

**Gonzales County Underground Water Conservation District
Minutes of the Board of Directors
December 09, 2014
Board Meeting**

The regular meeting of the Board of Directors of the Gonzales County Underground Water Conservation District (the District) was called to order. Present for the meeting were directors: Bruce Tieken, Steve Ehrig, Bruce Patteson, Barry Miller, and Kermit Thiele. Also present for the meeting were GCUWCD General Manager, Greg Sengelmann, Mitigation Manager Link Benson, legal council, Greg Ellis, and administrative assistant, Laura Martin. Other Attendees included: (See Attached List)

Public Comment:

Public comments were made by landowner, Mr. Pat Rosato. Public comments were made by Ms. Sally Ploeger. Public comments were made by landowner, Mr. Tom Lester Jr. A recording of the board meeting and comments received has been filed at the District office.

The minutes from the November 11, 2014 Board Meeting were reviewed. Mr. Barry Miller made a motion to approve the minutes, and Mr. Steve Ehrig seconded the motion. The motion passed unanimously.

Ms. Laura Martin gave the financial report. Bank statements were balanced and reconciled on 12/05/2014. CD rates in financial report were reviewed from local banks. Mr. Bruce Patteson made a motion to approve the financial statement. Mr. Bruce Tieken seconded the motion. The motion passed unanimously.

The Board reviewed the District's outstanding bills. The bills were as follows: \$92.44 to AT&T Mobility for basic mobile telephone, \$219.12 to GVTC for telephone and internet service, \$578.50 to the U.S. Post Office for office rent, \$35.00 to Rockin'S Marketing & Design for website maintenance, \$180.00 to WorkSpace Infrastructure & Mobility, LLC for computer services, \$273.56 to Ricoh for copier rental, \$155.65 to Reese's Print Shop for office supplies, \$3,450.00 to Texas A&M AgriLife Extension for Web Hosting & Diagnostics, \$33.00 Texas Municipal League for audit, \$363.75 to Gonzales County Appraisal District 1st QTR 2015, \$6.46 to Caldwell County Appraisal District for Collective Budget 1st QTR payment 2015, \$23.08 to Caldwell County Appraisal District for Texas property Tax 1st QTR payment 2015. Mr. Ehrig made a motion to pay the District's bills. Mr. Miller seconded the motion. The motion passed unanimously.

Mr. Link Benson presented to the board an estimate from GVEC for a well to be potentially mitigated (H198). The total estimate was in the amount of \$18,858.87. Mr. Benson, Mr. Miller and the board discussed the particulars of the well and the options available to the landowner. Following the discussion, the Board reviewed the Western Mitigation Fund outstanding bills. The bills for the Western Fund were as follows: \$226.60 to the U.S. Post Office for office rent, \$82.98 to Reese's Print Shop for office supplies, \$381.60 to B&S Water Well Service for mitigation services (E088), \$1,022.20 to B&S Water Well Service for mitigation services (E091), \$2,115.80 to B&S Water Well Service for mitigation services (I228). Mr. Miller made a motion to pay for the Western and Eastern Mitigation Fund bills, including an addendum to his original motion for the mitigation of the above mentioned well (H198), and Mr. Patteson seconded the motion. The motion passed unanimously.

Next, the board took up a discussion on rules and regulations governing District transport permits regarding comments and concerns from landowners Mr. Pat Rosato and Mr. Wayne LePori. Mr. Ellis, legal counsel for the district, stated that he had reviewed the transport permits, and rules of the district and explained he could not find in the rules that a participant in a permit be restricted in the use of the water once it is permitted as long as beneficial use could be shown. Mr. Ellis answered questions from the board and the audience. He discussed justification of beneficial use in length as pertaining to Chapter 35 & Chapter 36 of the Texas Water Code.

The Board discussed and took action on the proposed Clear Water Resources disposal well permit application with the Texas Railroad Commission. Mr. Greg Sengelmann gave the information about the disposal well permit applications. Clear Water Resource has four disposal well applications east of the District boundary. Mr. Sengelmann recommended dropping the current protest against Clear Water Resources permit applications, and to not protest a future disposal well based on the agreement made between the District and Clear Water Resources. Mr. Miller made a motion to remove the protest against Clear Water Resources disposal well permit application with the Texas Railroad Commission. Mr. Kermit Thiele seconded the motion. The motion passed, with Mr. Bruce Patteson voting naye.

The Directors discussed and took action on a request for an industrial well Drilling & Production Permit filed by Fortress Environmental. Mr. Senglemann presented the information about the permit. Fortress Environmental filed for the permit on July 9, 2014, the permit application was declared administratively complete on September 2, 2014. The well is located approximately 2 miles south of Waelder, on State Highway 97 & FM2814 and is completed in the Sparta aquifer. The application is to re-equip an existing exempt well to produce 50 ac/ft a year, at an average rate of 31 gallons per minute. No written comments on the permit application were received. Mr. Miller made a motion to approve the request for industrial well drilling permit by Fortress Environmental. Mr. Patterson seconded the motion.

The Directors discussed a request for a public supply well Drilling & Production Permit filed by Gonzales County Water Supply Corporation. Mr. Senglemann presented the particulars regarding the well. On September 26, 2014 the application was submitted and became administratively complete on October 24, 2014. The well is located 9 miles north of Gonzales near the intersection of State Highway 97 and County Road 383, and will produce 806 ac/ft per year, at an average rate of 500 gallons per minute, from the Carrizo aquifer. No written comments on the permit application were received. Two exceptions were requested for this permit; 1) a spacing exception and 2) production acreage exception based on the GCWSC's CCN acreage. The District currently has no rule allowing use of CCN acreage for production water rights. However, this issue is being discussed at The District's rule making workshops and a rule allowing CCN acreage for production water rights may be included in the amended rules. Mr. Pateson made a motion to grant a provisional public supply permit for the GCWSC until the rules are updated and finalized. Mr. Thiele seconded the motion. The motion passed, with Mr. Miller abstaining from a vote.

A discussion regarding the district's Plugging, Abandonment, & Cost Sharing Program occurred; Mr. Benson is finding difficulty in getting estimates from well drillers without better well construction specifics. Plans were made to call additional well drillers and gather more information.

Manager's Report:

The District Manager, Greg Senglemann gave his monthly manager's report, including; areas traveled in the county, meetings attended, water usages, and the Palmer Drought index. SSLGC's November production was about 1,126 ac-ft which is about 70% of the monthly allowable production. CRWA's November production was about 112 ac-ft which is about 33% of the monthly allowable production. SAWS November production was about 590 ac-ft which is about 61% of the monthly allowable production. AQUA's October production was about 36 ac-ft which is about 9% of the monthly allowable production. The Palmer Drought Index, as of December 2, 2014 indicated that we are in moderate to severe drought conditions.

The Board discussed and took action on the agenda item for paying the General Manager's expenses for the month. Mr. Miller made a motion to approve the expenses, and Mr. Pateson seconded the motion. The motion passed unanimously.

Mitigation Fund Manager's Report:

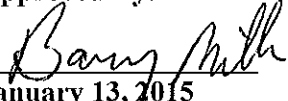
The Mitigation Manager, Mr. Link Benson, gave his monthly manager's report including; areas traveled in the county, wells mitigated, and presented a video of a well that has a reduction in pumping capacity to determine how to fix the well.

The Board discussed and took action on paying the Mitigation Manager's expenses for the month. Mr. Ehrig made a motion to pay the Mitigation Manager's expenses, and Mr. Miller seconded the motion. The motion passed unanimously.

Adjourn:

A motion was made by Mr. Thiele to adjourn the meeting, and Mr. Ehrig seconded the motion. The motion passed unanimously.

Approved By:


January 13, 2015
GS:lm

Gonzales County Underground Water Conservation District Investment Report

TexPool Commentary (January 1, 2015)

In its last meeting of 2014, the Federal Reserve's Federal Open Market Committee voted to alter the language of its closely watched policy statement, essentially subbing out the word "considerable" for "patience." The truth is that cash managers nationwide are already quite familiar with the new word. We've been patient for years now, waiting for the Fed to raise the benchmark interest rate. While we understand that the reason for the historically low federal funds rate is to stimulate the U.S. economy to recover from the financial crisis, it's been a challenge, to say the least, with yields near zero.

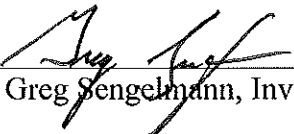
But the change in language is a move in the right direction. Certainly, the markets reacted as if that is the case. Even as late as the fourth quarter, sentiment pointed to the first tightening being at the end of summer 2015, but now the consensus is closer to midyear. Beyond the words, the tone of the release and of Chair Janet Yellen's press conference was upbeat from a standpoint of economic recovery and sustainability. Although she affirmed that policy decisions would still be dependent on data, there is a fair amount of confidence that progress will continue in the right direction. The fact that there were three dissenters to the statement isn't alarming, but more likely the result of a committee dealing with change for the first time in a long while.

Throughout this long stretch of near zero rates we have spent every day searching far and wide for trades that bring the best return. Lately, however, the New York Fed has been helping out through its reverse repo program. For many months, it has offered some overnight supply that gave a floor to rates of around five basis points. But in November and December it experimented with a mix of rates at different times and a term-repo offering. But what has been encouraging is that, as the Fed shifted overnight rates from three to seven, 10 and then five basis points in recent weeks, the market kept rates close to 10. It was a reflection of people squaring up for year-end ahead of time.

Average weighted yield to maturity as compared to Benchmark

| Date Range | Sage Capital | Lonestar | Tex Pool | 6 Mo. Treasury Yield |
|------------------------|--------------|----------|----------|----------------------|
| As of January 11, 2014 | 0.40 | 0.75 | 0.0445% | 0.08% |

The portfolio of the Gonzales County Underground Water Conservation District is believed to be in compliance with the District's board approved Investment Policy, State law, and the Investment Strategy.

Signed: 
Greg Sengelmann, Investment Officer

Dated: 1/12/15

Gonzales County Underground Water Conservation District

Board Meeting Sign in Sheet

December 09, 2014

| <u>Name</u> | <u>Organization/Email List</u> | <u>Landowner (yes or no)</u> |
|----------------|--------------------------------|------------------------------|
| Ken Holt | SAWS | |
| Steven Siebert | SAWS Steven.Siebert@saaws.org | |
| KAT ROSATO | self | Yes |
| Alan Calkers | SSAGC | Yes |
| Tom Lester Jr | | Yes |
| Sally Plagen | | |
| Bill Klomp | | No |
| Patrick Ludwig | | No |
| BRANAM MOURSE | HCPWA | no |
| Craig Hines | CRWA | Yes |
| Tom Lester | | Yes |
| Emmet Baker | | Yes |

(16)