



**Barton Springs
Edwards Aquifer**
CONSERVATION DISTRICT

**ANNUAL REPORT
FISCAL YEAR 2012**

BOARD OF DIRECTORS (August 31, 2012)

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

DISTRICT STAFF
August 31, 2012

W.F. (Kirk) Holland	Chief Operating Officer and General Manager
Dana Christine Wilson	Senior Administrative Manager General Services Team Leader
Tammy Raymond	Administrative Assistant – Personnel
Shannon DeLong	Administrative Assistant – Accounting
Brian Smith	Principal Hydrogeologist Aquifer Research Team Leader
Brian Hunt	Senior Hydrogeologist
John Dupnik	Senior Environmental Permit Specialist Regulatory Compliance Team Leader
Robin Gary	Environmental Educator Community Outreach and Education Team Leader
Kendall Bell-Enders	Hydrogeologic Technician
Steff Lazo-Herencia	Intern (part of year)
Alan Andrews	Intern (part of year)
Richard Casteel	Intern (part of year)
Lowell Hughes	Intern (part of year)
Alexandra Hoisington	Intern (part of year)

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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 2012, covering the period from September 1, 2011 to August 31, 2012.

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 (TWC).

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 report sections that follow include a summary of the active programs in FY 2012; 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 Chapter 52 (later revised to Chapter 36) of the TWC, applicable to all groundwater conservation districts (GCDs) in the state, and the District's enabling legislation, now codified as Chapter 8802, Special District Local Laws Code (SDLLC). 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 rulemaking 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 and roughly its

extension east of Interstate 35. This area encompasses approximately 250 square miles in parts of three 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 (EPA) 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. As a result of legislation in 2011 and subsequent Board action in late FY 2011, director elections were moved from the May local elections date to the November general elections date. So in FY 2012, ending August 31, 2012, no elections were required to be held. The Board elects its officers annually, in the month following the one in which director elections are held, so the Board also took action in June 2012 to continue the terms of its current officers from June to December, as an outgrowth of the change in election dates. For the current annual reporting period, from September 2011 through August 2012, the elected officers were Mary Stone, President; Gary Franklin, Vice President; and Craig Smith, 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 2012

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 2012 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 applicable 2008 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 2012. The GM is responsible for the day-to-day business of the District, and is an *ex-officio* 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 GM include staff management and development, programmatic planning and execution, stakeholder relationship development and cultivation, and financial administration of the District.

In FY 2012, some highlights for the GM Team included:

- Maintaining a productive, efficient, and motivated staff, including hiring a new staff member and providing several interns to assist the regular staff;
- Participating actively in the joint groundwater planning processes of Groundwater Management Area (GMA) 9 and serving as the District Representative to GMA 10, including related interfaces with the Texas Water Development Board (TWDB) and stakeholder meetings, and developing/championing a process for reviewing member GCDs' management plans;
- Serving as the Secretary for the state-wide association of GCDs, the Texas Alliance of Groundwater Districts (TAGD), and also as an active member of TAGD's Executive, Legislative, and Texas Groundwater Summit Planning Committees;
- Developing a reasonable legislative agenda for the Board's consideration, after discussions with key legislators, legislative committees, and stakeholders, and following a staff-Board work session designed to prioritize various legislative agenda options;
- Participating actively in advising the Board and supporting the general counsel on various legal matters, including the continuing City of Kyle case and several Agreed Orders with permittees;
- Serving as the point person for the District on many external communications and interfaces with various stakeholders and interested parties concerning groundwater and groundwater management;
- Providing a leadership role in planning and conducting the inaugural Kent Butler Summit on the Future of the Barton Springs Zone;
- Establishing contractually a set of task order contractors in various disciplines and service areas, to extend the capabilities and/or capacities of the existing staff while minimizing staff costs;
- Producing a draft revised District Management Plan that is more useful to District operations and priorities, and submitting it for pre-review by the TWDB;
- Providing editing and quality assurance reviews on numerous technical papers and operational documents;
- Continuing the dialogue with many external entities and internally concerning alternative water supplies, including especially desalination and aquifer storage and recovery (ASR), and the need for funding of field investigations to advance consideration of the Saline Edwards as a water supply;

- Completing all staff requirements associated with a successful director-precinct redistricting process and coordinating follow-up activities with various entities, including the Department of Justice; and
- Participating actively in a major new rulemaking initiative to be responsive to desired future conditions (DFC)/modeled available groundwater (MAG) requirements, including implementing a valuable stakeholder advisory committee to provide valuable input to the District Board.

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. Ms. DeLong continued to work on a three-quarter time basis throughout 2012, 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 FY 2012, some highlights for the Administrative and General Services Team included:

- Maintaining the financial records to receive a clean financial audit (see Appendix A);
- Administering the initial stages of the director election process;
- Continuing the process of electronically scanning historical hard-copy records for archival purposes;
- Supporting the revisions of various parts of the Employee Policy Manual; and
- Assisting the District's information technology (IT) consultant in making improvements to the IT infrastructure and resolving various staff IT issues.

2.3 Aquifer Science Team

Dr. Brian Smith, P.G., serves as the Leader of the Aquifer Science Team, which is involved in various internally- and externally-funded groundwater research and assessment programs. The Team is also supported by Senior Hydrogeologist Brian Hunt, P.G., and from time to time other staff members, including interns. In 2012, interns Alan Andrews, Richard Casteel, and Alex Hoisington 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, and to advise the Board on policy-related decisions.

In FY 2012, some highlights for the Aquifer Science Team included:

- Developing new technical reports, giving numerous technical talks with published abstracts, publishing several technical papers, and attending national and regional conferences including:

- Kent Butler Summit,
 - World Lake Conference, and
 - Association of Engineering Geologists (AEG);
- Collecting hourly water-level data from about 35 wells in the Edwards and Trinity aquifers and monthly water-level data from the District's two multiport monitor wells;
- Collecting water-quality and isotope data from about 10 wells and springs in the Edwards and Trinity aquifers in a partnership with the TWDB;
- Initiating a dye-trace study in cooperation with the City of Austin of a collapse sinkhole that occurred in January 2012 in South Austin; District report is pending;
- Conducting field trips and guidebooks at the Antioch Recharge Enhancement Project to the Association of Engineering Geologists, World Lake Conference, and Texas A&M Kingsville Geology Students;
- Determining and documenting when the District reached drought thresholds going into drought, including keeping the District's drought monitor blog up to date;
- Participating with Hays-Trinity GCD and Blanco-Pedernales GCD staff to continue to collect hydrogeologic data regarding the Trinity Aquifer (a continuation of the Hydrogeologic Atlas project);
- Conducting a hydrogeologic field trip for the Austin Geological Society (November 2011) and published a geologic guidebook (AGS Guidebook 33);
- Continuing development and data collection of a geologic database and initial regional 3-D visualization model of the Edwards and Trinity aquifers in Central Texas;
- Supervising, with the U.S. Geological Survey (USGS), a summer internship project (Richard Casteel), funded by a National Wildlife Federation (NWF) grant, that evaluated the potential contribution of the Blanco River to flow at Barton Springs, District report pending;
- Analyzing historic hydrologic data to understand trends and potential influences on the hydrology, published paper in the Gulf Coast Association of Geological Societies (GCAGS) Transactions;
- Participating with GMA 9 in technical discussions and developed a draft methodology for monitoring compliance with the Trinity Hill Country DFC;
- Updating the Quality Assurance Project Plan (QAPP) for the Antioch Cave Recharge Enhancement Project as part of the 319(h) grant from EPA and TCEQ, and maintaining the two CWQMN sites on behalf of the TCEQ;
- Conducting a geophysical survey of the Antioch Fault Zone to delineate geometry of the fault and recharge zone and publishing results in the 2012 GCAGS Transactions;
- Completing permeability testing of 21 zones in the Antioch multiport monitor well near Antioch Cave, District report pending; 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 leader of the Education and Community Outreach Team. Ms. Gary, who is the District's Environmental Educator, GIS Specialist, and Public Information

Coordinator, is the primary member of the Education and Community Outreach Team in FY 2012. Ms. Gary collaborates with members of the staff, including interns, to maintain a diverse and effective Education and Outreach program.

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 drought for almost seven months during FY 2012. The District eased out of drought on March 22, 2012. Education and Outreach efforts focused on increasing awareness of the importance of water conservation and increasing the understanding of aquifer dynamics.

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 partnerships with the Austin Youth River Watch, Central Texas Water Efficiency Network (CTWEN), Capital Area Master Naturalists (CAMN), COA, City of Sunset Valley, EAA, Greater Edwards Aquifer Alliance, Hill Country Alliance, Keep Austin Beautiful, Lady Bird Johnson Wildflower Center, LCRA, Save Barton Creek Association (SBCA), San Antonio River Authority, San Antonio Water System, Splash! Exhibit, Campfire, Texas Cave Management Association, Texas Parks and Wildlife Department (TPWD), TWDB, University of Texas's Bureau of Economic Geology, and University of Texas Jackson School of Geosciences.

In addition, the Education and Community Outreach Team continued to support local groups such as the Colorado River Foundation, Austin Youth River Watch, and CAMN.

In FY 2012, some highlights of the Education and Community Outreach Team included:

- Participating in approximately 44 outreach events (including field trips, presentations, and events) that reached approximately 2,674 adults and nearly 1,174 children,
- Hosting the second annual Water Conservation Symposium: "Drop By Dropless - Managing Water Supplies Through Drought" in collaboration with the water providers and non-profits participating in the CTWEN,
- Hosting the 7th Annual Groundwater to the Gulf Summer Institute for Educators in collaboration with other state, local, and non-profit water educators, which trained 34 teachers who in turn reach over 20,000 students annually, and
- Providing support for the award winning Camp Fire Kids, Balcones Council Absolutely Incredible Kids service learning program focused on water conservation. Water conservation efforts through this program saved an estimated 600,000 gallons through the efforts of hundreds of children and their families.

2.5 Regulatory Compliance

The Regulatory Compliance leader is John Dupnik, P.G. Kendall Bell-Enders was hired in December 2011 as the new Hydrogeologic Field Technician and serves as the primary support staff for Regulatory Compliance Team responsibilities. 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, rulemaking, 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 2012, some highlights of the Regulatory Compliance Team include:

- **Database Enhancements:** The District's permitting and wells database was further enhanced to streamline change of ownership requests, upload external documents, add comments and tracking information, and confirm modification dates.
- **Inspections:** Staff completed three (3) routine permittee inspections and eight (8) inspections in response to new well applications.
- **Conservation Credits:** The District issued a total of \$37,526 in credits in FY 2012 with \$23,454 being issued to 24 permittees and \$14,072 being issued to COA. Permittees donating credits back to the District's camp scholarship fund include: Goforth Special Utility District (\$130).
- **Rulemaking:** Development of rules through the negotiated rulemaking process was concluded with the adoption of the negotiated rules near the beginning of FY 2012 on September 17, 2011. The adoption of these new rules was soon followed by the initiation of a stakeholder-driven process to develop the basis for a second round of rulemaking in response to statutory changes coming out of the 82nd Legislative session and the issuance of MAGs in response to the GMA-adopted DFCs. This round of rulemaking continued into the following fiscal year culminating in Board adoption of the proposed rules on October 11, 2012. Pertinent rule changes included:
 - Providing opportunity for applicants to have contested hearings conducted by State Office of Administrative Hearings (SOAH),
 - Authorizing adjustments to permits to reflect reasonable non-speculative demand when warranted,
 - Adding requirements for non-public water supply wells supplying multiple properties,
 - Providing option to increase non-drought historical pumpage in exchange for additional drought curtailments,
 - Adding procedures for recognizing purchases of permits for retirement purposes,
 - Limiting pumping under Class C permits to monthly baseline volumes,
 - Encouraging public water system permittees to adopt conservation-oriented rate structures,
 - Requiring 50% curtailment of historical Edwards permits during an Emergency Response Period, and
 - Deleting requirement of 85% curtailment for historical Edwards permitted wells used for non-public water supply during an Emergency Response Period.

- **External Reviews, Coordination, and Outreach.** Work groups and projects involving staff participation included:
 - Regions K and L Regional Water Planning Groups,
 - Groundwater Management Areas 9 and 10,
 - Settlement negotiations on the Jeremiah Venture Texas Land Application Permit (TLAP),
 - Travis County Workgroup on County subdivision regulations,
 - City of Kyle facilities planning grant,
 - City of Austin well permitting and registration ordinance,
 - Regular meetings of the Regional Water Quality Protection Plan workgroup, and
 - Hays Trinity GCD rule committee.

- **Drought Management:** The District’s aquifers were in Stage II Alarm Drought status for the first seven days of FY 2012 but then entered Stage III Critical Drought status on September 8, 2011. After much needed rainfall, the Stage III Critical status was lifted and Stage II Alarm Drought status was reinstated on February 23, 2012. Staff continued to implement the District’s enforcement plan and monitor compliance with monthly pumping limits and initiating pre-enforcement and enforcement as prescribed in the plan throughout the duration of the District drought. Significant recharge resulted from months of above average rainfall and No Drought status was declared on March 22, 2012, which persisted throughout the remainder of FY 2012.

Permitting Summary – Permit activity during FY 2012 was minimal but included the approval of the District’s first Class C Conditional permit and an amendment to increase a Middle Trinity Historical permit. Firm-yield Edwards pumpage was reduced by approximately 18,500,000 gallons with the retirement of the Villita West Condo Association, and Stenger Ridgewood Village Water System production permits. The retired portion was re-permitted under the General Conservation Permit which is preserved as the Ecological Flow Reserve. A summary of permitting, new well drilling, and plugging is provided in the following tables:

Individual Permits	
New Permittees (landowners)	1
Total Permits Issued	90
Total Permitted Wells	167
NDU General Permits	
New Permittees (landowners)	4
Total Permits Issued	72
Total Permitted Wells	72

Permitted Pumpage			
Edwards MZs	gallons	cfs	acre-feet
Historical (Ind.)	2,371,087,721	10.05	7,277
Historical (NDU)	1,176,933	0.005	3.61
Total Historical	2,372,264,654	10.06	7,280
Conditional (Ind.)	348,684,948	1.48	1,070
Conditional (NDU)	20,625,148	0.09	63.30
Total Conditional	369,310,096	1.57	1,133
Total Edwards	2,741,574,750	11.62	8,414
Trinity MZs	gallons	cfs	acre-feet
Historical (Ind.)	92,725,000	0.39	285
Total Permitted	2,834,299,750	12.02	8,698

	Permitted Transport		
	gallons	cfs	acre-feet
FY 2012	0	0	0
Total Permitted	400,000,000	1.70	1,227.55

Well Drilling	
New Nonexempt Wells	0
New NDU Wells	5
New Exempt Wells	3
Total Wells Drilled	8
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 2012 began with the aquifer in Stage II drought conditions but rapidly approaching Stage III Critical Drought. Very dry and hot conditions continued and Stage III Critical Drought was declared on September 8, 2011. Barton Springs reached a low of 16 cfs in November 2011. Rainfall in December 2011 and January 2012 lead to recharge and an easing of drought status to Stage II Alarm on February 23, 2012. Continued recharge allowed non-drought conditions to be declared April 22, 2012. Between January and August 2012, the region has received near the average annual total of 33.5 inches. However, Onion Creek, which provides the majority of recharge to the aquifer, was barely flowing. Accordingly, flow at Barton Springs and the water level in the Lovelady monitor well have been declining rapidly since about April 2012. The fiscal year ended with the aquifer in non-drought conditions, but it was approaching Stage II Alarm Drought in early FY 2013.

3.2 Grant Programs

In the prior fiscal year FY 2011, the District had completed work under two major grants; that work set the stage for continuing related, but not grant-funded activities this year. They were (1) the Habitat Conservation Plan (HCP) and the accompanying National Environmental Policy Act (NEPA) documentation under a grant project funded by US Fish and Wildlife Service (FWS) through TPWD; and (2) the Onion Creek Recharge Enhancement Project, under a grant funded by EPA's Section 319(h) program through TCEQ.

In FY 2012, the District was a cooperating partner with the Sierra Club and the NWF on a NSF grant to further evaluate the hydrologic relationship of the divide between the San Antonio and Barton Springs segments of the Edwards Aquifer. The grant funded a graduate student in hydrogeology who was hired by the District as an intern specifically to conduct this study. District staff also provided technical oversight and coordination with other parties. At the end of FY 2012, the technical analyses were completed and an early draft of the documentation of the study was produced, to be finalized in FY 2013.

In addition, in support of one of its permittees, the District provided in-kind services to the City of Kyle's evaluation of the feasibility of substituting reclaimed water use for freshwater sources, including groundwater supplies managed by the District. This feasibility study was funded by a facility planning grant to the City by EPA through TWDB; the District actively supported the City's proposal for use of such alternative water sources to potentially reduce demand for water supplies from the Barton Springs aquifer.

3.3 Professional Services

The District expended \$82,724 for professional services in FY 2012.

This amount included legal fees of \$56,435 for general counsel support provided by Bickerstaff, Heath, Delgado & Acosta LLP of Austin. These fees included involvement of the District and its

attorneys in 1) continuing to oppose and contest the application for a TCEQ TLAP by Jeremiah Venture, L.P., and also 2) defending the District in a lawsuit brought by the City of Kyle, including negotiation of a settlement. There were no legal services associated uniquely with the grant projects as grant-billable costs.

Additional professional services for FY 2012 include B Zavala Website Redesign for \$3,000; Ron Nelson Database Design for \$ 2,532; and The Standard Retirement Plan Administration for \$9,757.

The District again retained Mike Figer and Company, CPA, to perform its annual financial audit for FY 2012; that audit report is included in this Annual Report as Appendix A. The fees for these professional services (to be expended in FY 2013) for the FY 2012 audit will be \$11,000 and are also included in the professional services total above.

3.4 Capital Projects

The District had two capital projects in FY 2012; first was the remodel of an office and the creation of another for \$6,211, and the second was the remodel of an office into a conference room for \$5,000.

3.5 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 therefore 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.

3.6 Evaluation of District’s Long-Range Plan Pursuant To §36.1071

3.6.1 Background

Texas Water Code §36.1071 requires all GCDs 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, readopted, and reapproved 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 summarized in the following Section 3.6.2 and elaborated in Appendix B of this Annual Report.

SB 660 and SB 737 of the 82nd Legislature significantly modified what information is required in any new or newly amended District Management Plans and how the contents of those plans are to be used and revised. These new laws took effect September 1, 2011, i.e., on the first day of FY 2012. However, the TWDB's rules implementing those new laws were still in the process of being publicly reviewed and were not yet implemented on the last day of FY 2012.

The District's prevailing Management Plan at the end of FY 2012 was the plan approved by TWDB in September 2008. Statutorily, it will need to be reviewed, revised as needed, readopted, and approved at least once no later than August 2013. However, the District is also now required to at least consider the need to revise its Management Plan after TWDB establishes the final MAGs for each regulated aquifer that achieves the latest DFCs adopted by our two GMA Joint Planning Committees. The final MAGs were received in mid-FY 2012, enabling consideration of revisions to the Management Plan. The District staff and directors completed a public process that resulted in a new draft Management Plan at the end of FY 2012, with a set of prospective new objectives, performance standards, activities, and metrics designed to support the achievement and maintenance of the DFCs and the likely permit requirements associated with the federal Incidental Take Permit (ITP) issued by the FWS, pursuant to the District's HCP. However, this new Plan was not adopted by the District until after FY 2012. The District anticipates that the new District Management Plan, responsive to the need to achieve the DFCs, the not-yet-promulgated procedural requirements of TWDB, and the ITP measures contained in a HCP, will be approved by the TWDB by mid-2013. Until then, it is appropriate that this Annual Report continue to be based on the provisions of the prevailing Management Plan from 2008.

3.7.2 Board Assessment of Objectives and Evaluation of Progress Toward Goals

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 to assist the Board's evaluation of the progress made in FY 2012 toward the goals, objectives, and performance standards identified in the District Management Plan.

On November 29, 2012, the Board reviewed the information in Appendix B, 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 2012, is presented in the following table:

Board Action on Assessing 2012 Progress for 2008 Plan Objectives

Objective	Abbreviated Description	Motion for FY2012	Movant Director	Seconding Director	Vote Outcome
1-1	Optimize the balance each year between water use and “preserving, conserving, and protecting” the groundwater resources of the District.	Yes, Satisfactory	Larsen	Smith	3-0 in favor, with Dorsett abstaining
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 wasteful use of groundwater or harmful alteration of the character of the groundwater and its reservoirs.	Yes, Satisfactory	Smith	Larsen	3-0 in favor, with Dorsett abstaining
3-1	Diversify water supplies available and thereby allow for appropriate pumpage curtailments, especially during extreme drought.	Yes, Satisfactory	Larsen	Smith	3-0 in favor, with Dorsett abstaining
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, Satisfactory	Smith	Larsen	3-0 in favor, with Dorsett abstaining
4-2	Review and modify, as warranted and within statutory authority, the <i>Rules</i> as to their consistency with natural resources protection.	Yes, Satisfactory	Larsen	Smith	3-0 in favor, with Dorsett abstaining
5-1	Maintain conditions of the aquifer on the basis of sustainable-yield concepts to prevent well interference and water-quality impacts related to reduced springflow during a recurrence of the DOR, and to preserve and ultimately reduce the EDWL.	Yes, Satisfactory	Smith	Larsen	3-0 in favor, with Dorsett abstaining

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.	Yes, Satisfactory	Larsen	Smith	3-0 in favor, with Dorsett abstaining
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, Satisfactory	Smith	Larsen	3-0 in favor, with Dorsett abstaining
7-2	Assess the feasibility of implementing as warranted, supply enhancement measures including desalination, ASR, and effluent reclamation and reuse.	Yes, Satisfactory	Larsen	Smith	3-0 in favor, with Dorsett abstaining
7-3	Augment the amount of water recharging the aquifers through the use of alternative water sources.	Yes, Satisfactory	Smith	Larsen	3-0 in favor, with Dorsett abstaining

APPENDIX A

Annual Financial Audit Report

**BARTON SPRINGS/EDWARDS AQUIFER
CONSERVATION DISTRICT**

BASIC FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Barton Springs/Edwards Aquifer Conservation District as of and for the years ended August 31, 2012 and 2011, 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 auditing standards generally accepted in the United States of America. 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 opinions.

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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Figer & Company

December 13, 2012

Barton Springs / Edwards Aquifer Conservation District

Management Discussion and Analysis

Fiscal Year Ending August 31, 2012

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 amounts and 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, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 1,138,729	\$ 1,265,867	\$ 937,849
Capital assets	394,263	446,606	518,139
Other assets	71	71	71
Total assets	<u>\$ 1,533,063</u>	<u>\$ 1,712,544</u>	<u>\$ 1,456,059</u>
Total liabilities	<u>\$ 77,424</u>	<u>\$ 448,517</u>	<u>\$ 131,651</u>
Net assets:			
Invested in capital assets	394,263	365,127	365,127
Restricted	2,415	0	0
Unrestricted	1,058,961	898,900	959,281
Total net assets	<u>1,455,639</u>	<u>1,264,027</u>	<u>1,324,408</u>
Total liabilities and net assets	<u>\$ 1,533,063</u>	<u>\$ 1,712,544</u>	<u>\$ 1,456,059</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, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 1,422,229	\$ 1,330,222	\$ 1,395,522
Operating expenses	<u>1,231,844</u>	<u>1,391,922</u>	<u>1,536,694</u>
Operating income (loss)	<u>190,385</u>	<u>(61,700)</u>	<u>(141,172)</u>
Nonoperating revenues			
Interest income	<u>1,227</u>	<u>1,319</u>	<u>2,293</u>
Total nonoperating revenue	<u>1,227</u>	<u>1,319</u>	<u>2,293</u>
Change in net assets	191,612	(60,381)	(138,879)
Net assets beginning of year	<u>\$ 1,264,027</u>	<u>\$ 1,324,408</u>	<u>\$ 1,463,287</u>
Net assets end of year	<u>\$ 1,455,639</u>	<u>\$ 1,264,027</u>	<u>\$ 1,324,408</u>

FINANCIAL HIGHLIGHTS OF CHANGES IN OPERATING REVENUES

The discussion that follows is based on FY 2012 preliminary financial reports before adjustments and reclassifications in the audit process. Permittees' Water Use and Annual Permit fees, Transport (export) fees, and City of Austin Assessment fees, net of conservation credits, increased by \$87,327 in FY 2012 from the prior year, to \$1,393,430 from \$1,306,103. This revenue was close (97.4%) to what was budgeted for FY 2012 (\$1,430,670), a difference of only \$37,240 with the shortfall primarily reflecting less growth in pumping fees than anticipated and budgeted. Included in those revenues are transport permit fees. There continue to be two District transport permits; in FY 2011, these had yielded \$97,867 in transport fees revenue; in FY 2012, these produced \$124,000 in transport fees revenues (an increase of \$26,133), owing to additional transport (as well as pumping) fees arising from the increase in the City of Kyle transport permit under a settlement agreement. This revenue component was exactly as budgeted. It should be noted that the settlement agreement was being appealed in court by a third party in FY 2012, but early in FY 2013 the appeal was denied and remanded to District Court where the settlement agreement is expected to be upheld/reauthorized.

The only revenue associated with Grants in FY 2012 was the District's receipt of \$10,000 from a grant to the National Wildlife Federation from the National Science Foundation, which defrayed a portion of the labor of a District intern and related expenses, who was working on a collaborative scientific investigation. This was an unbudgeted, one-off funding opportunity.

All "Other Fees" revenue (derived from variable sources such as well development fees, well application and inspection fees, and drought management fees) was projected to be \$2,500 but was actually \$22,415. Of that actual revenue, \$9,650 was Drought Management Fees for the months of September 2011 through February 2012, arising as a result of permittee noncompliance with curtailments required by the drought declaration in FY 2012. While there was no fee income from Enforcement Fines and Penalties in FY 2011, in FY 2012 there were enforcement penalties levied and fees received in the amount of \$6,998 for 3 separate actions (\$800, \$2,760, and \$3,438).

Investment (interest) income in FY 2012 continues to decrease as a result primarily of the much less favorable money market, with even lower yields than anticipated on a similar investment base. Actual investment income received for FY 2012 is \$1,227 (budgeted at \$1,500), with actual investment income in FY 2011 at \$ 1,319.

FINANCIAL HIGHLIGHTS OF CHANGES IN OPERATING EXPENSES

The discussion that follows is based on FY 2012 preliminary financial reports before adjustments and reclassifications in the audit process. Personnel salaries and wages expense for FY 2012 is \$644,050 which is within \$5,044 of what was budgeted (\$639,006), and is \$103,160 less than the prior year's salaries and wages expense of \$747,211. This decrease is the result of some staff reductions during FY 2011 and 2012.

Staff payroll taxes and retirement benefit-related actual expense for FY 2012 is \$93,485, which is 14.6% less than the prior year (\$109,400); this account includes a fluctuating accrued vacation expense that changes monthly. Group insurance benefits actual expenses for FY 2012 are \$80,350, an 18.1% decrease from the prior year. Both of these expense categories also reflect the effect of staff reductions.

Actual expense of directors' compensation for meetings for FY 2012 is \$28,725, which is within \$300 of the FY 2011 actual expenses (\$28,425.) Both of these amounts are significantly less (by over 60%) than what was budgeted because in this category, the maximum amount allowed by statute is always budgeted, which is \$9,000 per director per fiscal year for a total budget of \$45,000.

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 and also cross over fiscal years. 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%. In FY 2011, there was no election and accordingly no election expenses. The District has always held its elections in May of even-numbered years but for fiscal year FY 2012 as in FY 2011 there were no election expenses. This is due to the District Board Resolution approved on July 28, 2011, adopting the change of the date of director elections from May to November. This was an outgrowth of Senate Bill 100, which amended the Texas Election Code in order to permit political subdivisions to move elections to the November uniform election date and adjust current terms of office to conform to the new election date (to address the changes and those situations where it will not be possible to contract with a county to conduct joint elections on the uniform May election date in even-numbered years.) Accordingly most of the expenses that would have previously been included in FY 2012 accounts will now be booked in odd-numbered years, so this past election in November 2012 will have expenses shown in FY 2013.

The 2011 legislative session created \$28,520 in related legislative lobbying expense, which was 95% of the budgeted amount of \$30,000. Since the next legislative session will not be until 2013, there were no associated expenses for the District in FY 2012.

Actual Professional Services expenses (excluding legal expenses and excluding professional services specific to team budgets) increased in FY 2012 to \$26,646, compared to \$21,201 in FY 2011; this was 77.7% of what was budgeted, as the District did not incur anticipated general engineering services. Other professional services are team-specific and are now included in team budgets and expenses.

Legal Services expense in FY 2012 decreased by 38.3% from the prior year, from \$89,568 to \$55,230, against a budget of \$64,500. This expense account only includes continuing or planned legal representation and does not include more variable legislative services, which are characterized above. The substantial decrease in this expense account is related to the settlement of the City of Kyle litigation, which created larger than usual legal services' requirements in the prior year. The expense for legal services associated with decennial redistricting, while also rather large, were split between the two fiscal 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.

There were a couple significant increases to expense accounts. Advertising in FY 2012 increased by 161.7% to \$5,619, up from \$2,147 in FY 2011. This was due to redistricting ads, and several public hearing ads for permittees with unforeseen issues.

Office Complex Maintenance-Major Repairs/Special Projects had an increase of approximately 1,600% for a total FY 2012 expense of over \$12,000, up from \$625 in FY 2011. This was due to a Board-approved conference room remodel, an office enclosure project, and parking lot work. There were no special projects approved for FY 2011.

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.

In FY 2012, the District purchased a fleet vehicle with its Capital Fund so there is a \$29,863 change to fixed assets in FY 2012, an increase from \$446,606 to \$476,469, before depreciation and disposal.

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 2012 was \$548,257 which is very close to the prior year (\$505,605.) Differences in these funds from time to time, including year on year, are mostly attributable to the timing of receipts of water use fee payments from permittees and the City of Austin and their resulting deposits.

For FY 2012, the District transferred \$5,000 from its TexPool Capital fund account into the general operating account for the conference room remodel mentioned above. The District also transferred from its general operating account back into the TexPool Contingency account the annual Board-approved transfer of \$5,000 plus an additional \$15,000. The Contingency account transfer is made at the outset of the fiscal year, and later into the fiscal year when the Board approved the remodel project, the Capital transfer occurred.

ANTICIPATED CHANGES

The following events affecting the revenue, cost, and financial management 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 2013:

- A transfer of \$100,000 from the TexPool Capital account will be made into the Aquifer Science Team budget (via the general operating account) for a second Westbay well installation.
- Contested elections in all three director precincts, which was an unexpected circumstance.
- Mandated reductions in water demand during the Stage II Alarm drought that was declared on November 15, 2012, and that may have even larger effects if the District declares a Stage III Critical drought later in FY 2013, which lead to higher than normal conservation credits;

- Initiation of the Drought Management Fees will begin in January (2 months after a District drought is declared) and will probably exist during much of, if not all of FY 2013, depending upon rainfall amounts; this might result in additional fee revenue, especially if a Stage III Critical Drought is declared and end-users and permittees have increasing difficulty in complying with stipulated curtailments;
- Prospective changes in staff composition in both mid- and late-FY 2013, relative to the staff profile at the end of FY 2012;
- Larger legal services expense associated with a greater than usual amount of contested cases arising from the Supreme Court decision in the *Day* case and from limitations imposed on additional groundwater use required for desired future conditions (DFC) statutory compliance;
- Larger legal services expense arising from lobbying services in the 2013 legislative session;
- Self-funding of saline zone investigations and preliminary desalination feasibility studies; and
- Funding of a larger contracted effort on the HCP and NEPA documentation for US FWS without matching grant funds.

BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
STATEMENTS OF NET ASSETS
AUGUST 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,136,981	\$ 1,106,756
Accounts receivable	-	157,154
Prepaid expenses	<u>1,748</u>	<u>1,957</u>
Total current assets	<u>1,138,729</u>	<u>1,265,867</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	309,876
Vehicles	<u>105,260</u>	<u>88,918</u>
	862,518	846,176
Less accumulated depreciation	<u>(468,255)</u>	<u>(399,570)</u>
Total capital assets, net	394,263	446,606
Deposits	<u>71</u>	<u>71</u>
Total noncurrent assets	<u>394,334</u>	<u>446,677</u>
Total assets	<u>1,533,063</u>	<u>1,712,544</u>
LIABILITIES		
Current liabilities		
Accounts payable	8,851	7,319
Conservation credits	37,526	25,894
Compensated absences	31,047	36,854
Deferred revenue	<u>-</u>	<u>378,450</u>
Total current liabilities	<u>77,424</u>	<u>448,517</u>
NET ASSETS		
Invested in capital assets, net of related debt	394,263	365,127
Restricted	2,415	-
Unrestricted	<u>1,058,961</u>	<u>898,900</u>
Total net assets	<u>\$ 1,455,639</u>	<u>\$ 1,264,027</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Water permit and other fees	\$ 1,404,213	\$ 1,316,555
Grant revenue	10,000	9,842
Miscellaneous	8,016	3,825
Total operating revenues	<u>1,422,229</u>	<u>1,330,222</u>
OPERATING EXPENSES		
Operational expenses	129,915	107,804
Salaries, wages and compensation	665,787	775,636
Employment taxes, insurance and benefits	173,737	208,036
Professional services	82,213	110,769
Team expenditures	90,401	115,115
Grant expenditures	7,585	3,029
Depreciation	82,206	71,533
Total operating expenses	<u>1,231,844</u>	<u>1,391,922</u>
Operating income (loss)	<u>190,385</u>	<u>(61,700)</u>
NONOPERATING REVENUES		
Interest revenue	<u>1,227</u>	<u>1,319</u>
Total nonoperating revenues	<u>1,227</u>	<u>1,319</u>
Change in net assets	191,612	(60,381)
Net assets beginning of year	<u>1,264,027</u>	<u>1,324,408</u>
Net assets end of year	<u>\$ 1,455,639</u>	<u>\$ 1,264,027</u>

See accompanying notes to financial statements.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water permit and other use fees	\$ 1,194,549	\$ 1,527,886
Grant receipts	10,000	76,226
Payments to suppliers and employees	(300,789)	(379,143)
Payments to employees and benefits	(845,331)	(989,735)
Grant expenses	(7,585)	(3,029)
Other receipts	8,016	3,825
Net cash provided by (used by) operating activities	<u>58,860</u>	<u>236,030</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	<u>(29,862)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(29,862)</u>	<u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>1,227</u>	<u>1,319</u>
Net cash provided by investing activities	<u>1,227</u>	<u>1,319</u>
 Net change in cash and cash equivalents	30,225	237,349
 Cash and cash equivalents beginning of year	<u>1,106,756</u>	<u>869,407</u>
 Cash and cash equivalents end of year	<u>\$ 1,136,981</u>	<u>\$ 1,106,756</u>
 RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Operating income (loss)	\$ 190,385	\$ (61,700)
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:		
Depreciation	82,206	71,533
Change in assets and liabilities:		
Receivables, net	157,154	(90,770)
Prepaid and deferred expenses	208	101
Accounts payable and accrued expenses	1,532	(45,556)
Conservation credits	11,632	(9,965)
Compensated absences	(5,807)	(6,063)
Deferred revenue	<u>(378,450)</u>	<u>378,450</u>
 Net cash provided by (used by) operating activities	<u>\$ 58,860</u>	<u>\$ 236,030</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 a portion of northwestern Caldwell County. 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, 2012 and 2011 is \$31,047 and \$36,854, 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 agreements with Texas Parks and Wildlife Department and the National Wildlife Federation (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.

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, 2012 and 2011, 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 warranted 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, 2012 and 2011 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, 2012 and 2011, the District's investment in TexPool amounted to \$1,063,638 and \$841,584, 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, 2012 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>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	309,876	0	0	309,876
Vehicles	<u>88,918</u>	<u>29,863</u>	<u>(13,521)</u>	<u>105,260</u>
Total capital assets	\$ 846,176	29,863	(13,521)	\$ 862,518
Accumulated depreciation	<u>(399,570)</u>	<u>(82,206)</u>	<u>13,521</u>	<u>(468,255)</u>
Total capital assets, net	<u>\$ 446,606</u>	<u>\$ (52,343)</u>	<u>\$ 0</u>	<u>\$ 394,263</u>

Capital asset activity for the year ended August 31, 2011 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>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	309,876	0	0	309,876
Vehicles	<u>88,918</u>	<u>0</u>	<u>0</u>	<u>88,918</u>
Total capital assets	\$ 846,176	0	0	\$ 846,176
Accumulated depreciation	<u>(328,037)</u>	<u>(71,533)</u>	<u>0</u>	<u>(399,570)</u>
Total capital assets, net	<u>\$ 518,139</u>	<u>\$ (71,533)</u>	<u>\$ 0</u>	<u>\$ 446,606</u>

Depreciation charged to expense for the fiscal years ended August 31, 2012 and 2011 amounted to \$82,206 and \$71,533, respectively.

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, 2012 and 2011 amounted to \$37,526 and \$25,894, respectively.

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

NOTE F – NET ASSETS

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

<u>Designation</u>	<u>Balance at August 31, 2012</u>	<u>Balance at August 31, 2011</u>
Reserve for contingencies	\$ 216,473	\$ 146,572
Reserve for payment of compensated absences	45,127	45,078
Reserve for future capital acquisitions	<u>325,150</u>	<u>409,501</u>
	<u>\$ 586,750</u>	<u>\$ 601,151</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.

Restricted net assets include the unexpended portion of a grant for an intern's salary from the National Wildlife Federation. Balances for restricted net assets as of August 31, 2012 and 2011 were \$2,415 and \$0, respectively.

NOTE G – RETIREMENT PLAN

Effective September 1, 1991, the District's Board of Directors established a defined contribution pension plan, which is a money purchase pension plan and trust, known as the Barton Springs/Edwards Aquifer Conservation District Retirement Plan and Trust (the Plan). The Plan is administered by Standard Retirement Services, Inc. and provides retirement benefits for all full-time employees who are at least twenty-one years of age and have twelve months of service. For fiscal years ended August 31, 2012 and 2011 both the District and the eligible employees contributed 7.5% of compensation. Both the District and eligible employees' actual contributions for the years ended August 31, 2012 and 2011 were \$44,864 and \$54,616, respectively.

As of August 31, 2012 and August 31, 2011, the defined contribution pension plan assets are summarized as follows:

<u>Investment Type</u>	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Short-term investments	\$ 13,914	\$ 13,913
Mutual funds – equity	933,267	828,030
Mutual funds – fixed income	<u>181,214</u>	<u>102,717</u>
Total plan assets	<u>\$ 1,128,395</u>	<u>\$ 944,660</u>

During the plan year ended August 31, 2012 all eight persons employed by the District met eligibility requirements and were participants in the Plan. There are no participants who terminated prior to September 1, 2012, that have account balances in the plan. No persons were receiving survivors' benefits from the plan at any time during the year ended August 31, 2012.

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

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. In September 2008, the District entered into another, follow-on grant with TPWD to continue working on the HCP documentation, with a grant period that terminated May 31, 2011. For the years ended August 31, 2012 and 2011, the District recognized \$0 and \$7,790, respectively, in grant revenue from billings to TPWD.

In May 2012, The District entered into a Memorandum of Agreement with the National Wildlife Federation (NFW). The agreement provides that the District will hire an intern to assist in the collaboration regarding improving the understanding and management of the Edwards Aquifer, particularly as it related to the interconnection between the portion of the aquifer supporting flow at Barton Springs and the portion supporting flow at San Marcos and Comal Springs. The grant is not to exceed \$10,000 with a grant period of May 24, 2012 through September 30, 2012. For the year ended August 31, 2012, the District recognized \$10,000 in grant revenue. Expenses incurred by the District for the year ended August 31, 2012 amounted to \$7,585.

NOTE I – LITIGATION

The District was not actively involved in any litigation during FY 2012. However, there were two legal proceedings from prior years that extended into the reporting year and continued to require a relatively minor amount of legal services.

In the prior two years, the District (defendant) and the City of Kyle (plaintiff) were engaged in and settled a lawsuit in Hays district court. The settlement was reflected in an agreed order. The District Court struck SOS Alliance's intervention in the lawsuit and SOSA appealed the intervention denial. While the City of Kyle carried most of the burden in responding to the appeal, there were some legal coordination and document reviews required of the District's general counsel in FY 2012. Toward the end of the fiscal year, without addressing the denial of SOSA's intervention, the appellate court reversed the District Court's agreed order, remanding the case back to District court and, ultimately, to the District Board for resolution. Court costs of approximately \$200 were assessed against the City of Kyle and the District. The District will have some additional legal expenses associated with dealing with the remand and protecting other regulatory interests, but those are and will be in the following fiscal year. The District is not aware of any extraordinary legal or financial exposure for the District in the denouement of this legal process.

The District protest of the Jeremiah Venture Texas Land Application Permit (TLAP) application, which was joined by other political jurisdictions and others, had begun several years earlier. It initiated a contested case hearing process and negotiations that were

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

NOTE I – Continued

pursued by the parties from time to time over several years and continued into early FY 2012, although essentially all of the active negotiations and legal documentation and reviews took place in the prior years. It was finally partially settled, with the LCRA, Hays County, and the District entering into a mediated agreement with Jeremiah Venture on November 8, 2011. The District agreed to a settlement provided that certain groundwater-protective terms were met. Following settlement, District staff has spent a small amount of time being responsive to requests to present information related to the settlement terms to facilitate ongoing negotiations of the remaining parties to settle completely the contested case, or in the alternative, their pursuing the contested case. It is likely that a small amount of legal expenses may accompany some of these interactions, but those will be in FY 2013. No extraordinary financial or other exposure for the District should accompany these activities.

NOTE J – MAJOR CUSTOMER

Approximately \$725,025 and \$710,108 of the District's revenue for fiscal years ended August 31, 2012 and 2011, respectively, was received from the City of Austin. This revenue accounts for approximately 51% and 53% of the total District's operating revenues for the years ended August 31, 2012 and 2011, respectively.

NOTE K – SUBSEQUENT EVENTS

Subsequent to August 31, 2012, the District transferred \$100,000 from the TexPool capital account to the general operating account to cover the Aquifer Science Team budget for a second Westbay well installation. Subsequent events have been evaluated through December 13, 2012, 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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(GAAP Basis)</u>	<u>Positive</u> <u>(Negative)</u>
OPERATING REVENUES				
Water use fees - permittees	\$ 701,096	\$ 701,095	\$ 694,299	\$ (6,796)
Water use fees - City of Austin	725,025	725,025	725,025	-
Conservation credits	-	-	(37,526)	(37,526)
Grant revenue	-	-	10,000	10,000
Other fees	7,050	7,050	22,415	15,365
Miscellaneous	500	500	8,016	7,516
Total operating revenues	<u>1,433,671</u>	<u>1,433,670</u>	<u>1,422,229</u>	<u>(11,441)</u>
OPERATING EXPENSES				
Operational expenses	172,072	181,547	129,915	51,632
Salaries, wages and compensation	730,217	684,006	665,787	18,219
Employment taxes, insurance and benefits	210,406	197,039	173,737	23,302
Professional services	86,200	96,200	82,213	13,987
Team expenditures	231,100	261,100	90,401	170,699
Grant expenditures	-	-	7,585	(7,585)
Depreciation	50,000	50,000	82,206	(32,206)
Total operating expenses	<u>1,479,995</u>	<u>1,469,892</u>	<u>1,231,844</u>	<u>238,048</u>
Operating income	<u>(46,324)</u>	<u>(36,222)</u>	<u>190,385</u>	<u>226,607</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	1,500	1,500	1,227	(273)
Transfers to (from) reserves	(5,000)	(15,000)	-	15,000
Total nonoperating revenues (expenses)	<u>(3,500)</u>	<u>(13,500)</u>	<u>1,227</u>	<u>14,727</u>
Change in net assets	(49,824)	(49,722)	191,612	241,334
Net assets beginning of year	<u>1,324,408</u>	<u>1,324,408</u>	<u>1,264,027</u>	<u>-</u>
Net assets end of year	<u>\$1,274,584</u>	<u>\$1,274,686</u>	<u>\$1,455,639</u>	<u>\$ 241,334</u>

APPENDIX B

Basis for Board's **Evaluation of Progress towards Goals and Objectives**

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 2012, the District operated under and was guided by the statutes that govern the District. The District protected its statutory authority and carried out its statutory responsibilities under the current approved District Management Plan. The legislative session in the prior year produced numerous new requirements dealing with groundwater regulation, particularly arising from SB 332 (groundwater ownership as real property bill) and SB 660, the Texas Water Development Board (TWDB) sunset review bill.

- Despite its being an interim year legislatively, District staff and directors continued to communicate with those legislators having common constituents in the District and with other legislators who are opinion leaders in the groundwater management arena.
- The District staff and directors set the District’s legislative agenda for the upcoming 2013 session to guide the staff, director, and lobbyists’ efforts in the run-up to and through the legislative session.
- District staff and directors in FY 2012 also completed the process of revising the District Management Plan to re-structure and update the goals, objectives, and performance standards as a response to statutory changes from the 2011 legislative session and to the need for making certain authorities more explicit in the District’s drought management program in order to support desired future conditions (DFCs) and Managed (now Modeled) Available Groundwater (MAG), as required by our statutory authorities.

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 completed work under two major grants in the prior fiscal year; that work set the stage for continuing with related, but non-grant activities this year. They were (1) the Habitat Conservation Plan (HCP) and the accompanying National Environmental Policy Act (NEPA) documentation under a grant project funded by US Fish and Wildlife Service (FWS) through Texas Parks and Wildlife Department (TPWD); and the Onion Creek Recharge Enhancement Project, under a grant funded by the Environmental Protection Agency (EPA) Section 319(h) program through the Texas Commission on Environmental Quality (TCEQ).

The District was a cooperating partner with the Sierra Club and the National Wildlife Federation on a National Science Foundation (NSF) grant to evaluate further the hydrologic relationship of the divide between the San Antonio and Barton Springs segments of the Edwards Aquifer. The grant funded a graduate student in hydrogeology who was hired by the District as an intern to conduct this study. District staff also provided technical oversight and coordination with other parties.

In addition, in support of one of its permittees, the District provided in-kind services to the City of Kyle's evaluation of the feasibility of substituting reclaimed water use for freshwater sources, including groundwater supplies managed by the District. This feasibility study was funded by a facility planning grant to the City by EPA through TWDB; the District actively supported the City's proposal for use of such alternative water sources to potentially reduce demand for Barton Springs aquifer water supplies.

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 2012.
- In FY 2012, the District completed its redistricting process attendant to the 2010 decennial census. It formed five new single-member director precincts that afforded the uniform representation authorized by both the Texas Election Code and the District's Special District Local Laws Code, that met to the maximum extent feasible the criteria established by the Board in the prior year, and that incorporated public input.
- There would normally have been three directorships up for election in May 2012. But as a result of a legislative change that affected our county-level election services providers' ability and willingness to provide those services for our directors' elections in May at a non-prohibitive cost, the Board resolved to move its director elections from the May local election dates to the November general election dates. So in FY 2012, the District held no elections but began the contractual and notice processes attendant to the November 2012 election.
- The District Board of Directors held 19 regularly scheduled Board meetings, 5 public hearings, 4 special called Board meetings, 7 work sessions, and 108 other individual director meetings in FY 2012, 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.

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

- Two (2) new unregistered wells were identified and registered in FY 2012.

- The District conducts inspections on existing permitted well systems as part of the Regulatory Compliance Team's routine inspection schedule and in response to applications received. Three (3) routine permittee inspections and eight (8) inspections of new wells and well sites were conducted in FY 2012. The number of routine permit inspections fell below the annual target in FY 2012 as result of staffing issues and a focus of resources on drought management and other higher priority tasks.
- Monthly meter readings were collected from all permittees each month with the large majority reported in a timely manner. Permittees failing to submit timely reports were provided with notices of the District's intent to collect meter readings. Most delinquent permittees were generally responsive once the notice was received. Meter readings not received after the notice was provided were collected by staff and a fee was assessed to those 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.

Directors and staff participated in 44 outreach activities reaching approximately 2,674 adults and 1,174 children. Activities included events, field trips, class lectures, and presentations at local, state, and international conferences. Two editions of the Aquifer Bulletin and two editions of the Aquifer Update were posted on-line and subscribers were notified with content via email. Eight press releases documented drought stage changes and notable events. The District website and Facebook page were regularly updated with news, aquifer status, and new information. FY 2012 saw an increase in internet traffic on both the District website and Facebook page.

In addition, directors and staff are involved in a wide range of ongoing collaborations:

- Austin Geological Society
- Central Texas Water Efficiency Network
- City of Austin Environmental Board
- City of Austin Earth Camp
- Envision Central Texas, Natural Infrastructure Committee
- Groundwater Management Area 10
- Groundwater Management Area 9
- Groundwater to the Gulf Collaboration
- Gulf Coast Association of Geological Societies
- Hays Trinity Groundwater Conservation District - Geology
- Hays Trinity Groundwater Conservation District – Rulemaking Committee
- Regional Water Educators
- Regional Water Quality Protection Plan, Intergovernmental Work Group
- Saline Edwards Studies
- Sinkhole Conference
- Texas Alliance of Groundwater Districts
- Travis County Groundwater Stakeholders

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, applications for five (5) new NDUs, one (1) new production permit, and three (3) production permit amendments were received and processed in FY 2012. Of these, all were processed in conformance with the District’s information requirements, procedural requirements, and timeframes. All current production and transport permits were renewed at the end of the respective permit terms as well.

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 2012 Annual Budget that the Board approved on July 28, 2011, and then revised twice for the fiscal year; on August 25, 2011 and on March 22, 2012.
- The District successfully operated within its budgeted operating expenses and did not require the use of reserve funds; the District Board did approve the use of reserve funds for the non-operational expense of a conference room remodel, and for the purchase of a new District vehicle.
- The District obtained new 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 for every Board meeting 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 *Rules* and specified timeframes.

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 2012 was conducted through our annual participation in the TWDB groundwater sampling effort. In this effort, District staff collected samples from 10 sample sites including wells and springs from the Edwards and Trinity aquifers. All samples were analyzed for major ions and for stable and age-dating isotopes. In addition, the District staff assisted in a TSU-SM student well sampling exercise at Ruby Ranch.
- The District collected water quality samples during routine permit inspections and from newly constructed wells. Samples from seven (7) other wells were collected and analyzed as part of a special investigation related to reports of bacteria and other water quality concerns.

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.

- Gave presentations and led hydrogeologic field trips to the Antioch Recharge Facility for: the Association of Engineering Geologists (AEG), Texas A&M Kingsville geology students, and the World Lake Conference.
- District staff attended each regularly scheduled meeting of the regional water quality protection plan group that was convened to allow representatives from local governmental entities to provide information updates that are relevant to the goals of the regional water quality protection plan. These regularly scheduled meetings are organized by Director Craig Smith and have been useful in maintaining the collaborative relationships with our fellow resource managers.
- The District continued to monitor and review activity subject to TCEQ’s 30 Texas Administrative Code (TAC) §213 Rules related to regulated activities that may affect the Edwards Aquifer. In FY 2012, District staff logged receipt of seventeen (17) Water Pollution Abatement Plans (WPAPs) none of which warranted a response or substantive comment from the District.
- District staff accepted appointments to stakeholder groups and committees to provide assistance in the development of local government rules and policies. The Hays Trinity Groundwater Conservation District (HTGCD) convened a committee including a District representative appointed by HTGCD Director Joan S. Jernigan to perform a comprehensive review and rewrite of the HTGCD Rules. Travis County also convened a stakeholders group including a District representative appointed by County Commissioner Karen Huber to

provide input into strengthening the county's water available demonstration requirements for new subdivisions.

- District staff provided support to the City of Austin (COA) in the development of a well drilling ordinance that would require registration of all new wells within the COA and require measures to ensure COA water supplies are protected from cross-connection or contamination. The ordinance would further provide well and pumping data that could serve as a foundation for future efforts to characterize the northern segment of the Edwards Aquifer.
- With regard to pursuing legal remedies to minimize groundwater quality impacts, the District protest of the Jeremiah Venture TLAP application continued into FY 2012 and was finally settled, with the LCRA and the District entering into an agreement on November 8, 2011. The District agreed to a settlement provided that certain terms were met including: a groundwater monitoring plan, a remedial action/mitigation plan, adoption of the TCEQ Optional Enhanced Measures (OEMs), and most notably, the inclusion of approximately 20 acres of buffer zone around the most sensitive features and caves. Following settlement, District staff has been responsive to requests to present information related to the settlement terms to facilitate ongoing negotiations of the remaining parties.

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.

- District Board members and staff continue to actively participate 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. In response to recently promulgated statutory requirements, Groundwater Management Area (GMA) 10 has designated District senior staff member, John Dupnik, as the representative to Region K providing voting membership in matters concerning GMA 10 and the District.
- The District has continued its efforts to explore the geotechnical, economic, engineering/technological, and environmental/public-acceptance feasibility of a potential desalination 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.
- A meeting of regional water suppliers, industry, and water managers including the City of Buda, City of Kyle, Centex Materials, and Plum Creek Groundwater Conservation District (GCD) was held in November of 2011 to discuss mutual interests in characterizing the Lower Trinity Aquifer as a potential alternative water supply. The District organized and facilitated

the meeting to encourage information exchange and collaboration on future alternative water supply projects with a focus on the Lower Trinity.

- District staff provided in-kind support equivalent to \$13,200 to a faculties planning grant project for the City of Kyle by providing a technical memorandum outlining issues related to the use of reclaimed water (treated effluent) in the region. The District encouraged the use of reclaimed water to facilitate replacing existing demand relying on Edwards's supplies in a manner that would prevent adverse impacts to the Aquifer.

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

The frequent occurrence of drought coupled with the new drought rules have generated interest in identifying surface water and other alternative water supplies by both the District staff and the District stakeholders. In the past year:

- The District established dialogue with TDS about initiating feasibility studies of a desalination facility under a possible public-private partnership in or nearby the TDS landfill.
- The District maintained a relationship and an open dialogue with the COA's Austin Water Utility (AWU), the Guadalupe-Blanco River Authority (GBRA), and the LCRA to promote possible interconnections, especially during severe drought conditions, where possible and warranted.

As an example, the District has continued to be supportive of permittee Ridgewood Village Water System (RVWS) efforts to transfer off of Edwards's groundwater and onto the surface water provided by the COA via Travis County Water Control and Improvement District (WCID) No. 10. The impetus for the transfer began with the District's enforcement action against RVWS in response to drought rule violations in 2009. The District has shown support of the transfer by providing the needed extensions to the enforcement order and letters of support to TCEQ to encourage approval of the transfer to WCID No. 10.

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 help communicate the importance of surface water/groundwater interaction, water conservation, and diversified water supplies.

- District staff and directors collaborated with county government, non-profit groups, water haulers, and rainwater system installers to host the second Rainwater Revival (October 8, 2011). The event attracted over 1,050 visitors and allowed people to investigate rainwater harvesting systems and meet water haulers, rainwater system installers, and learn about water supply challenges from government and non-profit groups.
- The Groundwater Stewardship Awards (November 4, 2011) celebrated permittees, citizens, researchers, and agencies who have contributed significantly to the conservation,

preservation, and knowledge base of groundwater resources in the District. In FY 2012, the District received a record number of nominations for the awards.

- The Central Texas Water Conservation Symposium (March 30, 2012) attracted over 200 city managers, water suppliers, city planners, and water professionals to attend the “Drop by Dropless: Managing Water Resources through Drought” Symposium, sponsored in part by the District.
- The Groundwater to the Gulf Summer Institute for Educators (June 18-21, 2012) equipped 34 teachers (who reach over 20,737 students annually) with hands-on activities to teach about surface water/groundwater interaction, water issues, and water conservation.
- The District continues to research the feasibility of desalinization technologies to supplement existing water supplies with Saline Edwards water resources through ongoing collaboration with Texas Disposal Systems (TDS), Texas State University (TSU), Texas A&M, and Plum Creek GCD.

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.

- Performed studies with the U.S. Geological Survey (USGS) and COA regarding real and apparent fluctuations at Barton Springs, one of our drought triggers. Results are published in the Gulf Coast Association of Geological Societies transactions.
- District initiated and performed a dye trace study from a collapsed sinkhole that developed (February 2012) within a storm water retention pond near MoPac and William Cannon. The purpose of the study was to determine the fate of storm water that recharged the aquifer through the sinkhole. Results of the study are documented in a District publication.
- District assisted with a geophysical study of the Antioch Fault Zone which has implications for groundwater flow and the delineation of the recharge zone boundary of the Edwards Aquifer in the vicinity of the Centex Quarry. Results are published in the Gulf Coast Association of Geological Societies transactions.
- Developed a draft methodology for GMA 9 regarding the monitoring of DFCs.
- 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 groundwater samples from 10 wells for analysis for water-quality parameters under a TWDB partnership.

- FY 2012 began with the aquifer in Stage II drought conditions rapidly approaching the next drought stage. Very dry and hot conditions continued and Stage III Critical Drought was declared on September 8, 2011. Barton Springs reached a low of 16 cfs in November. Rainfall in December and January lead to recharge and an easing of drought status to Stage II Alarm on February 23, 2012. Continued recharge allowed non-drought conditions to be declared April 22, 2012. The fiscal year ended with the aquifer in non-drought conditions.
- Staff from the Aquifer Science Team served on the planning committee for the 13th Multidisciplinary Conference on Sinkholes and Environmental Impacts of Karst, Gulf Coast Association of Geological Societies, and South-Central Geological Society of America.

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.

There were no applications filed during FY 2012 that required a pump test or hydrogeological report.

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.

The District directors and staff have established the following management zones: Western Freshwater Edwards, Eastern Freshwater Edwards, Saline Edwards, Middle Trinity, and Lower Trinity aquifers. These management zones are also integral to supporting applicable DFCs and MAGs established in the prior fiscal year, and the implementation of differential requirements for these management zones in rule making to achieve the DFCs and conform to the MAGs in the current year. The District's regulatory program, including its permitting provisions and database entries throughout FY 2012, was based on these management zones. At the end of the fiscal year, the District was poised to promulgate a set of rule amendments that were designed, with the help of a stakeholders advisory committee, to ensure achievement of the DFCs and relevant MAGs.

D. Actively participate in the joint planning process for GMAs 9 and 10 to establish DFCs by mid-2010 and periodically thereafter.

GMA 9: The designated District representative to this GMA, Senior Hydrogeologist Brian Hunt, P.G., actively participated and attended GMA 9 meetings and public hearings in Boerne, Bandera, and Johnson City. During the summer of 2011 two petitions were received by GMA 9. Petitions filed by Flying "L" Guest Ranch, LTD. appealed the DFC of the Trinity Aquifer in Bandera County and by Wimberley Valley Watershed Association appealed the DFC of the Hill Country Trinity Aquifer in Hays County.

A public hearing for the Flying "L" Guest Ranch LTD. petition was held November 7, 2011 at the Upper Guadalupe River Authority, Kerrville. A public hearing for the Wimberley Valley Watershed Association petition was held on November 16, 2011 at the Wimberley Community Center, Wimberley. These petitions and testimony were presented to the TWDB Board on

February 2, 2012. The Board determined that the DFC was reasonable and the petition process ended.

In FY 2012, GMA 9 held about 5 meetings. The representative actively participated in discussions that focused on how to measure compliance with a DFC, and other related issues for GMA 9 aquifers. The District Board was updated on GMA 9 activities.

GMA 10: The designated District representative to GMA 10, General Manager Kirk Holland, continued to serve in a leadership role. Another District staff member, John Dupnik, served as the GMA 10 representative to Region K as the new voting member of that regional water planning group.

Joint planning throughout most of FY 2012 was again relatively slow-paced, as the GMA waited on TWDB to establish the official MAG estimates for all of the GMA 10 relevant aquifers, and then await the outcome of legislative changes that would affect the role and responsibility of the GMA in joint planning.

The District continued its lead role in evaluating options and defining a desired cooperative monitoring program among member GCDs that will be required to demonstrate compliance with the DFC of the Trinity Aquifer. Most GCDs appeared to take a wait-and-see approach to these requirements, ostensibly to determine if the TWDB would offer any substantive guidance in that regard; late in FY 2012, it was apparent that TWDB intended to leave that up to the various GMAs and their member GCDs.

Similarly, the District took the lead in calling attention of the GMA 10 member GCDs to the statutory requirement for annually reviewing all of the member GCDs' Management Plans, the accomplishments of the GMA in the year, and any proposals for new or amended DFCs. The District Representative provided a model for other GCDs to utilize in such assessments, performing its own review of other GCDs that shared aquifers with the District. On the basis of that example assessment, the GMA began planning a work session to accomplish the statutory reviews.

In mid-FY 2012, GMA 10, represented by the District Representative, provided testimony to the TWDB at a hearing on a petition concerning an alleged unreasonable DFC for the Edwards Aquifer in the Western Subdivision of GMA 10. While Kinney County GCD was the primary GCD affected by this DFC, the GMA supported its adopted DFC, and the District Representative participated in an evidentiary hearing by TWDB staff on the merits of the petition in Sonora, TX, as well as representing the GMA later before the TWDB in Austin. Ultimately the TWDB agreed with the GMA and denied the petition.

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.

Development of rules through the negotiated rule-making was concluding towards the end of FY 2012. The District and the industrial permittees were able to come to terms on acceptable rule changes. In summary, the negotiated rules delayed the more aggressive Emergency Response Period (ERP) curtailments and provided an option to relax those ERP curtailments if the permittee demonstrated development of an alternative water supply or implemented measures to achieve the equivalent demand reduction. After proper notice was provided and a public hearing was held, the negotiated rule changes were adopted on September 17, 2011 near the beginning of FY 2012.

A second round of rulemaking was initiated in FY 2012 in response to statutory changes coming out of the 82nd Legislative session and the issuance of MAGs in response to the GMA-adopted DFCs. The extreme-drought DFC adopted for the Edwards Aquifer (minimum DOR springflows of 6.5 cfs) left a difference of 1.5 cfs between the DFC and what was achievable under the then-current District rules. The District convened a Stakeholders Advisory Committee (SAC) to assist the District in developing strategies to close the so-called “gap.” The SAC consisting of a select group of stakeholders representing a variety of interests and approved by the Board worked through the remainder of FY 2012 to develop rules for the Board to consider. The timeline for the rulemaking process was as follows:

- 1-24-12: SAC convened at first work session
- 3-8-12: Report summarizing input and providing recommendations provided to SAC
- 4-24-12: Second SAC work session
- 6-14-12: Rule concepts developed by staff and approved by Board
- 8-10-12: Draft rule language made available to SAC for pre-review and comment
- 8-23-12: Board approved draft rule language for public hearing
- 9-27-12: Public hearing on draft rule changes held

This round of rulemaking continued into the following fiscal year culminating in Board adoption of the proposed rules on October 11, 2012. Pertinent rule changes that serve to facilitate preserving the DFC are summarized in the Regulatory Compliance Team Highlights section of this report.

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.

The District declared Stage III Critical Drought on September 8, 2011, Stage II on February 23, 2012, and then non-drought on April 22, 2012.

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 use of the drought stage icons as a visual cue for the severity of the drought stage starting with green, yellow, red, then black. Stage III Alarm Drought road signs were distributed to all permittees shortly after the declaration on September 8, 2011. The consistent messaging is repeated on drought stage road signs, bill inserts, as flags at District headquarters, images on the website, drought chart, etc. District staff issued a press release, newsletter edition, Facebook post, and emailed permittees when the drought stage changed. 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. The drought stages along with their triggers are included on the last page of each newsletter and bill insert, and the current drought condition is clearly highlighted.

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

The majority of permittees' drought plans have been updated to incorporate amendments to drought management rules. Permittees have the option to revise drought charts no more than once per year but must update their plans at least every five (5) years. Staff has been responsive to all permittee-requested and staff-initiated updates. Staff also provided assistance during District-declared drought by assisting with drought plan implementation, drought rule interpretation, and by providing education materials to facilitate permittee to end-user outreach efforts.

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

District staff continued to assist permittees in complying with the requirements of the Stage III Critical Drought in place at the beginning of FY 2012 which was a continuation of a drought that was initially declared in April of 2011. In accordance with the District enforcement plan, the District focused enforcement efforts on egregious and persistent occurrences of non-compliance which included pre-enforcement compliance meetings and monitoring of commitments by permittees to implement measures to improve compliance. Staff suspended drought enforcement efforts with the declaration of "No Drought" in March of 2012.

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 mentioned in the response to Performance Standard D of this objective, the District has implemented all drought-related rules and curtailments in accordance with the District's enforcement plan and drought management protocols. For the duration of declared drought in FY 2012 (September through March), all permittees collectively reduced pumpage by the requisite amount to meet the prevailing drought stage targets.

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

As described under Objective 4-2, the District initiated an extensive and comprehensive stakeholder-driven process to develop strategies that would facilitate the District's efforts to preserve the extreme drought DFC of maintaining at least 6.5 cfs of springflow during a recurrence of the drought or record (Note: The recently issued MAG effectively replaces the EDWL as a management tool). This process included convening an advisory committee (the SAC), soliciting input from the SAC through work sessions, and several public hearings. The product was a report outlining a two-phased management approach and an initial set of rule changes implementing the strategies. The District will continue to monitor the effectiveness of the Phase I strategies and the need to implement any Phase II strategies.

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 wells at Ruby Ranch and Antioch Cave 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 TDS 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.
- The District participates in ongoing, monthly meetings of the Central Texas Water Efficiency Network (CTWEN), which is a group of water providers, municipalities, and non-profits in Central Texas. The group collectively hosted the Central Texas Water Conservation Symposium to address managing water utilities through drought.
- A yard sign campaign to reinforce and encourage water conservation by homeowners was sponsored in part by the District. The yard signs were promoted through local media, District publications, and collaborating groups.

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.

Through notices to the Friends of the Aquifers email group and presentations to community groups and homeowners associations, the District provided end-users with up-to-date aquifer conditions, drought status, and effective water conservation measures. As part of the preparation of the drought awareness campaign timed with the declaration of Stage III Critical Drought (Sept. 8, 2011), the District developed an Aquifer Update targeting well owners and residents served by groundwater-based water systems; staff collaborated with Clean Water Fund to visit directly with homeowners about aquifer status and the need for water conservation. On March 31, 2012, a direct mail campaign let exempt well owners know about drought status, encouraged conservation, requested contact information updates, and invited participation in the free Water Well Checkup Program on April 16, 2012.

Additionally, the District hosted the annual Groundwater Essay Contest for a college scholarship which attracted nine applicants from eight different schools. Staff visited area schools to promote the Aquatic Science Adventure Camp (hosted by the Edwards Aquifer Research and Data Center) scholarship. The scholarship contest attracted a record number of applicants from a diverse cross-section of schools, and with support from permittees, 20 students were able to receive scholarships to attend the Aquatic Science Adventure Camp.

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 319h 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 continues to monitor and maintain this system so that recharge to the aquifer through Antioch Cave can be maximized.

Objective 7-2: Assess the feasibility of implementing as warranted, supply enhancement measures including desalination, Aquifer Storage and Recovery (ASR), 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 ASR. Meetings have been held with various partners to coordinate logistics and funding of these studies.

Improvements to the Antioch recharge enhancement facility were completed in FY 2012, and several papers and field trips were oriented toward the beneficial aspects of this facility.

Discussions have been held with District permittees and with other stakeholders for conducting studies and test wells of the Middle and Lower Trinity aquifers.

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. The District continues to use the rainwater harvesting system installed at the District headquarters as a teaching and outreach tool. Build-your-own rain barrel instructions were promoted at the Rainwater Revival booth (October 8, 2011) and Groundwater to the Gulf (June 18-21, 2012), and a new activity called the Water Conservation Toss highlighting water conservation and alternate supplies was developed and used at several events throughout the year.

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

Both GMA 9 and GMA 10, including the Northern Subdivision of GMA 10 for the Edwards and Saline Edwards aquifers of the District, have now received from the TWDB the final official MAGs corresponding to the relevant aquifers in the District and all petitions concerning DFC reasonableness have been resolved. District staff worked with the TWDB staff in confirming the appropriate modeling for estimating the applicable MAGs. It was determined by the District that the DFCs and corresponding MAGs, especially those related to the Extreme Drought DFC for the Freshwater Edwards Aquifer in the Northern GMA 10 Subdivision, will require amendments to the District Rules. The District undertook a stakeholder input process over the last eight months of FY 2012 to arrive at a set of rules that were both fair and effective in achieving the stringent DFCs; at the end of FY 2012, a public hearing on these rule amendments was being proposed. These amendments in prospect will require both additional demand reductions and certain substitution with alternative water supplies.

It also was apparent that some of the measures in the prospective rules would benefit from amending certain parts of the Management Plan. Because the Management Plan needed to be restructured for other reasons as well, the District also undertook a parallel effort to develop a new Management Plan, driven primarily by the required changes to achieve the DFCs. Each of the objectives and performance standards in the new Management Plan, which was adopted shortly after the end of FY 2012, is in the process of being submitted to the TWDB for approval.

In addition, District staff has initiated a conceptual planning effort, using both hydrogeologic and GIS tools, to monitor the Trinity Aquifer DFC compliance status on a regional basis with cooperation of the other GCDs in both GMA 9 and GMA 10.

At the end of FY 2012, all aquifers in the District were in compliance with their DFCs and were producing groundwater at annual rates less than the applicable MAGs.