumpage reductions of 20% and 30% for Alarm and Critical Stage Drought respectively.

Permitting Summary – New permitting activity was limited due to the latter stages of drought in early FY 2010 and the moratorium on new nonexempt individual Edwards permits. The limited permit activity involved two new public supply wells and an irrigation well to produce from the Middle Trinity, the new exempt Westbay monitor well, and an NDU well. A summary of permitting, new well drilling, and plugging is provided in the following tables:

Individual Permits	
New Permittees (landowners)	0
Total Permits Issued	89
Total Permitted Wells	166
NDU General Permits	
New Permittees (landowners)	1
Total Permits Issued	55
Total Permitted Wells	55

Permitted Pumpage			
Edwards MZs	gallons	cfs	acre-feet
Historical (Ind.)	2,404,855,721	10.19	7,380.23
Historical (NDU)	1,176,933	0.005	3.61
Total Historical	2,406,032,654	10.195	7,383.84
Conditional (Ind.)	262,003,586	1.11	804.06
Conditional (NDU)	15,656,416	0.07	48.05
Total Conditional	277,660,002	1.18	852.11
Total Edwards	2,683,692,565	11.38	8,235.95
Trinity MZs	gallons	cfs	acre-feet
Historical (Ind.)	64,425,000	0.27	197.71
Total Permitted	2,748,117,656	11.65	8,433.66

	Permitted Transport		
	gallons	cfs	acre-feet
FY2010	100,700,000	0	0
Total Permitted	315,700,000	1.34	968.85

Well Drilling	
New Nonexempt Wells	3
New NDU Wells	1
New Exempt Wells	1
Total Wells Drilled	5
Well Plugging	
Total Wells Plugged	3

3.0 REQUIRED DATA AND INFORMATION

The District Bylaws and the Management Plan require a number of specific items to be included in the Annual Report.

3.1 Aquifer Status

FY 2010 began with the District in a Critical Stage Drought condition as a result of a severe 18-month drought. During this period, the region received below-normal rainfall totaling only 35.3 inches of rain at the Austin/Mabry station. That is about 53% of average, and nearly equivalent

to the severity experienced during the 1950s drought. Accordingly, water levels and springflow were in a deep recession, or decline, for most of FY 2009 and reached their lowest values in September 2010. Barton Springs flow at the beginning of FY 2010 was about 14 cfs--its lowest since 1978. Similarly, water levels in the Lovelady drought index well reached their lowest values since the 1950s drought of 197.5 ft.

Rainfall of about 8 to 12 inches began in mid-September 2009, providing recharge to the aquifer that initiated the gradual rise out of drought conditions. The increasingly wet conditions were partly attributable to the development of El Nino conditions in the Pacific Ocean that typically bring about wetter and cooler climatic conditions in Central Texas. The District's Board of Directors downgraded the drought to Alarm Stage on October 22, 2009. The declaration was in response to both Barton Springs and Lovelady rising about their respective Critical drought thresholds. After more rains, the Board unanimously declared an end to the drought of 2008-2009 by authorizing a No Drought condition on December 17, 2009.

Springflow and water levels in the Edwards Aquifer remained above drought thresholds for the remainder of FY 2010 with levels peaking during the summer of 2010. Springflow and water levels were in a slow, steady recession since their summer peak due to a lack of significant rainfall. FY 2010 ended with a No Drought condition, Barton Springs and the Lovelady monitor well above their average levels, and rainfall totals near average.

3.2 Grant Programs

3.2.1 Habitat Conservation Plan Completion Grant

Overall, significantly different and less progress continued to be made in FY 2010 than was initially envisioned and planned; nevertheless, some important work was accomplished. Most work during this period revolved around 1) assessing and correcting errors in the data reporting of the experimental studies, and then using and reporting the newly validated information in a more robust probabilistic ecological risk assessment of physiological response of the salamander to low DO concentrations; and 2) analyzing and reporting new data on spring flow, DO, and salamander counts arising from the near-extreme drought during the first part of this reporting period, and then incorporating those findings and conclusions in a newly re-structured version of the HCP document. This additional work (including unanticipated work and work requiring a larger level of effort than projected) was deemed a necessary precursor to the preparation of the final draft documentation on which public comments would be based and submitted to US Fish and Wildlife Service (Service) through Texas Parks & Wildlife Department (TPWD).

There were significant deviations from the initially planned activities, scheduled work, and levels of effort during this reporting period in all but one of the tasks of the Project. For the most part, these deviations are believed still to represent only schedule variances. While several tasks are requiring some additional work and/or level of effort beyond that originally planned and budgeted, they may not constitute a project cost variance, as some costs are being shifted from more back-end to front-end efforts, and some costs are not being billed to the project by either the District or its contractors. However, the ability for the project participants to do that is not

unlimited, so near the end of FY 2010 the District began working with TPWD and the Service to specify and evaluate the efficacy of indicated contractual changes.

3.2.2 Aquifer Recharge Facility Enhancements Grant

A contract with TCEQ was signed in FY 2007 on April 16, 2007, for a three-year grant project for recharge enhancement and aquifer protection, under EPA's 319h non-point source pollution program. In addition to federal grant funds of \$335,000, the District is contributing \$223,000 of in-kind services to the project, for a total project amount of \$519,000. Early work on this grant project in FY 2008 was associated with developing a Quality Assurance Project Plan, and in coordinating with TCEQ staff in conducting a related conference and workshop. Also in FY 2008, substantial progress was made in upgrading the BMP at Antioch Cave on Onion Creek with a Continuous Water-Quality Monitoring Network (CWQMN). A second valve was installed in the vault at Antioch Cave, and the cave opening was widened. A 3-ft diameter, 42-ft long screen was installed at the intake structure to minimize the amount of sediment entering the cave and to prevent clogging of the intake structure. A CWQMN system was installed at Antioch that monitors water quality in the creek and will automatically open and close valves on the BMPs to minimize entrance of contaminants into the aquifer that are associated with storm flows.

In FY 2009, staff continued evaluating other sites on creeks that cross the recharge zone. Potential candidates for construction of another BMP and installation of a CWQMN system included Cripple Crawfish Cave, Crooked Oak Cave, and Barber Falls on Onion Creek. Crooked Oak Cave was identified as the most likely site for which the City of Austin would give approval. However, a pending real estate transaction delayed approval for the site. With no other sites worth considering, the District and TCEQ agreed that rather than install a second BMP, a multiport monitor well would be installed near the Antioch Cave BMP for monitoring water levels and the movement of non-point source pollutants within the aquifer.

FY 2009 ended without any flow occurring in Onion Creek due to the ongoing drought. Early in FY 2010 significant rains brought an end to the drought and flow occurred at Antioch on a number of occasions. Water samples were collected during these flow events and the BMP functioned as designed with the automated valve closing as a storm pulse arrived at Antioch. As the water in Onion Creek became less turbid, the valve opened automatically to allow recharge through the BMP. The grant contract period ended with most of the field activities completed. The installation of a multiport well at Antioch, which began in July 2010, was completed in September 2010. A final report was in preparation as FY 2010 ended.

3.3 Professional Services

The District expended \$ 111,744 for professional services in FY 2010.

This amount included legal fees of \$ 85,721 provided by Bickerstaff, Heath, Delgado, & Acosta LLP of Austin for general counsel support. These fees included involvement of the District and its attorneys in 1) continuing to oppose and contest the application for a TCEQ Texas Land Application Permit by Jeremiah Venture, L.P., and also 2) conducting a contested-case hearing for permit amendment applications by the City of Kyle, opposed by SOS Alliance, and

responding to a re-hearing request by Kyle. There were no legal services associated uniquely with the grant projects as grant-billable costs.

Additional professional services for FY 2010 include DGRA Engineering for \$9,900; B Zavala Website Redesign for \$19,900; AECOM desalination project for \$5,000; and The Standard Retirement Plan Administration for \$8,170.

The District again retained Mike Figer and Company, CPA, to perform its annual financial audit for FY 2010; that audit report is this Annual Report as Appendix A. The fees for these professional services (to be expended in FY 2011) for the FY 2010 audit will total \$10,500 and are also included in the professional services total above.

3.4 Capital Projects

The District had no new capital projects in FY 2010. However, a portion of the District's Westbay™ multi-port monitoring well, installed during FY 2009 in the southwestern part of the District, was capitalized as a depreciable fixed asset of \$40,202.

3.5 Self-Evaluation Pursuant to the Valdez Principles

As an agency of the state that focuses on environmental management for its mission, the District supports the spirit of the Valdez Principles. Strict adherence to these guidelines is not incumbent on the District. However, most of the District's operations and most of its regulations and requirements of permittees are consistent with the tenets of the Valdez Principles.

3.6 Financial Report

As authorized in the District Bylaws, the Board utilizes the Texas Treasury Safekeeping Trust Company (commonly referred to as "TexPool") as a depository for its funds not required by its current operations. There are several built-in controls and safeguards in the TexPool account mechanisms. The District has established and maintains funds in several TexPool accounts to further minimize risk and to partition funds designated for certain potential uses. To facilitate payments and timely deposits, the District also maintains both checking and payroll accounts with Citibank, which are FDIC-insured. Monies are moved electronically between these accounts and the TexPool accounts, generally keeping funds not required by current operations in TexPool and the cash balances in the operating bank accounts as small as prudently feasible. The District has no additional monetary investments other than its cash fund accounts.

End-of-the-year cash and account balances and an independent assessment of financial controls are found in the Annual Audit Report, included here as Appendix A.

3.7 Evaluation of District's Long-Range Plan Pursuant To §36.1071

3.7.1 Background

Texas Water Code §36.1071 requires all Groundwater Conservation Districts to establish and maintain a long-range comprehensive plan for groundwater management in the District. This long-range plan is a ten-year plan called the District Management Plan. The Management Plan

must be reviewed, revised as necessary, re-adopted, and re-approved at least once each five years. Under the code provisions, all GCDs are required to assess progress quantitatively toward the objectives in their prevailing Management Plan at least annually; this assessment is in Section 3.7.2 of this Annual Report.

The District's prevailing Management Plan at the end of FY 2010 was the plan approved by TWDB in September 2008; it will need to be revised, re-adopted, and approved no later than August 2013. However, the District will be required to at least consider the need to revise its new Management Plan once TWDB establishes the Managed Available Groundwater for each regulated aquifer that achieves the latest Desired Future Conditions established by the joint regional planning process; the MAG represents the maximum amount of groundwater authorized for withdrawal, after imposing all applicable groundwater management schemes. These limitations are expected to become available during FY 2011. In addition, the results, findings, and conclusions of the investigations associated with the Habitat Conservation Planning project and the permit requirements associated with the federal Incidental Take Permit issued by the US Fish & Wildlife Service may be received in late FY 2012. Both the MAGs and the HCP will probably require the then-prevailing Management Plan to be revised before its statutorily required re-adoption in FY 2013.

3.7.2 Board Evaluation and Assessment of Objectives and Metrics

Section 2 of this report highlighted some activities for each of the operational teams. A more comprehensive and detailed listing of the activities of the District is included in Appendix B, which was prepared by the staff and reviewed and revised by the Board to assist in the Board's evaluation of the progress made in FY 2010 toward the goals, objectives, and performance standards identified in the District Management Plan.

On January 15, 2011, the Board reviewed this document, discussed its conformance with the plan objectives and their subsidiary performance standards, and then took action to evaluate progress made by the District toward these strategic objectives, as specified in the metrics for each of the objectives. A summary of the outcome of that meeting, which was open to the public and in which the Board considered whether satisfactory progress was made in 2010, is presented in the following table:

Objective	Abbreviated Description	Motion for FY2010	Movant Director	Seconding Director	Vote Outcome
1-1	Optimize the balance between water use and “preserving, conserving, and protecting” the groundwater resources.	Yes, Achieved	Smith	Larsen	5-0
2-1	Ensure that groundwater is used for beneficial purposes at all times and minimize or prevent wasteful use and harmful alteration of the groundwater and its reservoirs.	Yes, Achieved	Smith	Goodman	4-0, Larsen off dais
3-1	Diversify water supplies available to users in the District to allow for appropriate pumpage curtailments, especially during extreme drought.	Yes, Achieved	Larsen	Franklin	5-0
4-1	Increase understanding of District aquifers through sound science that characterizes aquifer properties and variability so that appropriate policy and regulatory decisions can be made.	Yes, Achieved	Smith	Goodman	5-0
4-2	Review and modify, within statutory authority, the Rules as to their consistency with natural resources protection	Yes, Achieved	Smith	Larsen	5-0
5-1	Maintain sustainable-yield aquifer conditions to prevent well interference and water-quality impacts related to reduced springflow during a recurrence of the DOR	Yes, Achieved	Franklin	Larsen	5-0
6-1	Reduce the per-capita use in the District during non-drought times through relevant statutory, regulatory, scientific, administrative, and educational	Yes, Achieved	Smith	Larsen	5-0

	vehicles.				
7-1	Improve recharge to the Edwards Aquifer to increase the amount of water in storage so that future droughts will be less severe and of shorter duration	Yes, Achieved	Franklin	Smith	5-0
7-2	Assess the feasibility of implementing supply enhancement measures including desalination, ASR, and treated effluent reuse	Yes, Achieved	Larsen	Smith	5-0
7-3	Augment the amount of water recharging the aquifers through the use of alternative water sources	Yes, Achieved	Smith	Larsen	5-0

APPENDIX A

**BARTON SPRINGS/EDWARDS AQUIFER
CONSERVATION DISTRICT**

BASIC FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
PROPRIETARY FUND FINANCIAL STATEMENTS	
Statements of Net Assets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
NOTES TO FINANCIAL STATEMENTS	11
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	19



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Barton Springs/Edwards Aquifer Conservation District
Austin, Texas

We have audited the accompanying basic financial statements of Barton Springs/Edwards Aquifer Conservation District as of and for the years ended August 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Barton Springs/ Edwards Aquifer Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barton Springs/Edwards Aquifer Conservation District as of August 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Barton Springs/Edwards Aquifer Conservation District's basic financial statements. The budgetary comparison schedule on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Figer & Company
February 8, 2011

Barton Springs / Edwards Aquifer Conservation District

Management Discussion and Analysis

Fiscal Year Ending August 31, 2010

The following **Management Discussion and Analysis** narrative provides an overview and summary-level analysis of the significant activities and situations that have financial reporting consequence for the fiscal year. This information is provided in conjunction with our financial statements that follow. The percentages shown in the Management Discussion & Analysis narrative are based on the comparisons of the Statements of Revenues, Expenses and Changes in Net Assets before any adjusting journal entries in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Since the activities of the District are financed primarily by fees charged to external parties, such activities are reported as an enterprise fund and are considered a "business-type activity." The financial statements required for an enterprise fund are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the District's assets and liabilities, with the difference between the two reported as net assets, as of the end of the fiscal year. Over time, increases or decreases in net assets are one indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing the operating revenues and expenses of the District for the fiscal year, using the accrual basis of accounting. Therefore, revenues are recognized when earned, and expenses are recognized when incurred, regardless of when cash is received or paid.

The Statement of Cash Flows provides information about the cash receipts and cash payments of the District during the fiscal year, summarized by operating, capital and related financing, and investing activities.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

CONDENSED FINANCIAL INFORMATION

The following table presents comparative condensed financial information on assets, liabilities and net assets.

Condensed Statement of Net Assets August 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 937,849	\$ 1,294,619	\$ 1,316,351
Capital assets	518,139	455,611	365,127
Other assets	71	71	71
Total assets	<u>\$ 1,456,059</u>	<u>\$ 1,750,301</u>	<u>\$ 1,681,549</u>
Total liabilities	<u>\$ 131,651</u>	<u>\$ 287,014</u>	<u>\$ 112,146</u>
Net assets:			
Invested in capital assets	365,127	365,127	365,127
Unrestricted	<u>959,281</u>	<u>1,098,160</u>	<u>1,204,276</u>
Total net assets	<u>1,324,408</u>	<u>1,463,287</u>	<u>1,569,403</u>
Total liabilities and net assets	<u>\$ 1,456,059</u>	<u>\$ 1,750,301</u>	<u>\$ 1,681,549</u>

The following table presents comparative condensed financial information on revenues, expenses, and changes in net assets.

Condensed Statement of Revenues, Expenses and Changes in Net Assets Years Ended August 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 1,395,522	\$ 1,395,239	\$ 1,422,093
Operating expenses	<u>1,536,694</u>	<u>1,514,021</u>	<u>1,512,070</u>
Operating income	<u>(141,172)</u>	<u>(118,782)</u>	<u>(89,978)</u>
Nonoperating revenues (expenses)			
Interest income	2,293	12,666	48,814
Interest expense	<u>0</u>	<u>0</u>	<u>0</u>
Total nonoperating rev/(exp)	<u>2,293</u>	<u>12,666</u>	<u>48,814</u>
Change in net assets	(138,879)	(106,116)	(41,163)
Net assets beginning of year	<u>\$ 1,463,287</u>	<u>\$ 1,569,403</u>	<u>\$ 1,610,566</u>
Net assets end of year	<u>\$ 1,324,408</u>	<u>\$ 1,463,287</u>	<u>\$ 1,569,403</u>

FINANCIAL HIGHLIGHTS OF CHANGES IN OPERATING REVENUES

Permittees' Water Use and Transport (export) fees and City of Austin Assessment fees, net of conservation credits to both, increased slightly (0.65%) in both dollar terms and proportion of total operating revenue, representing 77.44% of total 2010 operating revenue. There continue to be 2 District transport permits, one now for \$82,367 and the other for \$15,500. Transport fees were budgeted for \$124,000 in both FY 2010 and FY 2009, but only a portion of that was actually received, as the full permit was not approved by the Board, and the portion that was approved was prorated as to its fees; the remainder of the permit increase request is still under appeal and should be resolved in FY 2011. Thus, the transport fees realized are \$26,133 less than the budgeted amount of \$124,000.

Grant income budgeted for FY 2010 (\$170,000) was \$90,000 less than what was budgeted for FY 2009 (\$260,000), as one grant wrapped up during the current year and the other one was largely in a holding mode. Actual grant income received in FY 2010 for both the 319(h) and the HCP-2 grants was \$161,551, even slightly less than budgeted. The 319h grant was completed in February, 2010 after an extension request was granted.

All "Other Fees" revenue (derived from sources such as well development fees, well application and inspection fees, annual permit fees, contractual administrative support of the Texas Alliance of Groundwater Districts, Enforcement Fines and Penalties fees of which there was -0- for FY 2009 and FY 2010), was projected to be \$19,500 (a decrease from the \$44,450 projected for FY 2009).

The change in total annual income from FY 2009 to FY 2010 was a slight decrease. Total annual projected income for FY 2010 was \$1,783,140 (\$64,941 less than the \$1,848,081 that was projected for FY 2009).

Investment (interest) income in FY 2010 continues to decrease as a result primarily of the much less favorable money market returns, along with the smaller investment base. Actual investment income received for FY 2010 is \$2,293; actual investment income received for FY 2009 was \$12,666 (\$10,373 less), and was only 47.8% of the \$4,800 projected.

FINANCIAL HIGHLIGHTS OF CHANGES IN OPERATING EXPENSES

Personnel salaries and wages for FY 2010 is \$ 749,321 which is very close (100.3%) to what was budgeted. This is a 6.5% increase from the prior year (FY 2009 salaries and wages expense was \$703,940) that reflects the effect of normal increases in salaries, incentive compensation, and salary-indexed fringe benefits.

Staff tax and benefit-related expenses for FY 2010 is \$116,211 which is 2.4% less than the prior year, but includes a fluctuating accrued vacation expense account that changes monthly that relates to this apparent decrease. Group insurance benefits for FY 2010 are \$103,772, an increase from the prior year by 23.7%, as expected due to the 24% increase in health care premiums.

Directors' compensation for meetings increased slightly (by 1.3% or \$375) over the prior year, but the total expense was still within the legislatively mandated maximum amount of \$9000 per year per director, with all 5 directors currently accepting compensation throughout FY 2010.

Direct expenses associated with the ongoing work of the various programmatic teams (Aquifer Sciences, Education and Community Outreach, Regulatory Programs) are not meaningfully comparable on a year-on-year basis, because the work programs of each vary year to year. These teams' efforts were substantially completed within their budget and schedule constraints, which are the more important management measures.

Since the District holds elections no more often than every two years (in even-numbered years, if and when warranted), the Elections account typically shows large percentage differences from year to year. Similarly, legislative services tend to be biennial with the Texas Legislative Regular Sessions in odd-numbered years, so year-on-year expense changes for these accounts approach 100%. There was a contested director election in FY 2010 but the total expenses were only \$3,795, as the District minimized its cost by contracting for election services during an extensive, broad-ranging local election field.

Professional Services (excluding legal expenses, and excluding professional services specific to team budgets) increased for FY 2010 (by 65.5% from the prior year) to \$53,023, and was 92.4% of what was budgeted. Most of this increase related to information technology enhancements that were billed and paid in FY 2010, as well as the delay in billing those services delivered in the prior year, which caused the FY 2009 expense to be smaller than budgeted.

Legal Services expense in FY 2010 decreased by 46.3% from the prior year, from \$109,387 to \$58,721. There were no new contested cases in FY 2010 that created a larger demand for such services, especially as compared to the immediately prior years.

Several expense accounts or sub-accounts showing large percentage changes reflect small dollar amounts in one or both years leading to relatively large proportional changes.

KEY FACTORS INFLUENCING CAPITAL ASSETS

Capital assets subject to depreciation include building, vehicles, and equipment with an original cost that is greater than \$5,000 and with a life exceeding one (1) year. Land is not depreciated.

Fixed assets increased in FY 2010 by 13.7% for a total of \$518,139. Westbay monitor well equipment was capitalized and transferred to the Field Equipment category of Fixed Assets from the Aquifer Science team expenses and grant expenses totaling \$107,534.

KEY FACTORS INFLUENCING CHANGES IN CASH FUNDS

The available cash funds (Citibank accounts and TexPool General account, excluding contingency, capital, and reserve funds) at the end of FY 2010 was \$184,319 which is \$14,080 lower than the prior year, but this is attributable to the timing of depositing water use fee payments and their resulting deposits.

For FY 2010, the District transferred \$42,200 (\$41,972 in FY 2009) from its TexPool Capital fund account, and \$160,000 (\$63,784 in FY 2009) from its TexPool Contingency fund account, into its general operating account to fund specific projects and to balance the FY 2010 annual budget.

ANTICIPATED CHANGES

The following events related to financial management either have not occurred yet or have not yet substantially impacted the financial performance of the District, but are expected to be potentially significant in FY 2011:

- * Rule-making associated with newly authorized management zones, which could potentially decrease revenue and increase expenses;
- * Higher lobbying expense in support of an expanded legislative agenda;
- * Legislative services fees;
- * Possible continued higher-than-normal legal expenses associated with at least one ongoing contested case and/or related settlement negotiations, and with the resolution of a lawsuit brought against the District by one of its permittees;
- * Combination of voluntarily reduced water demand during non-drought periods from well-timed rains and of mandated reduced water demand during drought periods that leads to higher than normal conservation credits;
- * Continued use of new Drought Management Fee, policy management, and administration, and increases in new restricted-use capital account;
- * Continued grant efforts for possible saline zone studies and further preliminary desalination efforts in advance of and to qualify for those grant projects; and
- * HCP Continuation/Completion with possible new contractor as required and commitment of District funds beyond the current grant project termination.

BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
STATEMENTS OF NET ASSETS
AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 869,407	\$ 1,192,224
Accounts receivable	66,384	101,097
Prepaid expenses	2,058	1,298
Total current assets	<u>937,849</u>	<u>1,294,619</u>
Noncurrent assets		
Capital assets		
Land	165,415	165,415
Building and improvements	227,034	227,034
Office furniture and equipment	54,933	54,933
Field equipment	309,876	202,342
Vehicles	88,918	88,918
	<u>846,176</u>	<u>738,642</u>
Less accumulated depreciation	(328,037)	(283,031)
Total capital assets, net	<u>518,139</u>	<u>455,611</u>
Deposits	71	71
Total noncurrent assets	<u>518,210</u>	<u>455,682</u>
Total assets	<u>1,456,059</u>	<u>1,750,301</u>
LIABILITIES		
Current liabilities		
Accounts payable	52,875	91,042
Conservation credits	35,859	45,642
Compensated absences	42,917	42,421
Deferred revenue	-	107,909
Total current liabilities	<u>131,651</u>	<u>287,014</u>
NET ASSETS		
Invested in capital assets, net of related debt	365,127	365,127
Unrestricted	959,281	1,098,160
Total net assets	<u>\$ 1,324,408</u>	<u>\$ 1,463,287</u>

See accompanying notes to financial statements.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Water permit and other fees	\$ 1,228,051	\$ 1,265,787
Grant revenue	166,281	127,491
Miscellaneous	1,190	1,961
Total operating revenues	<u>1,395,522</u>	<u>1,395,239</u>
OPERATING EXPENSES		
Operational expenses	148,467	152,132
Salaries, wages and compensation	779,096	733,340
Employment taxes, insurance and benefits	220,465	203,414
Professional services	111,745	141,428
Team expenditures	141,546	144,072
Grant expenditures	90,369	104,669
Depreciation	45,006	34,966
Total operating expenses	<u>1,536,694</u>	<u>1,514,021</u>
Operating income	<u>(141,172)</u>	<u>(118,782)</u>
NONOPERATING REVENUES		
Interest revenue	<u>2,293</u>	<u>12,666</u>
Total nonoperating revenues	<u>2,293</u>	<u>12,666</u>
Change in net assets	(138,879)	(106,116)
Net assets beginning of year	<u>1,463,287</u>	<u>1,569,403</u>
Net assets end of year	<u>\$ 1,324,408</u>	<u>\$ 1,463,287</u>

See accompanying notes to financial statements.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water permit and other use fees	\$ 1,136,810	\$ 1,285,376
Grant receipts	174,544	52,844
Payments to suppliers and employees	(440,686)	(345,486)
Payments to employees and benefits	(999,065)	(828,845)
Grant expenses	(90,369)	(104,669)
Other receipts	1,190	1,961
Net cash provided by (used by) operating activities	<u>(217,576)</u>	<u>61,181</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	<u>(107,534)</u>	<u>(125,450)</u>
Net cash used by capital and related financing activities	<u>(107,534)</u>	<u>(125,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>2,293</u>	<u>12,666</u>
Net cash provided by investing activities	<u>2,293</u>	<u>12,666</u>
Net change in cash and cash equivalents	(322,817)	(51,603)
Cash and cash equivalents beginning of year	<u>1,192,224</u>	<u>1,243,827</u>
Cash and cash equivalents end of year	<u>\$ 869,407</u>	<u>\$ 1,192,224</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Operating loss	\$ (141,172)	\$ (118,782)
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:		
Depreciation	45,006	34,966
Change in assets and liabilities:		
Receivables, net	34,713	(29,788)
Prepaid and deferred expenses	(760)	(83)
Accounts payable and accrued expenses	(38,167)	84,583
Conservation credits	(9,783)	19,848
Compensated absences	496	10,281
Deferred revenue	<u>(107,909)</u>	<u>60,156</u>
Net cash provided by (used by) operating activities	<u>\$ (217,576)</u>	<u>\$ 61,181</u>

See accompanying notes to financial statements.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Barton Springs/Edwards Aquifer Conservation District (the District) is a ground-water conservation district created in 1986 by the Texas Water Commission (now the Texas Commission on Environmental Quality), validated in 1987 by the 70th Legislature (Senate Bill 988), and confirmed by the voters on August 8, 1987. The District's statutory authority is Chapter 52 of the Texas Water Code, as amended by the 70th Legislature Senate Bill 988, further amended to reference Chapter 36 of the Texas Water Code upon the repeal of Chapter 52, effective through House Bill 2294 by the 74th Legislature.

The District encompasses approximately 225 square miles and serves southern Travis County, northern Hays County, and portions of southwestern Bastrop and northwestern Caldwell Counties. The District is committed to providing for the conservation, preservation, protection, recharging, and prevention of waste of groundwater of the Barton Springs segment of the Edwards Aquifer.

The enabling legislation creating the District provides that the District may assess fees "on an annual basis, based upon the size of column pipe used in the wells, the production capacity of the well, or actual, authorized, or anticipated pumpage". The District may not assess and collect taxes. The enabling legislation, as amended by House Bill 2294 in the 74th Legislative Session, further provided that the City of Austin can be required to pay a usage fee not exceeding sixty percent of the sum of (1) the total water use fees received from all permitted users and (2) the usage fee of the City of Austin.

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity

These financial statements present the operations of the District alone, and include no component units. As defined by GASB Statement No. 14, *The Financial Reporting Entity*, component units are legally separate entities that would be included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Based on the specific criteria in the Statement, the District has no component units and is not a component unit of any other reporting entity as defined by the Statement.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE A – Continued

Basis of Presentation

Basic financial statements of a governmental entity normally include both government-wide and fund financial statements. However, because the District only has one fund, only fund financial statements are presented.

The District's operations are accounted for in the proprietary fund type called an enterprise fund. Enterprise funds are required to be used to account for business-type operations for which a fee is charged to external users for goods or services. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements.

The District's business-type activities are presented on the accrual basis of accounting. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, all of which are considered to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	25 to 30 years
Office furniture and equipment	3 to 10 years
Field equipment	5 to 7 years
Vehicles	5 years

Compensated Absences

The District accrues accumulated unpaid vacation leave and associated employee-related costs when earned by the employee. The liability for accrued leave at August 31, 2010 and 2009 is \$42,917 and \$42,421, respectively.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE A – Continued

Deferred Revenue

Deferred revenue consists of water permit fees received in the current fiscal year which are applicable to the succeeding fiscal year. These fees will be recognized as revenue in the fiscal year to which they apply.

Defining Operating Revenues and Expenses

The District's proprietary fund type distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services (consisting of fees assessed for permittees' permitted pumpage) and the costs of providing those services, including depreciation. Operating revenues and expenses also include amounts received and spent under the terms of the agreement with Texas Parks and Wildlife Department (see Note H). All other revenues and expenses are reported as nonoperating.

Net Assets

Net assets are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets – consist of net assets that are restricted by the District's creditors, by the state enabling legislation, by grantors, and by other contributors.
- Unrestricted – all other net assets are reported in this category.

At August 31, 2010 and 2009, the District has no restricted net assets.

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During the years ended August 31, 2010 and 2009, the District was under contract with Texas Municipal League Intergovernmental Risk Pool to cover property and general liabilities. In addition, the District purchased commercial insurance to cover commercial crime coverage and public official bonds. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE B – BUDGETARY CONTROL

The District's Board of Directors adopts an annual budget of anticipated revenues and expenses prior to the beginning of each fiscal year. This budget is prepared on substantially the same basis used to reflect actual revenues and expenses, except that capital outlay is budgeted in addition to depreciation expense and transfers to contingency and reserve funds are budgeted as non-cash disbursements. Amendments to the initial budget are approved by the Board as needed at its regular meetings.

NOTE C – DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The District's cash deposits as of and during the years ended August 31, 2010 and 2009 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. Among the items that must be addressed in the policy are the following: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, and (7) investment staff quality and capabilities. The Act also determines the types of investments which the District is authorized to invest in. These include: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. Finally, the Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act.

The District participates in the Texas Local Governmental Investment Pool (TexPool), which is an external investment pool offered to local governments. TexPool is not SEC registered; however, it is regulated by the State Comptroller of Public Accounts. These investments are stated at fair value which is the same as the value of the pool shares. At August 31, 2010 and 2009, the District's investment in TexPool amounted to \$843,316 and \$1,023,334, respectively.

The District is in substantial compliance with the requirements of the Public Funds Investment Act and with local policies.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 165,415	\$ 0	\$ 0	\$ 165,415
Building and improvements	227,034	0	0	227,034
Office furniture and equipment	54,933	0	0	54,933
Field equipment	202,342	107,534	0	309,876
Vehicles	<u>88,918</u>	<u>0</u>	<u>0</u>	<u>88,918</u>
Total capital assets	\$ 738,642	107,534	0	\$ 846,176
Accumulated depreciation	<u>(283,031)</u>	<u>(45,006)</u>	<u>0</u>	<u>(328,037)</u>
Total capital assets, net	<u>\$ 455,611</u>	<u>\$ 62,528</u>	<u>\$ 0</u>	<u>\$ 518,139</u>

NOTE E – CONSERVATION CREDITS

The District supports and encourages a permittee's efforts to conserve water and to reduce annual pumpage as a result of conservation efforts by providing a credit to the permittee's account for the ensuing fiscal year. To be eligible for the credit, the permittee's reported pumpage volume must be less than the maximum amount pumped on an annual basis in the last three fiscal years, and the permittee must meet other requirements regarding submission of timely payments and meter readings.

Conservation credits awarded for the fiscal years ended August 31, 2010 and 2009 amounted to \$35,859 and \$45,642, respectively.

NOTE F – DESIGNATED NET ASSETS

The Board has designated a portion of its net assets as follows:

<u>Designation</u>	<u>Balance at August 31, 2010</u>	<u>Balance at August 31, 2009</u>
Reserve for contingencies	\$ 215,895	\$ 375,175
Reserve for payment of compensated absences	42,517	42,432
Reserve for future capital acquisitions	<u>426,676</u>	<u>467,940</u>
	<u>\$ 685,088</u>	<u>\$ 885,547</u>

Amounts equal to these reserves have been segregated into separate TexPool accounts. Such designations represent management's plans for the use of resources and do not have the same status as restrictions on net assets. Therefore, the reserves may be used by the District at any time, as directed by the Board.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE G – RETIREMENT PLAN

The District provides retirement benefits for all full-time employees who are at least twenty-one years of age and have twelve months of service. The plan, a defined contribution pension plan, is a money purchase pension plan and trust. The District's contributions for the years ended August 31, 2010 and 2009 were \$53,210 and \$51,318, respectively.

As of August 31, 2010, the defined contribution pension plan assets are summarized as follows:

<u>Investment Type</u>	<u>August 31, 2010</u>
Short-term investments	\$ 12,845
Mutual funds – equity	580,404
Mutual funds – fixed income	<u>157,487</u>
Total plan assets	<u>\$ 750,736</u>

During the plan year ended August 31, 2010 twelve of the thirteen persons employed by the District met eligibility requirements and were participants in the Plan. Three participants who terminated prior to September 1, 2006 have account balances in the plan. No persons were receiving survivors' benefits from the plan at any time during the year ended August 31, 2010.

NOTE H – CONTRACT AGREEMENTS

In June 2004, the District entered into a Memorandum of Agreement with the Texas Parks and Wildlife Department (TPWD). The agreement provides that the District will prepare a draft habitat conservation plan and draft environmental impact study or environmental assessment for management of the Edwards Aquifer to address covered endangered species in the Barton Springs area, as well as protection of the water supply. The agreement covered the three-year period ended April 28, 2007. For the years ended August 31, 2010 and 2009, the District recognized \$49,614 and \$0, respectively, in grant revenue from billings to TPWD, contributions from third parties, and donated conservation credits from permittees.

In March 2007, the District entered into an agreement with the Texas Commission on Environmental Quality (TCEQ) to provide services regarding the (i) upgrade of the Antioch Cave recharge facility by adding water quality monitoring equipment and flow management devices and (ii) the evaluation of additional Onion Creek surface water flow control systems. The grant is not to exceed \$558,000 with a grant period of March 29, 2007 through August 31, 2009. TCEQ will reimburse up to \$334,800 contingent upon the District's minimum matching funds or in-kind contributions of \$223,200. For the years ended August 31, 2010 and 2009, the District recognized \$111,937 and \$122,741, respectively, in grant revenue from billings to TCEQ. Expenses incurred by the District for the years ended August 31, 2010 and 2009, excluding payroll and overhead, amounted to \$40,520 and \$77,181, respectively.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE I – LITIGATION

As a result of a contested-case permitting decision, in which the District Board authorized only a portion of the requested amount of water because the applicant failed to demonstrate a full amount of an alternative water supply as required by the District rules, the applicant City of Kyle is suing the District. The District is vigorously defending itself and believes that it will prevail in the suit on summary judgment, or in a trial and if necessary on appeal. However, even if the District ultimately loses, the financial exposure of the District is small; what the City of Kyle would win is the amount of water that was denied them in the Board's original permitting decision. The City requested attorney fees which may be recoverable within the discretion of the court if Kyle prevails on its claim under the Uniform Declaratory Judgment Act. The District's extraordinary costs associated with the Kyle case will primarily be additional legal fees, and the amount of those legal expenses will depend on how far the case is pursued; these extraordinary costs could range from several thousand to several dozens of thousands of dollars. These fees are recoverable by the District if it prevails. If not, these expenses will be defrayed from current-year operational funds, and if necessary, from the Contingency reserve fund.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 8, 2011, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(GAAP Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
OPERATING REVENUES				
Water use fees - permittees	\$ 647,903	\$ 647,903	\$ 451,821	\$ (196,082)
Water use fees - City of Austin	733,077	733,077	733,077	-
Conservation credits	(25,794)	(25,794)	(39,078)	(13,284)
Grant revenue	175,160	175,160	166,281	(8,879)
Other fees	19,500	19,500	82,231	62,731
Miscellaneous	500	500	1,190	690
Total operating revenues	<u>1,550,346</u>	<u>1,550,346</u>	<u>1,395,522</u>	<u>(154,824)</u>
OPERATING EXPENSES				
Operational expenses	174,517	173,820	148,467	25,353
Salaries, wages and compensation	777,954	783,343	779,096	4,247
Employment taxes, insurance and benefits	222,177	251,700	220,465	31,235
Professional services	102,400	119,400	111,745	7,655
Team expenditures	267,700	259,000	141,546	117,454
Grant expenditures	170,000	170,000	90,369	79,631
Depreciation	50,000	50,000	45,006	4,994
Total operating expenses	<u>1,764,748</u>	<u>1,807,263</u>	<u>1,536,694</u>	<u>270,569</u>
Operating income	<u>(214,402)</u>	<u>(256,917)</u>	<u>(141,172)</u>	<u>115,745</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	4,800	4,800	2,293	(2,507)
Transfers to reserves	160,000	202,200	-	(202,200)
Total nonoperating revenues (expenses)	<u>164,800</u>	<u>207,000</u>	<u>2,293</u>	<u>(204,707)</u>
Change in net assets	(49,602)	(49,917)	(138,879)	(88,962)
Net assets beginning of year	<u>1,378,308</u>	<u>1,378,308</u>	<u>1,463,287</u>	<u>-</u>
Net assets end of year	<u>\$1,328,706</u>	<u>\$1,328,391</u>	<u>\$1,324,408</u>	<u>\$ (88,962)</u>

APPENDIX B

APPENDIX B

**Basis for Board of Directors' Evaluation of Progress
Concerning Goals and Objectives**

January 15, 2011

Appendix B

Evaluation of Progress on Goals and Objectives

Objective 1-1: Optimize the balance each year between water use and “preserving, conserving, and protecting” the groundwater resources of the District.

Performance Standards for Objective 1-1:

A. Provide and maintain a sound statutory basis for continued District operations on an ongoing basis.

In FY 2010, the District operated under and was guided by the statutes that govern the District, protecting its statutory authority and carrying out its statutory responsibilities under the prevailing District Management Plan. There was no legislative session in FY 2010.

- District staff and directors communicated both verbally (telephone calls, conferences, one-on-one meetings) and in writing (letters, newsletters) with those legislators having common constituents in the District, especially those who depend on groundwater, and with other legislators who are opinion leaders in the groundwater management arena.
- The District General Manager took an active role in the development of information concerning regional water issues of potential statutory import by serving on an advocacy Water Work Group sponsored by Envision Central Texas, producing a report that was presented to all regional legislators in the run-up to the upcoming legislative session.
- The District staff monitored developments and took part in two so-called Groundwater Forums, sponsored by the Texas Farm Bureau, Texas & Southwestern Cattle Raisers Association, and Texas Wildlife Association, among others, that communicated their positions on groundwater ownership and landowner rights. District staff and others provided GCD perspectives and attempted to work collaboratively with these stakeholder groups.
- After being proposed and communicated to the public during multiple town hall meetings, meetings with individual stakeholders, discussions and vetting by the District’s Policy Advisory Committee, and a public hearing, the District Board adopted a major revision to its *Rules*, largely in response to the then-deepening drought and the need for differentiating regulation among the aquifers in the District. The *Rules* as adopted were derived from and supportive of both explicit and implied authorities in the governing statutes.

B. Seek and make effective use of grant funding of programs that are complementary to ongoing District activities and programs and that supplement other District revenue sources.

The District had two major grant projects ongoing throughout FY 2010, and proposed on several additional grant projects.

- The District continued working to complete its Habitat Conservation Plan (HCP) grant project, funded by US Fish and Wildlife Service through Texas Parks and Wildlife Department. Most of the work accomplished in FY 2010 related to 1) incorporating the new biological risk assessment into a peer-reviewed journal, which was accepted for publication, and also 2) defining the statutory Desired Future Conditions as key HCP measures. Discussions were held with both FWS and TPWD about the impending need to extend the term of the grant project to accommodate the delays in the project. The Annual Interim Report was prepared and submitted to TPWD on time.
- The District's Section 319(h) grant project funded by the Environmental Protection Agency (EPA) through the Texas Commission on Environmental Quality (TCEQ) continued through FY 2010 when work on the grant was completed. In addition to upgrading the BMP at Antioch and installation of Continuous Water Quality Monitoring Networks (CWQMN) at Antioch and Sky Ranch, a multiport monitor well was installed at Antioch to monitor recharge to the Edwards Aquifer.
- As part of its desalination feasibility initiative, the District, in association with Texas State University-San Marcos (TSU-SM) and Texas Disposal Systems, Inc., proposed on two grant funding opportunities: one to the TWDB, and another to the Federal Bureau of Reclamation. Neither of these grant proposals were successful, as they were judged to involve too many uncertainties concerning the project for these particular grant programs. Near the end of the year, the District and its public-private consortium members identified and began working on a congressionally-directed grant proposal through TSU-SM, which is a funding opportunity more appropriate to the applied research needed for evaluating desalination in the District.

C. Empanel and empower a Board of Directors that ensures Board-level policy decisions are consistent with current public perceptions of efficient groundwater use, conservation, preservation, and protection so that there is public accountability for District operations and decision-making.

- A full Board of Directors, with all five precincts represented, was active throughout FY 2010.
- Two director precincts held elections for directors in FY 2010. Precinct 5 Director Craig Smith was unopposed and was re-elected automatically; Precinct 2 Director Gary Franklin campaigned against one opponent but was re-elected by a majority of the voters in the precinct.
- The District Board of Directors held 22 regularly scheduled Board meetings, 7 public hearings, 3 special called Board meetings, 4 work sessions, and 170 other individual Director meetings in FY 2010, to govern the District according to the needs of its constituents and the requirements of its statutes. All Board meetings were noticed and conducted in accordance with the District Rules & Bylaws, and the Texas Open Meetings Act.
- The District Board of Directors considered the need to redistrict its director precincts and determined, in accordance with the statutes, that redistricting was not required in FY 2010. However, preliminary planning for the required redistricting following the decennial census in FY 2011 was initiated.

D. Register, permit, and monitor, as appropriate, wells in the District to assess compliance with the *Rules*, and *Well Construction Standards*.

- The District staff conducts inspections on existing permitted well systems as part of the recently established routine inspection schedule and in response to applications received. A total of ten inspections were conducted by the Regulatory Compliance Team in FY 2010. Seven routine inspections were conducted on various well systems including: Glen Schuknecht, Southern Hills Church of Christ, Mision Cristiana Maranatha, Comal Tackle, City of Kyle, Benjamin Rosas, and Hays CISD. Three application-triggered inspections were conducted on wells for St. Andrew's School, Oak Forest WSC, and Ruby Ranch WSC.
- Monthly meter readings were collected from all permittees each month, with 90% reporting in a timely manner. The District strives for 100% timely compliance, and staff and directors continuously evaluate policy improvements and other changes that will promote compliance with the *Rules*. In FY 2010, the other 10% of permittees failing to submit timely reports were provided reminders of delinquent reporting and all were responsive once the reminder was received.
- The rule changes adopted on September 10, 2009, included a new drought stage (Exceptional Drought) with additional curtailments and provisions, triggering the need to update all UDCPs. The Regulatory Compliance Team developed updated templates and pumpage charts and was successful in reviewing and approving updated UDCPs for all 89 of the District's permittees.

E. Maintain and develop programs that inform and educate Austin-area citizens of all ages about water-related matters of local, state, and national importance.

- The District collaborated with local water-related agencies to organize and host the 5th annual Groundwater to the Gulf Summer Institute for Educators that trained 50 teachers who collectively reach over 5,000 students. The Groundwater to the Gulf Collaborative was recognized as the 2010 Keep Austin Beautiful Education Award recipient.
- Staff served as a member of the Citizen's Water Conservation Task Force and helped publish a comprehensive report of water conservation strategies for the City of Austin Water Utility.
- District Staff and directors participated in a collaborative media event that marked the beginning of the calendar driven water conservation period, with District representatives and other area water utilities and purveyors providing remarks and interviews and offering instructional materials.
- District staff members served on the Hays County Water Conservation Working Group and helped organize the first annual Rainwater Revival, an educational event promoting small-scale rainwater harvesting.
- Three editions of the Aquifer Bulletin newsletter were posted on-line and subscribers were notified with content via email.

- To keep the public up-to-date with aquifer conditions, the Drought Monitor Blog and Drought Charts were regularly updated, posted on-line, displayed, and distributed at events and at District headquarters.

F. Process and review renewals and applications for new production permits, new transport permits, production permit amendments, transport permit amendments, and well modifications in accordance with the *Rules*, and *Well Construction Standards*.

As reported in the “District Programs - Team Highlights” section of the Annual Report, there were only a small number of new wells, new production permits, or production permit amendment applications received and processed in FY 2010. Of these, all were processed in conformance with the District’s information requirements, procedural requirements, and time frames. All current Production and Transport Permits were renewed at the end of the respective permit terms as well.

In one permit action that extended into FY 2010, the District conducted a contested-case hearing on requested conditional-use and transport permit amendments for a large permitted user of Edwards groundwater, and made a determination that the District believed was consistent with the existing *Rules* and the evidence presented in the contested case. The permittee has since announced its intention to litigate this matter further, and the District intends to vigorously defend itself, its *Rules*, and its ability to interpret its own *Rules* reasonably.

G. Maintain effective and efficient accounting and financial records management in accordance with federal and state law, the *Rules*, and Board direction; and maintain official records, files, and minutes of Board meetings, preserving and protecting public documents in accordance with state and federal laws and the District Records Retention Schedule to allow for safekeeping and efficient retrieval.

- District Board and staff members maintained their financial resources in a manner that maximizes liquidity while maintaining the greatest return on District fund balances by investing in securities or investment pools that operate in low risk investments and are backed by the state and/or federal government.
- The District developed, implemented and modified as needed, a balanced FY 2010 Annual Budget that the Board approved on August 24, 2009, and then revised once during the fiscal year, on April 8, 2010.
- The District Board successfully reduced, and continues to seek additional means by which the District can reduce further, the need to use its reserve funds for continuing operations.
- The District obtained contracts for services in accordance with established District standards that meet or exceed the requirements of state law and the *Rules*.
- The District developed, posted and distributed District Board Meeting materials and back-up materials, and prepared meeting minutes in a timely manner for Board approval.

Objective 2-1: Ensure that groundwater is used solely for beneficial purposes at all times and minimize or prevent activities that may cause or contribute to the wasteful use of groundwater and to the pollution or harmful alteration of the character of the groundwater and its reservoirs.

Performance Standards for Objective 2-1:

A. Require all newly drilled exempt and nonexempt wells as well as plugged wells, to be registered and authorized in compliance with the *Rules and Well Construction Standards*.

All applications for well plugging, well registration, and new exempt and nonexempt wells reported in the “District Programs-Team Highlights” section of the Annual Report were reviewed and processed in accordance with the specified time frames. Additionally, all new wells were inspected both before and after completion.

B. Assess ambient conditions in District aquifers by sampling and collecting groundwater data from selected wells, including those installed by the District and other resource management agencies for such purposes as well as those for other uses.

Much of the water quality sampling in FY 2010 was conducted through our annual participation in the TWDB groundwater sampling effort. In this effort, District staff collected samples from 25 sites in the Edwards and Trinity aquifers from wells, springs, and the Blanco River. The sampling included major ions for all sites and environmental and age-dating isotopes for 15 of those sites. The District also collected samples from: five wells during routine inspections, each new well constructed, and one abandoned well prior to plugging. Samples from the other abandoned wells that were plugged were not collected due to problems with obstructions and other access issues. Other sampling was conducted as part of special investigations related to the Circle C wastewater spill (in cooperation with the City of Austin), the Ruby Ranch and Oak Forest aquifer tests, and the Cimarron Park public supply well issues.

C. Provide leadership and technical assistance to federal, state and local entities; organizations; and individuals on the geology, hydrogeology, and karst features impacted by groundwater-utilizing land use activities.

- The District continued to monitor and review activity subject to TCEQ’s 30 TAC §213 Rules related to regulated activities that may affect the Edwards Aquifer. In FY 2010, District staff received and reviewed in an appropriate level of detail ten Water Pollution Abatement Plans (WPAPs) but no comments to TCEQ were deemed necessary.
- The District in cooperation with the City of Austin, the City of Dripping Springs, Hays County, and the LCRA agreed to jointly fund a USGS study supplement to a TCEQ-funded study to characterize the geochemistry of the Barton Springs segment of the Edwards Aquifer. The supplement funded by the cooperative included additional sampling and parameters in an effort to assess the impact of existing wastewater sources on the aquifer. The sampling was conducted in the previous fiscal year but the analysis and limited interpretation of results were made available in FY 2010. An associated report to be funded by the cooperative with the addition of Travis County is scheduled to be completed no later than spring of 2011.

- The District participated in a stakeholders group formed in response to the denial of the joint District and City of Austin petition for rulemaking to prohibit direct discharges of wastewater into the Contributing Zone. The process resulted in a draft rule developed by the TCEQ staff. The draft rule was withdrawn in response to the many comments provided by stakeholders that were dissatisfied with the draft.
- With regard to pursuing legal remedies to minimize groundwater quality impacts, the District has formally protested the Jeremiah Venture Texas Land Application Permit (TLAP) and is participating as a designated party in a contested case hearing. The contested case proceedings were initiated in a previous fiscal year but carried over and were in continued abeyance for all of FY 2010. The abatements were requested and agreed to by all parties to provide time for additional site assessment. The District in cooperation with the City of Austin, the LCRA and others participated in an intensive karst survey and geological assessment of the property to more accurately evaluate the proposed TLAP.
- The District participated throughout FY 2010 in the re-constituted Natural Infrastructure Committee of Envision Central Texas, supporting both its Greenprint initiative and some related case studies, including one for the Dahlstrom Ranch Conservation Easement, in which District Educator Julie Jenkins worked with a multi-disciplinary, multi-lateral team to show how such conservation lands on environmentally sensitive properties, like that one on the recharge zone, can be a win-win for the landowner and the community.
- In another ECT initiative, the District was a major contributor in an *ad hoc* Water Work Group, charged with developing an analysis of various water-related issues of regional importance that were deemed critical to maintaining regional growth, environmental protection, and quality of life, and recommending responsive advocacy positions for the ECT region's legislative delegation.
- The directors and staff participated in leadership roles with the Regional Water Quality Protection Plan's Intergovernmental Work Group, which continued to meet approximately bi-monthly to discuss issues of importance to the protection of the Barton Springs segment of the Edwards Aquifer. The District staff actively participated in both program planning and presentations at these meetings.
- The District worked with Hays County to develop an Interlocal Agreement (ILA) concerning District support to the County's investigations for its subdivision regulations and enforcement. At the end of the fiscal year, this ILA was still pending.
- The City of Austin and the District Board, staff, and consultants continued its dialogue and began crystallizing those areas of common interest into potential provisions of a Memorandum of Agreement that addresses multiple areas of cooperation, including provision of alternate water supplies to District permittees in drought-induced emergencies, joint educational programs, joint scientific and engineering studies, a possible biennial symposium on the Barton Springs segment of the Edwards Aquifer, and financial support of the City's Salamander Conservation Fund. The District Board of Directors approved the elements of this MOU in FY 2010, but at the end of FY 2010, consideration of this MOU's elements by various departments of the City was still underway.

- The District’s General Manager was a leader in the statewide association of GCDs, the Texas Alliance of Groundwater Districts, serving as TAGD’s Secretary and a member of its Executive and Legislative Committees in FY 2010.
- District representatives were regularly interviewed by local media concerning drought, prepared an op-ed piece published by the Austin American-Statesman concerning drought messaging, and made an invited presentation on groundwater and drought management to the Black Public Administrators National Forum.
- District staff and directors attended and participated in several conferences dealing with groundwater management and use issues, including Texas Water Law Conference, Water4Texas Legislative Conference, and TWDB Conference on DFCs.
- District representatives prepared and presented written and oral testimony to the Sunset Review Commission panels for TWDB and TCEQ sunset process concerning issues and matters to improve groundwater management, and to the House Natural Resources Committee on interim charges dealing with GCDs and groundwater management.

Objective 3-1: Diversify water supplies available to users in the District and thereby allow for appropriate pumpage curtailments, especially during extreme drought.

Performance Standards for Objective 3-1:

A. Assess the availability of regional surface water and alternative water supplies and the feasibility of those sources as viable supplemental supplies for District groundwater resources.

The District staff and directors undertook several initiatives with the intent to improve the ability for District permittees to curtail groundwater use in favor of such alternative supplies, either as a long-term permanent substitute resource or as a temporary extreme-drought alternative supply. In the past year:

- District staff actively participated in the regional water planning processes of both Region K and Region L, which are engaged in a multi-year re-evaluation of water demand, water supplies and resources, and water management strategies. The District provided input to both of these regional water planning groups. These inputs were reflected in the adopted 2011 plans by limiting firm-yield fresh Edwards groundwater availability to the volume available after extreme drought curtailments and by including desalination of saline Edwards groundwater as a future water supply strategy.
- The District Board and staff have continued the planning process for studies of the geotechnical, economic, engineering/technological, and environmental/public-acceptance feasibility of a potential desalination and/or Aquifer Storage and Recovery facility in or near the eastern part of the District in the Saline Edwards Aquifer. Desalinated Edwards water may be the only true “new water” available in the vicinity of the District. The District participated in some preliminary assessments of the resource, including consultations on a pilot test well on the Texas Disposal System landfill site in FY 2009. In the current fiscal year, as described earlier under Objective 1-1, Performance Standard B, District staff, in association with Texas State University-San Marcos and Texas Disposal Systems, Inc, proposed on two grant funding opportunities: one to the TWDB, and another to the Federal

Bureau of Reclamation. Neither of these grant proposals were successful, as they were judged to involve too many uncertainties concerning the project for these particular grant programs. Near the end of the year, the District and its public-private consortium members began working on a congressionally-directed grant proposal through TSU-SM, which is an opportunity more appropriate to the applied research needed for evaluating desalination in the District.

- District directors and staff members worked with two of the District's industrial permittees, Centex Materials and Texas Lehigh, and one of its large municipal permittees, the City of Buda, to evaluate the substitution of highly treated municipal effluent for Edwards groundwater in their processing areas. Protecting the recharge zone from deleterious effects of such substitution was identified as a potential issue, and along with costs, were in the process of being evaluated at year end. This risk of deleterious effects was the impetus for a joint submittal of a preproposal to the WaterReuse Foundation to research the potential for infiltration of effluent in the Centex process area. The preproposal; however, was not accepted.
- The District Board adopted rules that would establish a Temporary Transfer Permit (TTP) system that would allow, during Exceptional Stage Drought, the contractual transfer of pumping rights from one historical user with surplus supplies to another historical user who had no such access and was required to curtail pumping during extreme drought. These rules also established the Saline Edwards Management Zone to allow permitting firm-yield pumpage that is not subject to the curtailments of Conditional permits. Establishing relaxed permitting requirements for the Saline Edwards MZ's serves to remove one of the obstacles to future development of brackish Edwards groundwater as an alternate supply.

B. Encourage District permittees to diversify their water supplies and implement conjunctive use by fostering arrangements with available water suppliers.

In FY 2010, the ever-deepening drought generated interest in identifying surface water and other alternative water supplies by both the District staff and the District stakeholders, especially permittees with other supplies accessible and nearby.

- In response to the creation of the Temporary Transfer Permit (TTP) in the rules adopted by the Board on September 10, 2009, District staff performed an analysis of existing supplies currently available to District public water supply permittees. The analysis was used to identify and initiate a dialogue with permittees in position to be providers in a TTP arrangement, as mentioned in the preceding performance standard. Such arrangements would serve to reward permittees with diversified water supplies while aiding other permittees subject to extreme pumpage curtailments during an Emergency Response Period.
- The District continued discussions with the COA's Austin Water Utility (AWU) to promote possible interconnections, especially during severe drought conditions, between certain permittees such as Creedmoor-Maha Water Supply Corporation (WSC) and Arroyo Doble WSC and AWU. Progress was made with AWU, which agreed to consider including provisions in wholesale water contract negotiations that would require more aggressive curtailments.

- The District directors and staff continued discussion with Texas Disposal Systems (TDS) and other potential partners about initiating feasibility studies of a desalination facility under a possible public-private partnership in or nearby the TDS property.
- The District directors and staff continued discussions in FY 2010 with Texas Lehigh and Centex and with City of Buda about the use of reclaimed Buda effluent as an alternative water supply for those industries. The discussions culminated in the joint submittal of a preproposal for the WaterReuse Foundation research grant. The grant would have funded a study to assist in determining the potential for infiltration of effluent in the Centex process area. The preproposal; however, was not accepted and there has been little progress since.
- The District directors and staff worked with both Ruby Ranch WSC and Oak Forest WSC to promote the development of the Trinity Aquifer as a substitute and supplemental resource. Both permittees received authorizations from the Board and completed public supply wells producing water from the Middle Trinity Aquifer. The District staff collaborated with Oak Forest WSC on a series of geophysical investigations in an effort to optimize production and quality. The lessons learned will assist in the future development of the Middle Trinity as a potential alternative water supply.
- The District, including both directors and staff, has continued to make progress in relaxing the institutional barriers to wholesale water arrangements between District groundwater users and the COA AWU. The continued discussions with the COA AWU has resulted in consideration of contract provisions requiring additional drought curtailments of historical permitted water and more progress in the development of a Memorandum of Understanding (MOU) to address this issue among others. These discussions and the development of the MOU are ongoing and will continue in FY 2011 in association with the work on the District HCP.
- District efforts to foster new surface water supply arrangements have continued through the Stenger Ridgewood Village Water System (SR) enforcement case. In response to Drought rule violations, the District and SR entered into an agreement that would require SR to retire the Historical Edwards Production Permit and convert to a water supply through Travis County Water Control and Improvement District (WCID) No. 10. The feasibility studies were completed and WCID No. 10 has agreed to annex the SR service area provided that each and every resident is agreeable and submits a petition requesting annexation. The status of this petition is pending.

C. Demonstrate the importance of the relationship between surface water and groundwater, and the need for implementing conjunctive use, through education and public outreach.

The District hosted a number of events that helped communicate the importance of surface water/groundwater interaction.

- The Austin Cave Festival (March 13, 2010) attracted over 1,000 visitors, and allowed people to explore local caves, learn about water quality protection with surface activities, water conservation, and rain water harvesting systems.

- The Groundwater to the Gulf Summer Institute for Educators (June 22-24, 2010) equipped 50 teachers (who reach over 5,000 students annually) with hands-on activities to teach about surface water/groundwater interaction, water issues, and water conservation.
- District staff participated in the planning of a conference (Land Water People) hosted by the River Systems Institute of Texas State University. A presentation about the recharge enhancement system at Antioch was given and staff conducted a field trip on November 18, 2009 to Antioch as part of the conference.
- District directors and staff collaborated with area water purveyors to host a structured Water Conservation Period “media rollout” that focused media and public attention on the need to be aware of water use and conserve water during the high demand summer months.
- District staff collaborated with county government, non-profit groups, water haulers, and rainwater system installers to plan the first annual Rainwater Revival, rainwater harvesting educational event, which was held near the beginning of FY 2011 (October 9, 2010).

Objective 4-1: Increase understanding of District aquifers through sound science that characterizes aquifer properties and variability so that appropriate policy and regulatory decisions can be made.

Performance Standards for Objective 4-1:

A. Conduct scientific studies to better determine groundwater availability, to understand and prevent threats to water quality, and to minimize impacts to water-supply wells and springs.

- The District maintains a monitor well network of about 35 wells that collects data hourly. The District’s weather station also collects hourly data. District staff collected water quality data from 25 sample locations (TWDB partnership) and supervised two permittee aquifer tests.
- FY 2010 began with the aquifer in Critical Stage drought, but heavy rainfall of up to 10 inches in early September 2009 was the start of a rainy period that brought about an official end of the drought in December 2009.
- The District staff met with the Edwards Aquifer Authority (EAA) and the COA to discuss results of the tracing studies on the Blanco River and plan for a report on the study. The Aquifer Science Team also met twice with GBRA, HDR, and USGS to discuss studies this team conducted along the groundwater divide near Kyle, and contributed to both reports and presentations on this topic.
- Drilling of a new Westbay multiport well was started in July 2010 near Antioch Cave. This well was completed in September 2010 and includes 21 monitor zones in the Edwards and Upper and Middle Trinity Aquifers. The Westbay multiport well at Ruby Ranch was sampled during the summer sampling program and water levels were measured on a monthly basis.

- Staff from the Aquifer Science Team served on the planning committee for the 12th Multidisciplinary Conference on Sinkholes and Environmental Impacts of Karst that will be held in St. Louis in January 2011.
- District staff members had a major role in the publication of the Hydrogeologic Atlas of the Hill Country Trinity Aquifer. This large format, 2 X 3 ft document was a team effort between the District, Blanco-Pedernales Groundwater District, the Hay-Trinity Groundwater District, and other contributors.
- Staff met with TWDB several times to learn about and discuss the new groundwater availability model for the Barton Springs segment that was developed by TWDB, and TWDB representatives made an invited presentation on modeling to the Board.

B. Utilize site-specific hydrogeological data from applicable production permit applications to assess potential impact to groundwater quantity and quality, public health and welfare, contribution to waste, or unreasonable well interference.

In FY 2010, the District staff was involved in the planning and execution of two aquifer tests and hydrogeological investigations for new wells drilled for St. Andrew's School and Oak Forest WSC. Each of these were new Middle Trinity wells and were closely monitored by District staff in an effort to further the District's understanding of a relatively new groundwater supply and a potential alternative to the Edwards Aquifer in our area.

C. Assess the feasibility and implement as warranted, separate management strategies or management zones to address variable management needs of the different areas and aquifers within the District.

In FY 2010, the District directors and staff incorporated the availability of the five Management Zones, which were approved in rulemaking at the start of FY 2010, into its regulatory program and its development of Desired Future Conditions consistent with those Management Zones. The District's databases were modified to reflect the Management Zone applicable to various wells and permits among the following: Western Freshwater Edwards, Eastern Freshwater Edwards, Saline Edwards, Middle Trinity, and Lower Trinity Aquifers.

D. Actively participate in the joint planning process for Groundwater Management Areas (GMAs) 9 and 10 to establish Desired Future Conditions (DFCs) by mid-2010 and periodically thereafter.

- **GMA-9:** The District's designated representative actively participated and attended numerous GMA-9 meetings and public hearings in Kerrville, Dripping Springs, Boerne, and Johnson City, and actively participated in discussions of the various DFCs for GMA-9 aquifers. The District Board was updated on GMA-9 activities about once a month.

In FY 2008, the Board of Directors approved DFCs proposed by GMA-9 for minor aquifers found in Blanco County (Ellenberger, Marble Falls, and Hickory) and the Edwards Plateau Aquifer, which was then voted on and approved in a subsequent GMA-9 meeting on August 29, 2008. In FY 2009 (August 2009), an appeal was submitted to the TWDB by Region J, Kerr County, and the UGRA alleging the DFC's submitted for those aquifers (except the Marble Falls) were unreasonable. In FY 2010, an evidentiary hearing was held by the

TWDB in Kerrville on November 2, 2009 and presentations were made by the petitioners and GMA-9. On November 30, 2009 GMA-9 clarified the DFC language for the Ellenberger and Hickory to be solely for Blanco County. The petitioner's appeal of unreasonableness for the Ellenberger and Hickory was subsequently dropped on December 14, 2009.

However, the appeal for unreasonableness remained by the petitioners for the Edwards-Trinity Plateau Aquifer. At a special hearing held by the TWDB in January 21, 2010 the TWDB declared the DFC for the Edwards-Trinity Plateau unreasonable, not based on evidence in the petition, rather that the DFC was not physically possible (and therefore unreasonable) since future exempt pumping would cause some amount of drawdown. TWDB staff made a recommended DFC for the Edwards –Trinity Plateau Aquifer to be revised as follows: "...an average drawdown of 9 feet in Kerr County and a declaration that the Edwards Group is not relevant in Bandera and Kendall Counties."

GMA-9 met in Boerne on July 26, 2010 and voted and approved DFCs for the Edwards Group, Edwards-Trinity Plateau and Trinity aquifers. The District's representative was given authority by the District Board to vote for up to 30 feet of drawdown for the Trinity Aquifer, and to use reasonable discretion for other aquifer DFCs honoring the Board's intent to be conservative, and also to respect other GCDs' intent.

Based on the ruling of unreasonableness of the DFC regarding exempt use, the TWDB realized that it needed to clarify the relationship of exempt use and the MAG. On June 9, 2010 a memo from TWDB staff outlined a new approach or method to calculating the MAG, which does not include exempt pumpage. In the memo they also outlined how the TWDB would estimate exempt pumpage for each GMA.

GMA-9 met the DFC-submittal deadline of September 2010 so that MAGs will be included into the RWPG plans. The first MAG values were not returned to GMA-9 until well into FY 2011.

- **GMA-10**: The District's designated representative took a leadership role in GMA-10's efforts to develop DFCs for relevant aquifers. The GMA by resolution was subdivided into three areas for the Edwards Aquifer, largely on the recommendation of the District. The District's jurisdiction is entirely in the Northern Subdivision. On the basis of modeling by TWDB and the District, and after many technical and policy-level discussions about how groundwater availability in the Northern Subdivision could be best modeled, a dual DFC for the Edwards Aquifer was proposed, District Board-approved, and ultimately adopted by GMA 10. The District developed the resolution language not only for the Edwards Aquifer in the Northern Subdivision but also for the Saline Edwards in the Northern Subdivision and, after much discussion with other GCDs in GMA 10 that considered various optional DFC expressions, for the Trinity Aquifer in GMA 10 as well.

At the end of the FY 2010, GMA 10 had met its deadline to adopt all DFCs for its relevant aquifers and provided the requisite supporting documentation to TWDB, and the resulting MAGs will be able to be included in the Regional Water Plans. The first MAG values were not returned to GMA-10 until well into FY 2011.

Objective 4-2: Review and modify, as warranted and within statutory authority, the *Rules* as to their consistency with natural resources protection.

Performance Standards for Objective 4-2: (i) Schedule and conduct public hearings to solicit public input on proposed changes to the *Rules*, within the prescribed regulatory time frames. (ii) Appoint and convene ad hoc policy advisory committees at the will of the Board but at least once during the Plan period to review and comment on District policies and proposed rules revisions as they relate to protection of the identified natural resources, and (iii) Make available to the public the revised rules within three days after adoption by the Board.

The District Board adopted rules in the beginning of FY 2010 (September 10, 2010) that were the result of a comprehensive review in response to the severe drought that persisted throughout FY 2009 and the need to incorporate management zones for aquifer- and area- specific groundwater management. At the Board's direction, the District staff initiated another rule review in FY 2010 to suggest amendments and revisions needed in anticipation of the issuance of the Managed Available Groundwater (MAG) estimates by the TWDB. These rule change concepts focused on updating well construction standards and refining conditional permitting and extreme drought rules. The concepts were initially vetted by the PAC in a meeting held on August 2, 2010.

Objective 5-1: Maintain conditions of the aquifers on the basis of sustainable yield concepts to prevent well interference and water-quality impacts related to reduced springflow during a recurrence of the Drought Of Record (DOR), and to preserve and ultimately reduce the Extreme Drought Withdrawal Limitation (EDWL).

Performance Standards for Objective 5-1:

A. Monitor and declare drought stages on the basis of the analysis of data from the District's defined drought triggers and in accordance with the adopted drought trigger methodology.

District staff continuously monitored the water levels at the Lovelady Well and springflow values at Barton Springs. Frequent manual measurements were made by staff at both the well and at Barton Springs to verify instrument readings. Drought charts and information on the website and blog were updated, at a minimum, before each Board Meeting. The Board was frequently updated on drought status by staff. The District declared an end to the 2008-2009 drought on December 17, 2009.

B. Inform and educate permittees and the public about declared drought stages and the severity of drought, and encourage practices and behaviors to reduce water use.

The District continued the use of drought stage icons, even though the majority of the fiscal year was spent in a No-Drought condition. These icons serve as a visual cue for the severity of the drought stage starting with green, yellow, red, then black. The drought icons have been used to provide consistent and repetitive messaging concerning drought, including flags at District headquarters, images on the website, drought chart, road signs, direct mail materials, etc. The drought stages along with their triggers are included on the last page of each newsletter, and the current drought condition is featured on the front page of the newsletter.

C. Assist permittees in developing drought planning strategies and complying with District drought rules.

This performance standard was also addressed in the response to Performance Standard D of Objective 1-1. In summary, all permittees were required to update their UDCPs to incorporate the new drought stage and requirements of the September 10, 2009 rule change prior to renewal at the end of FY 2010. With the assistance of District staff, all 89 District permittees were successful in submitting updated UDCPs prior to FY 2011 permit renewals.

D. Enforce compliance with drought management rules during District-declared drought stages.

The District was in the recovery end of the 2009 drought in the beginning of FY 2010 with “no drought” being declared on December 17, 2009. In the final months, staff continued to monitor compliance in accordance with the drought management protocol of the District Enforcement Plan. No new enforcement action by the Board was necessary due to widespread compliance and the recovering drought situation. The District directors and staff continued to monitor compliance with the ongoing enforcement cases, with the Stenger Ridgewood case continuing into FY 2011.

E. Limit the total amount of groundwater withdrawals by all groundwater users from designated aquifers during Extreme Drought to the amount that may be achieved by the imposition of regulatory restrictions on District-authorized nonexempt well users.

As described under Objective 4-1, Performance Standard C, and Objective 4-2 of this Appendix, in FY 2010 the District Board authorized and the staff implemented the comprehensive rule change package that established management zones, which allowed the imposition of an extreme curtailment scenario applicable only to the freshwater Edwards management zones during declared extreme-drought conditions. The District was never in Extreme Drought in FY 2010, and in fact was emerging into a no-drought condition near the start of the fiscal year, which was maintained throughout the remainder of the year; all permittees were in compliance with their applicable drought contingency plans and achieved the specified curtailments and pumping limits throughout the year.

F. Implement measures, as warranted and feasible, to effectively reduce the EDWL.

In FY 2010, after promulgation of the new *Rules*, District directors and staff held a series of discussions with various stakeholders, including individual historical-use and conditional-use permittees and the environmental community, about further changes to the *Rules* that would produce a more workable extreme drought curtailment. Near the end of FY 2010, staff drafted a set of additional rule changes, and the Board authorized those prospective changes for further vetting by the District Policy Advisory Committee.

The District staff proposed, the District Board approved, and GMA 10 established a full-time, upper-limit DFC for the Edwards Aquifer to limit the acceleration of the District into declared drought. The District staff and directors also proposed and GMA 10 adopted an Extreme Drought DFC that corresponded to a target pumping limit (equivalent to a new EDWL) of 6.0 cfs during a Board-declared Emergency Response Period; this would comprise a significant reduction in the EDWL, once it is promulgated in the new rulemaking in FY 2011.

G. Assess the feasibility and implement as warranted, separate drought trigger methodologies and related management strategies to address variable management needs of the individual aquifers within the District.

- Data have been collected periodically from the District's Westbay multiport monitor well at Ruby Ranch to evaluate the effects of drought and heavy rainfall on potentiometric levels in the Edwards and Upper and Middle Trinity Aquifers. These data will be useful in assessing the potential impacts of drought on the Trinity Aquifers, which is only just beginning to be characterized, and will help set drought trigger levels for these aquifers.
- Plans and budgets are being developed for studies of the Edwards saline zone for potential desalination and aquifer storage and recovery projects. Meetings have been held with Texas Disposal Systems and other partners to coordinate these efforts.

Objective 6-1: Reduce the per capita use in the District during non-drought times in the Plan period, through relevant statutory, regulatory, scientific, administrative, and educational vehicles.

Performance Standards for Objective 6-1:

A. Maintain and develop programs that inform, educate, and support District permittees in their efforts to educate their end-users about water conservation.

- Qualifying permittees were contacted by mail about their conservation credits and opportunities to expand their qualifying rebates through additional outreach and programs.
- District staff attended a permittee-sponsored information session, presented in front of the Hays County Commissioners Court, and helped develop a customized conservation plan for one permittee.
- Additionally, both the Cave Festival and the Rainwater Revival were promoted as educational events where end-users could gain knowledge about rainwater harvesting, native plants, and water conservation strategies from District Board and staff members, and other participating entities.

B. Maintain and develop programs that inform and educate District groundwater users and Austin-area citizens of all ages about water conservation practices and resources.

The District collaborated with area water purveyors to host a Water Conservation Period rollout that focused attention on the need to conserve. Materials and interviews were available to all area media outlets. Aquifer 101 presentations at schools, teacher trainings, and summer camps reached over 5,000 students. Information on Home Irrigation Audits were publicized through the newsletter and the website. Additionally, the District hosted the annual Groundwater Essay Contest for a college scholarship which attracted 5 applicants. The Aquatic Science Adventure Camp (hosted by the Edwards Aquifer Research and Data Center) scholarship contest attracted 10 applicants.

Objective 7-1: Improve recharge to the Edwards Aquifer to increase the amount of water in storage so that future droughts will be less severe and of shorter duration.

Performance Standard for Objective 7-1: Conduct investigations and, as warranted and feasible, physically alter discrete recharge features that will lead to an increase in recharge to the Edwards Aquifer.

- A recharge enhancement project using EPA/TCEQ 319(h) funds was completed in August 2010. This project involved upgrading the BMP over Antioch Cave, installation of a CWQMN system on Onion Creek at Antioch Cave and Sky Ranch, and the installation of a Westbay multiport well into the Edwards, Upper and Middle Trinity Aquifers near Antioch.
- The District signed a Memorandum of Understanding with COA and LCRA for a project to divert stormwater from Little Bear Creek into Stoneledge Quarry in Hays County.

Objective 7-2: Assess the feasibility of implementing as warranted, supply enhancement measures including desalination, aquifer storage and recovery, and effluent reclamation and reuse.

Performance Standard for Objective 7-2: Conduct scientific and other evaluations to determine how water supply within the District can be increased cost-effectively.

Plans were made for installing test and monitor wells in the saline zone to evaluate the potential of the saline zone for desalination and aquifer storage and recovery. Meetings have been held with various partners to coordinate logistic and funding of these studies.

Objective 7-3: Augment the amount of water recharging the aquifer through the use of alternative water sources.

Performance Standard for Objective 7-3: Inform and educate the public on the availability of alternate sources including gray water / condensate reuse and rainwater harvesting.

Directors and staff have actively researched the feasibility of substituting saline water and treated effluent for non-potable uses to lessen withdrawals for industrial and commercial uses. District staff participated in the Hays County Water Conservation Working Group standing committee that has launched legislation to have rainwater harvesting systems as a requirement for new state buildings and schools. Discussion of this legislation in the 2009 legislative session heightened awareness of this substitute supply, and the District and others worked to encourage county commissioners and local legislators to champion this cause. The District continues to use the rainwater harvesting system installed at District headquarters as a teaching and outreach tool. In addition, as reported under Objective 1-1, Performance Standard E, District staff members helped organize and staff the first annual Rainwater Revival, an educational event promoting small-scale rainwater harvesting.

As reported under Objective 3-1, Performance Standard B, the District also collaborated with industrial-use permittees to evaluate the efficacy of using treated effluent as a substitute for higher quality groundwater for certain non-potable uses.

Goal 8: Addressing Quantitatively the Desired Future Conditions

According to TWDB guidance, no objectives or performance standards for TWDB Goal 8 should be identified or included in the Management Plan until applicable DFCs are officially established by the GMAs. It was only at the very end of FY 2010 that GMA 9 and GMA 10 adopted DFCs applicable to the District aquifers. The District expects to receive the final Managed Available Groundwater estimates from the TWDB in mid-FY 2011, at which time the Management Plan may need to be amended and the *Rules* may need to be further revised.

As reported under Objective 4-1, Performance Standard D, the District staff was an active participant in the ongoing planning process in both GMA-9 and GMA-10, including performing technical analysis, preparing documents, and interacting with all voting representatives and many other interested parties of the GMAs and with the TWDB.