

**MINUTES OF THE AUGUST 8, 2018
BOARD OF DIRECTORS MEETING OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT**

The Board of Directors of North Plains Groundwater Conservation District met in regular session August 8, 2018, at 11:00 a.m. in the Conference Room in the Richard S. Bowers Water Conservation Learning Center Building at the North Plains Water Conservation Center, 6045 West County Road E, Dumas, Texas 79029-7201. The following persons were present:

Members Present at 11:02 a.m.:

Harold Grall, President
Daniel L. Krienke, Vice-President;
Bob B. Zimmer, Secretary;
Gene Born, Director; and
Mark Howard, Director.

Staff Present during part or all of the meeting:

Steve Walthour, General Manager;
Dale Hallmark, Assistant General Manager/Hydrologist/Producer Services;
Kirk Welch, Assistant General Manager – Outreach;
Pauletta Rhoades, Finance/Administration Manager;
Kristen Blackwell, Executive Assistant;
Odell Ward, Program Coordinator – GIS/Monitor Wells;
Curtis Schwertner, Natural Resource Specialist; and
Alyssa Holguin, Communications Specialist.

Others present during part or all of the meeting:

F. Keith Good, Attorney; and,
Ellen Orr, Paralegal.

President, Harold Grall, declared a quorum present and called the meeting to order at 11:02 a.m. Secretary, Bob Zimmer, gave the invocation and President Grall led the pledge.

1 – Public Comment

No Public Comment was made to the Board.

2 – Consent Agenda

The Consent Agenda was discussed by the Board and consisted of: the review and approval of the Minutes of the regularly scheduled July 10, 2018 Board of Directors Meeting; the review and approval of the Minutes of the July 17, 2018 Property Committee; the review and approval of the Minutes of the July 17, 2018 Agriculture Committee Meeting; the review and approval of un-audited District expenditures for July 1, 2018 through July 31, 2018, including the General Manager's expense and activity report; and the review and approval of payment to Lemon, Shearer, Phillips & Good, P.C. for professional services and out-of-pocket expenses from July 1, 2018 through July 31, 2018, in the amount of \$5,753.04.

Daniel L. Krienke moved to approve item 2a. of the Consent Agenda, consisting of the review and approval of the Minutes of the regularly scheduled July 10, 2018 Board of Directors Meeting; the review and approval of the Minutes of the July 17, 2018 Property Committee; and, the review and approval of the Minutes of the July 17, 2018 Agriculture

Committee Meeting. Mark Howard seconded the motion and it was unanimously approved by the Board.

Daniel L. Krienke moved to approve items 2b. and 2c. of the Consent Agenda, consisting of the review and approval of un-audited District expenditures for July 1, 2018 through July 31, 2018, including the General Manager's expense and activity report; and the review and approval of payment to Lemon, Shearer, Phillips & Good, P.C. for professional services and out-of-pocket expenses from July 1, 2018 through July 31, 2018, in the amount of \$5,753.04. Mark Howard seconded the motion and it was unanimously approved by the Board.

Action Agenda 3a - Consider action to order director elections in Precinct 1- Dallam County, Precinct 2- Hartley County, Precinct 3- Sherman County, and Precinct 4 - Moore County.

On November 6, 2018, the District's Directors Precinct 1 – Dallam County; Precinct 2 – Hartley County; Precinct 3 – Sherman County; and Precinct 4 – Moore County are scheduled for election. The election calendar is as follows:

November 6, 2018 Uniform Election Date

| | |
|--|--|
| Authority Conducting Elections | County Election Officers and Local Political Subdivisions |
| Deadline to Post Notice of Candidate Filing Deadline (Local Political Subdivisions Only) | Thursday, June 21, 2018 for local political subdivisions that have a first day to file for their candidates |
| First Day to Apply for Ballot by Mail | Monday, January 1, 2018* |
| First Day to File for a Place on the General Election Ballot (Local Political Subdivisions Only) | Saturday, July 21, 2018 |
| Last Day to Order General Election or Special Election on a Measure | Monday, August 20, 2018 |
| Last Day to File for a Place on the General Election Ballot (Local Political Subdivisions Only) | Monday, August 20, 2018 at 5:00 p.m. See note below relating to four-year terms |
| Last Day to File a Declaration of Write-in Candidacy (Local Political Subdivisions Only) | Friday, August 24, 2018 |
| Last Day to Register to Vote | Tuesday, October 9, 2018* *First business day after Columbus Day |
| First Day of Early Voting by Personal Appearance | Monday, October 22, 2018 |
| Last Day to Apply for Ballot by Mail (Received, not Postmarked) | Friday, October 26, 2018 |
| Last Day of Early Voting by Personal Appearance | Friday, November 2, 2018 |
| Last day to Receive Ballot by Mail | Tuesday, November 6, 2018 (Election Day) at 7:00 p.m. if carrier envelope is not postmarked, OR Wednesday, November 7, 2018 (next business day after Election Day) at 5:00 p.m. if carrier envelope is postmarked by 7:00 p.m. at the location of the election on Election Day (unless overseas or military voter deadlines apply) |

The District posted the Notice of Candidate Filing Deadline by June 21, 2018. District staff will be contacting the county election officials to inquire whether the District can contract with them to hold the elections if there are two or more candidates who file for the same precinct for the November 6, 2018 election. If only one candidate files for a precinct, the Board may cancel that election after the write-in candidacy period has expired.

The General Manager recommended that the Board order the Directors election to be on held November 6, 2018 in Precincts; 1 – Dallam County, 2 – Hartley County, 3 – Sherman County, and 4 – Moore County and that the Board instruct the General Manager to post

and/or publish notices, news releases, obtain all the necessary supplies, and secure the judges and polling places for all precincts that have contested elections within the District.

Daniel L. Krienke moved to order the Directors election to be on held November 6, 2018 in Precinct 1 – Dallam County, Precinct 2 – Hartley County, Precinct 3 – Sherman County, and Precinct 4 – Moore County and that the General Manager is instructed and authorized to post and/or publish notices, news releases, obtain all of the necessary election supplies, and secure the judges and polling places for all Precincts that have contested elections within the District. Mark Howard seconded the motion and it was unanimously approved by the Board

Zac Yoder arrived at 11:10 a.m. to participate in the meeting.

Action Agenda 3b - Receive Property Committee recommendations regarding its priorities for the District's facilities.

The Property Committee met on Wednesday, July 17, 2017 to review the Committee's priorities.

The following items were review and discussed with the Board:

| Priority | Item | Notes | Cost Estimate | Construction Year |
|----------|--------------------------------|---|---------------|-------------------|
| 1 | Culvert and access road at WCC | Install a drainage culvert and access road into the field on the east side of field office complex. | \$35,000 | 2017-2018 |
| 2 | Computer Server | Replace and Update Server at 603 East 1st. *Original estimate \$60,000 | \$46,000* | 2017-2018 |
| 3 | NPWCC Signage | Signage and landscaping | \$25,000 | 2017-2018 |
| 4 | Cover Parking | Cover Parking and drive on West side of 1st Place | \$75,000 | 2018-2019 |
| 5 | Fence at 1st Place | Fence around 3 sides of property with cover parking west side of the fence | \$15,000 | 2017-2018 |
| 6 | Convert WCC Lab | Convert WCC Lab building into meeting space and/or storage | ? | 2018-2019 |
| 7 | Improve WCC Barn | Improve the capability of WCC Barn into a year-round meeting space | ? | 2018-2019 |
| 8 | Move Power Pole at 603 1st. | Move power pole directly behind office to southeast corner of property. | ? | 2017-2018 |
| 9 | Old Storage Building Removal | Put out for bid, and removal by buyer remove building and slab. | ? | 2018-2019 |
| 10 | Office Parking | 10 spaces, south side of office | ? | 2018-2019 |
| 11 | Office Xeriscaping | Xeriscape east end office at 603 East 1 st Street | \$30,000 | 2018-2019 |
| 12 | 1st Place New Building | 1800 sq ft w/ bathroom, kitchen, storage, classroom | \$200,000 | 2019-2020 |
| 13 | 1st Place Lot utilities | Lighting, sewer, water | \$20,000 | 2019-2020 |
| 14 | 1st Place Xeriscaping | Asked for a Grant | \$50,000 | 2019-2020 |

Construction Projects Update

- 1. Culvert and access road at WCC.** Project specification have been written and an advertisement is pending in the Amarillo News Globe. The District will receive bids for approximately two weeks after the second advertisement appears. An original estimate by G & G. The original estimate was for approximately \$35,000. Projected expenditure in the 2017-2018 fiscal year.
- 2. Computer Server.** At the property Committee meeting, the General Manager estimated the cost for the server upgrade would be \$60,000. Since the Committee meeting, the District's IT contractor, Elite Computer Services, has revised the upgrade estimate to approximately \$46,000. Projected expenditure in the 2017-2018 fiscal year.
- 3. NPWCC Signage.** District staff have received a design and are currently getting

bids for construction. The cost of construction should be less than \$25,000. Projected expenditure in the 2017-2018 fiscal year.

4. **Cover parking and drive on west side of 1st Place across street behind the District office.** The District advertised for bids in the Amarillo News Globe and expect to receive at least three bids by August 6, 2018. A preliminary estimate was provided by Doug Hatter of Metal Concepts of \$75,000. Projected expenditure in the 2017-2018 fiscal year.
5. **Fence on three sides of the property behind the District office.** Doug Hatter of Metal Concepts has been selected to construct the fence and the contract is pending. The cost of the fencing including a concrete base is estimated at \$15,000. Projected expenditure in the 2017-2018 fiscal year.
6. **Convert WCC Lab Building.** The WCC Lab is the 1800 square foot building located north of the Richard Bowers Learning Center. The building has been largely unused for District business. The Committee recommends that the building be renovated and used for meeting space and/or storage. The General Manager believes that a part of the building can be converted to climate-controlled clean storage and the rest of the building can be used for temporary storage/staging area. The clean storage can be used for most of the materials stored in the metal storage building behind the office at 603 East 1st Street. Staff is currently developing specifications and collecting cost estimates for this project. Staff will meet with the Property Committee regarding its proposal this fall. The General Manager anticipates that the cost of this construction will be more than \$50,000 and therefore require Board approval. Projected expenditure in the 2017-2018 fiscal year.
7. **Improve WCC Barn.** The Barn is the 6,000 square-foot building to the west-northwest of the Richard Bowers Learning Center. Currently the building as a 2000 square-foot shop and 4000 square-foot space that is periodically used to park equipment and used occasionally as a meeting space. The General Manager recommends the Board consider renovating the 4,000 square-ft storage area into a multipurpose area for fly-free, climate-controlled meeting space and add an entrance with restrooms on the east side of the barn. Staff is currently developing specifications and collecting cost estimates for this project. Staff will meet with the Property Committee regarding its proposal this Fall. The General Manager anticipates that the cost of this construction will be more than \$150,000 and therefore require Board approval. Projected expenditure in the 2018- 2019 fiscal year.
8. **Move Power Pole at 603 1st.** The power pole between 1st Place and the office at 603 East 1st Street is located in an area that will impede parking behind the office. District staff has inquired on the feasibility (and potential expense) to move an electric power pole. The staff has filed a request with the power company. Staff are awaiting a response. 2017-2018 Fiscal Year. (Not a priority for the 2017-2018 fiscal year). The pole may be moved during the 2018-2019 fiscal year, if it can be done.
9. **Old Storage Building Removal.** Once, the Lab facility is renovated for storage and the District can arrange for day to day supply storage needs at 603 East 1st Street, the building behind the office at 603 East 1st, will be removed. The District anticipates selling the building to be removed by the buyer. The cost of removing the slab will be covered in reconstructing the parking lot on south side of the District office. Projected expenditure in the 2018-2019 fiscal year.
10. **District Office Parking.** Once the old storage building is removed, the property on the south side of the District office at 603 East 1st Street, will be developed into parking. The cost for this development will include the removal of the old storage building slab. Projected expenditure in the 2018-2019 fiscal year.

- 11. District Office Xeriscaping.** Xeriscape the east end of the District office at 603 East 1st Street. This item would develop a demonstration Xeriscape at the east end of the main office and would be constructed after, or in conjunction with, the office parking in item 10. The estimated cost is \$30,000. Projected expenditure near the end of the 2018-2019 fiscal year.

It was also noted that **Property Committee Priorities** 12 through 14 were scheduled to occur in fiscal year 2019-2020.

Action Agenda 3c - Receive Agriculture Committee recommendations regarding the District's Agricultural Water Conservation Program and the North Plains Water Conservation Center.

The Agriculture Committee met on Wednesday, July 17, 2018 to discuss and review the following:

General Manager Steve Walthour discussed the proposal by Trimble Irrigation to provide a variable rate irrigation system for the east pivot at the North Plains Water Conservation Center (NPWCC) at a cost of \$38,000. The proposal addressed the major concerns of the Committee, including technical support and software upgrades, as necessary, throughout the term of the agreement. Trimble will be an active partner in the demonstration of the system. The Committee voted to recommend the installation of the system as soon as possible after harvest of the 2018 crop.

The Committee discussed the possibility of other demonstrations including cover crops, weather stations and equipment that allows a single-phase motor to generate three-phase power.

The Committee also considered funding for 2018-2019 demonstrations and voted to recommend to the Board that the District maintain the same funding for demonstrations as allocated in fiscal year 2017-2018.

Action Agenda 3d - Consider General Manager's request to amend the District's 2017-2018 Budget to address end-of-year expenses.

The General Manager reported that he has reviewed the District 2017 – 2018 Budget to cover possible costs under specific budget items. The General Manager requested that the Board amend the 2017-2018 budget as follows:

| Budget Item description | Current Budget Amount | Increase or (Decrease) | Proposed Budget Amount | Explanation |
|---------------------------------------|-----------------------|------------------------|------------------------|---|
| Personnel | 1,210,571.00 | -65,000.00 | 1,145,571.00 | Decreased to reflect EOY estimate |
| Professional Services | 198,000.00 | -40,000.00 | 158,000.00 | Decreased to reflect EOY estimate |
| Capital Expenses | 120,000.00 | 160,000.00 | 280,000.00 | Increased to reflect computer server replacement; WCC Road, 1st Place Fence, WCC Signage construction costs, and Truck replacement. |
| Conservation Demonstration Project | 230,000.00 | -25,000.00 | 205,000.00 | Decreased to reflect EOY estimate |
| Conservation Outreach | 465,000.00 | -35,000.00 | 430,000.00 | Decreased to reflect EOY estimate |
| Tech., Comm., and Utilities. | 128,000.00 | 5,000.00 | 133,000.00 | Increased to reflect EOY estimate |
| Total overall 2017-2018 budget | | 0.00 | | No change in overall budget |

The General Manager stated that the above proposed budget amendments reflect no change in the District's overall budget.

Gene Born moved that the Board amend the 2017-2018 budget as follows:

- Decrease personnel budget from 1,210,571.00 to 1,145,571.00;
- Decrease professional services budget from \$198,000.00 to \$158,000.00;
- Increase capital expenses budget from \$120,000.00 to \$280,000.00;
- Decrease the conservation demonstration project budget from \$230,000.00 to \$205,000.00;
- Decrease conservation outreach budget from \$465,000.00 to \$430,000.00; and,
- Increase technical, communication, and utilities from \$128,000.00 to 133,000.00.

Bob Zimmer seconded the motion and it was unanimously approved by the Board.

Action Agenda 3e - Consider action to adopt District Budget for fiscal year 2018-2019.

The General Manager stated that each year the Board prepares and adopts a budget and sets a tax rate for the following year.

As of July 30, 2018, the District's total checking and savings reserves are approximately \$2,502,971, not including late filing fees that are in First State Bank. Provided all scheduled construction projects are completed timely, the General Manager estimates that the District should spend a net \$548,372 by the end of the year leaving approximately \$1,954,600 in reserves on September 30, 2018.

It was reported by Mr. Walthour that the Finance and Budget Committee had convened and reviewed the General Manager's proposed 2018-2019 budget. The Committee recommended that the General Manager's proposed 2018-2019 budget be adopted by the Board. Mr. Walthour stated that the proposed income budget is based in part on the 2018 effective tax rate.

The estimated income for 2017-2018 budget and estimated end of year (EOY) income compared to the General Manager's proposed estimated income for FY 2018-2019 is as follows:

| Description | 2017-2018 Budget | 2017-2018 EOY | Proposed 2018-2019 Budget | Explanation |
|--------------------------------|---------------------|---------------------|---------------------------------|--|
| Taxes | 2,240,475.00 | 2,226,535.61 | 2,240,722.52 | Proposed 2018 Effective Tax Rate |
| Penalties and Interest | 12,850.00 | 16,931.17 | 12,850.00 | Current estimated and historical EOY |
| Delinquent Taxes | 14,800.00 | 21,406.11 | 14,800.00 | Current Estimated EOY |
| North Plains Water CC | 50,000.00 | 50,000.00 | 30,000.00 | Change in Contract Terms |
| Refunds | 5,000.00 | 3,185.15 | 5,000.00 | Current estimated and historical EOY |
| Sale of Assets | 5,000.00 | 0.00 | 5,000.00 | Surplus sales |
| Fees for District Services | 110,000.00 | 84,784.00 | 110,000.00 | Current Budget |
| Other Income | 30,000.00 | 56,696.90 | 30,000.00 | Current Estimated EOY |
| TWDB Grant - Dashboard | 15,000.00 | 0.00 | 15,000.00 | Project extended past FY 2016-2017 |
| TWDB 3-4-5 Demonstration Grant | 58,000.00 | 42,371.40 | 0.00 | Remainder of 3-4-5 Grant |
| TWDB Meter/ Equipment Grants | 350,000.00 | 171,789.81 | 200,000.00 | Meter Grant |
| TWDB ICI Grants | 0.00 | 0.00 | 200,000.00 | Agriculture Conservation Incentive Grant |
| USDA/NRCS Grant | 30,000.00 | 30,000.00 | 30,000.00 | State Conservationist confirmed. |
| Investment Income | 8,143.05 | 9,548.17 | 9,548.17 | Estimated Current EOY |
| Dallam Co. PGMA fees | 80,000.00 | 70,625.27 | 70,000.00 | Estimate revised based on EOY |
| Export Fees | 0.00 | 0.00 | 40,000.00 | Collection of Export Fees |
| Total Income | 3,009,268.05 | 2,783,873.59 | 3,012,920.69 | |

In addition to taxes and fees the District is eligible to receive approximately \$1 million in TWDB meter grants and \$300,000 in agriculture conservation equipment grants that are reimbursable to producers through 2022. The District should pass through approximately \$400,000 of these funds in FY 2018-2019. The District must reimburse the producer before the District is refunded. The USDA has not indicated yet that the NRCS Grant will be continued. The District is making application. The NRCS is contracted for \$400,000 per year in EQIP funding for the Master Irrigator Program participants and additional funding for the RCPP and VFDs to producers that are not part of the District's budget. Except for the NRCS grant, the District receives no reimbursements to administer these programs.

The draft proposed expense budget for FY 2018-2019 compared to the FY 2017-2018 is as follows:

| Description | 2017-2018 Budget | 2017-2018 EOY | Proposed 2018-2019 Budget | Explanation |
|--------------------------------|---------------------|---------------------|---------------------------------|---|
| Director's Expense | 35,000.00 | 46,975.30 | 70,000.00 | Current Budget |
| Personnel | 1,210,571.00 | 1,106,998.86 | 1,210,939.00 | Reduce full time, increased part time |
| Administrative | 148,500.00 | 139,860.43 | 148,500.00 | Increased Property Insurance |
| Contracted Services | 91,550.00 | 91,465.32 | 107,000.00 | Includes Election costs |
| Professional Fees | 198,000.00 | 150,504.02 | 198,000.00 | 86th Legislature/ No major legal issues |
| Tech., Comm., & Utilities | 128,000.00 | 128,543.52 | 140,000.00 | Data Telemetry Expenses |
| Vehicle; Bldg; Field; Supplies | 85,000.00 | 83,437.55 | 91,000.00 | Based on EOY |
| Capital Outlay | 120,000.00 | 207,800.21 | 240,000.00 | Current Budget/property improvement list |
| Aquifer Science | 60,000.00 | 37,194.96 | 120,000.00 | Field data acquisition costs for Water Quality (USGS) |
| Conservation Outreach | 465,000.00 | 288,586.01 | 515,000.00 | New TWDB Agriculture Conservation Incentive Grant |
| Conservation Demo Project | 230,000.00 | 191,933.29 | 220,000.00 | 3-4-5 Demonstration Completed |
| North Plains WCC | 82,546.00 | 77,311.52 | 77,477.00 | Current Budget |
| Total Expenses | 2,854,107.00 | 2,550,610.99 | 3,137,916.00 | |

The General Manager's proposed expense budget is approximately \$125,000 more than the District's estimated income for the 2018-2019 and anticipates using funds from the District's reserves to address any deficits, if needed. If all income and expenses are realized for the 2018-2019 budget year, the District's reserves should be approximately \$1,829,600 on September 30, 2019.

The General Manager recommended that the Board adopt the District's budget for 2018-2019 fiscal year as follows:

| Income | |
|--------------------------------|---------------------------------|
| Description | Proposed 2018-2019 Budget |
| Taxes | 2,240,722.52 |
| Penalties and Interest | 12,850.00 |
| Delinquent Taxes | 14,800.00 |
| North Plains Water CC | 30,000.00 |
| Refunds | 5,000.00 |
| Sale of Assets | 5,000.00 |
| Fees for District Services | 110,000.00 |
| Other Income | 30,000.00 |
| TWDB Grant - Dashboard | 15,000.00 |
| TWDB 3-4-5 Demonstration Grant | 0.00 |
| TWDB Meter/ Equipment Grants | 200,000.00 |
| TWDB ICI Grants | 200,000.00 |
| USDA/NRCS Grant | 30,000.00 |
| Investment Income | 9,548.17 |
| Dallam Co. PGMA fees | 70,000.00 |
| Export Fees | 40,000.00 |
| Total Income | 3,012,920.69 |

| Expense | |
|---------------------------------|---------------------|
| Budget Item | Amount |
| Director's Expense | 70,000.00 |
| Personnel | 1,210,939.00 |
| Administrative | 148,500.00 |
| Contracted Services | 107,000.00 |
| Professional Fees | 198,000.00 |
| Tech., Comm., & Utilities | 140,000.00 |
| Vehicle; Bldg.; Field; Supplies | 91,000.00 |
| Capital Outlay | 240,000.00 |
| Aquifer Science | 120,000.00 |
| Conservation Outreach | 515,000.00 |
| Conservation Demo Project | 220,000.00 |
| North Plains WCC | 77,477.00 |
| Total Expenses | 3,137,916.00 |

Daniel L. Krienke moved that the Board adopt the District's income expense budget for 2018-2019 fiscal year as follows:

| Income | |
|--------------------------------|--|
| Description | Proposed 2018-2019 Budget |
| Taxes | 2,240,722.52 |
| Penalties and Interest | 12,850.00 |
| Delinquent Taxes | 14,800.00 |
| North Plains Water CC | 30,000.00 |
| Refunds | 5,000.00 |
| Sale of Assets | 5,000.00 |
| Fees for District Services | 110,000.00 |
| Other Income | 30,000.00 |
| TWDB Grant - Dashboard | 15,000.00 |
| TWDB 3-4-5 Demonstration Grant | 0.00 |
| TWDB Meter/ Equipment Grants | 200,000.00 |
| TWDB ICI Grants | 200,000.00 |
| USDA/NRCS Grant | 30,000.00 |
| Investment Income | 9,548.17 |
| Dallam Co. PGMA fees | 70,000.00 |
| Export Fees | 40,000.00 |
| Total Income | 3,012,920.69 |

| Expense | |
|---------------------------------|---------------------|
| Budget Item | Amount |
| Director's Expense | 70,000.00 |
| Personnel | 1,210,939.00 |
| Administrative | 148,500.00 |
| Contracted Services | 107,000.00 |
| Professional Fees | 198,000.00 |
| Tech., Comm., & Utilities | 140,000.00 |
| Vehicle; Bldg.; Field; Supplies | 91,000.00 |
| Capital Outlay | 240,000.00 |
| Aquifer Science | 120,000.00 |
| Conservation Outreach | 515,000.00 |
| Conservation Demo Project | 220,000.00 |
| North Plains WCC | 77,477.00 |
| Total Expenses | 3,137,916.00 |

Mark Howard seconded the motion and it was unanimously approved by the Board.

Action Agenda 3f - Consider action to adopt debt service fund budgets for Texas Water Development Board default reserve account and contract for 2018-2019.

The General Manager reported since the District has borrowed funds from the Texas Water Development Board to purchase capital items for the Water Conservation Center, the General Manager has budgeted \$62,409 for principal and interest under the District's Water Conservation Center budget item in the District's General Budget. Instead of accounting for the principal and interest owed in the District's General Budget, the District must adopt a debt service fund budget for the Texas Water Development Board contract and a debt service fund budget default reserve account.

The Texas Water Development Board Contract Debt Service Fund holds monies to pay principal and interest with the District's loan debt to the Texas Water Development Board. Each year the Board will adopt a separate budget to pay the interest and principal on the loan.

As part of the Texas Water Development Board loan contract the District established a default reserve account that includes two percent of the loan amount. The account is an interest-bearing account and the District is required to track the interest for the account. The Debt Service Fund for Default Reserve Account is for the interest income related to the Default Reserve Account.

The General Manager recommended that the Finance and Budget Committee propose that the Board adopt the Debt Service Fund Budgets as follows:

TEXAS WATER DEVELOPMENT BOARD CONTRACT DEBT SERVICE FUND BUDGET

| Description | Budget Amount |
|---------------------------|----------------------|
| Income | |
| Transfer In | \$62,409.00 |
| Expenses | |
| Principal | \$62,000.00 |
| Interest | <u>409.00</u> |
| Total Expenses | \$62,409.00 |
| Net Income/Expense | \$0.00 |

TEXAS WATER DEVELOPMENT BOARD DEFAULT RESERVE ACCOUNT DEBT SERVICE FUND BUDGET

| Description | Budget Amount |
|--------------------|----------------------|
| Investment Income | \$100.00 |

Mark Howard moved that the Board adopt the following debt service fund budgets:

TEXAS WATER DEVELOPMENT BOARD CONTRACT DEBT SERVICE FUND BUDGET

| Description | Budget Amount |
|--------------------|----------------------|
| Income | |
| Transfer In | \$62,409.00 |
| Expenses | |
| Principal | \$62,000.00 |
| Interest | <u>409.00</u> |
| Total Expenses | \$62,409.00 |

Net Income/Expense

\$0.00

TEXAS WATER DEVELOPMENT BOARD DEFAULT RESERVE ACCOUNT DEBT SERVICE
FUND BUDGET

Description

Budget Amount

Investment Income

\$100.00

Daniel L. Krienke seconded the motion and it was unanimously approved by the Board.

Action Agenda 3g - Review last year's tax rate, the 2018 effective tax rate and the 2018 rollback rate and consider a new tax rate.

Steve Walthour reported to the Board that on August 1, 2018, District staff notified *Amarillo Globe-News* to publish 2018 Property Tax Rates for North Plains Groundwater Conservation District. The Tax Rate Notice was also published on the District's website. The notice begins the process for setting a tax rate for the District. A copy of the notice was presented to the Board.

Mr. Walthour stated that the District is funded through ad valorem taxes, fees and grants. Ad valorem taxes are based on certified property values in the District. From year-to-year, the certified taxable property values may increase or decrease within each county. The table below shows the certified values by county for the last five years.

| County | Certified Values | | | | |
|--------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Dallam | 736,674,045 | 803,102,856 | 854,627,537 | 892,889,155 | 898,572,736 |
| Hansford | 629,065,320 | 657,620,582 | 552,556,961 | 521,523,254 | 543,520,467 |
| Hartley | 588,456,108 | 609,979,400 | 607,891,134 | 677,107,188 | 722,720,265 |
| Hutchison | 206,343,400 | 186,668,380 | 122,497,511 | 112,744,190 | 120,874,840 |
| Lipscomb | 1,219,888,949 | 910,776,732 | 564,658,748 | 622,855,165 | 631,672,875 |
| Moore | 2,245,567,863 | 2,149,580,872 | 1,888,090,299 | 1,933,338,389 | 1,989,268,573 |
| Ochiltree | 1,976,158,575 | 2,159,858,960 | 1,485,046,565 | 1,430,482,148 | 1,488,422,874 |
| Sherman | 665,431,950 | 626,051,650 | 515,290,433 | 503,931,340 | 506,939,140 |
| Total | 8,267,586,210 | 8,103,639,432 | 6,590,659,188 | 6,694,870,829 | 6,901,991,770 |

Funds generated are calculated by multiplying the total taxable value of properties within the District and the tax rate set by the District. It presents information about three tax rates. Last year's tax rate (0.033714/\$100) is the actual rate the taxing unit used to determine property taxes last year. This year's *effective* tax rate (0.033136/\$100) would impose the same total taxes as last year if you compare the values of properties taxed in both years. This year's *rollback* tax rate (0.035786/\$100) is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case, these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per \$100 of property value.

**Notice of 2018 Property Tax Rates for
North Plains Groundwater Conservation District**

This notice concerns 2018 property tax rates for North Plains Groundwater Conservation District. It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's effective tax rate would impose the same total taxes as last year if you compare the values of properties taxed in both years. This year's rollback tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per \$100 of property value.

| | <u>General Fund</u> |
|------------------------------|---------------------|
| Last year's tax rate: | |
| Last year's operating taxes | \$ 2,258,621 |
| Last year's debt taxes | \$ 0 |
| Last year's total taxes | \$ 2,258,621 |
| Last year's tax base | \$ 6,699,356,103 |
| Last year's total tax rate | 0.033714/\$100 |

| | |
|--|------------------|
| This year's effective tax rate: | |
| Last year's adjusted taxes (after subtracting taxes on lost property) | \$ 2,258,990 |
| + This year's adjusted tax base (after subtracting value of new property) | \$ 6,817,235,227 |
| = This year's effective tax rate (Maximum rate unless unit publishes notices and holds hearings.) | 0.033136/\$100 |

| | |
|---|------------------|
| This year's rollback tax rate: | |
| Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures) | \$ 2,258,990 |
| + This year's adjusted tax base | \$ 6,817,235,227 |
| = This year's effective operating rate | 0.033136/\$100 |
| x 1.08 = This year's maximum operating rate | 0.035786/\$100 |
| + This year's debt rate | 0.000000/\$100 |
| = This year's total rollback rate | 0.035786/\$100 |

Statement of Increase/Decrease

If North Plains Groundwater Conservation District adopts a 2018 tax rate equal to the effective tax rate of 0.033136 per \$100 of value, taxes would increase compared to 2017 taxes by \$21,107.

Schedule A

- Unencumbered Fund Balances

The following estimated balances will be left in the unit's property tax accounts at the end of the fiscal year. These balances are not encumbered by a corresponding debt obligation.

| Type of Property Tax Fund | Balance |
|---------------------------|-----------|
| NPGCD FUNDS HELD ACCOUNT | \$500,000 |

This notice contains a summary of actual effective and rollback rates' calculations. You can inspect a copy of the full calculations at 603 E 1st Street, Dumas TX 79029.

Name of person preparing this notice: Steven D. Walthour, P.G.

Title: General Manager

Date prepared: August 1, 2018

The General Manager stated that after the review of the budget, the Board may vote to adopt a tax rate up to the effective rate, or to adopt a rate above the effective rate. If the Board votes to increase above the effective rate, the Board must schedule two (2) public hearings. The second hearing must not be held earlier than the third day after the date of the first hearing. After the dates for the two (2) hearings have been set, the District will publish a first quarter page advertisement "Notice of Public Hearing on Tax Increase" in a newspaper of general circulation within the District. After holding the two (2) public hearings, the District must follow a strict timetable. The meeting to vote on the tax rate must take place no less than three (3) days and no more than fourteen (14) days after the second public hearing. The District must post an Open Meetings Notice with the Secretary of State and the County Tax Assessor Offices within the District at least 72 hours prior to adopting the tax rate.

For the past five tax years, the Board has elected to establish the effective rate as the tax rate.

The General Manager recommended to the Finance and Budget Committee that the Board adopt the 2018 effective tax rate of 0.033136/\$100 of taxable value as the District tax rate for 2018.

Daniel L. Krienke moved to adopt the 2018 effective tax rate of 0.033136/\$100 of taxable value as the District's tax rate for 2018. Mark Howard seconded the motion and it was unanimously approved by the Board.

Action Agenda 3h - Review and consider Dallam County non-taxed area production fees to pay the area's share for District administration and services.

The General Manager reported that 2018 is the third year the District has collected production fees from the Dallam County untaxed area to pay for District's regulation of groundwater within the untaxed area.

Mr. Walthour stated that in August 2013, the Dallam County Priority Groundwater Management Area was annexed by the North Plains Groundwater Conservation District pursuant to Title 2, Texas Water Code (TWC), Chapters 35 and 36. The District held an election for the residents within the annexed area to cast votes for the levy of an ad valorem tax to pay for the District's regulation of groundwater in the District. Ad valorem taxes allow the cost of District operations to be shared by all owners in an area that chooses to be taxed based on the owner's property values and regardless of the amount or whether the landowner uses water in the area. Most of the votes cast in the election were against the levy of the tax. In voting not to pay taxes, the community tasked the non-exempt well owners to shoulder the burden for the area's share of costs for the District's operations. According TWC 36.1071(h), if most of the votes cast at the election are against the levy of an ad valorem tax, the District shall set fees authorized by this chapter in accordance with Section 35.013(g-1) to pay for the District's regulation of groundwater in the un-taxed areas.

Accordingly, the Board set fees of \$1.00 per acre foot on non-exempt groundwater produced for agricultural purposes and \$5.00 per acre feet on all other non-exempt properties, starting with Groundwater Production Year 2016. For the 2018-2019 budget year, the District estimated that approximately 75,000 acre-feet would be withdrawn in the area. Groundwater withdrawn in the un-taxed area was approximately 72,000 acre-feet in 2017. In May 2018, the District invoiced \$76,655.86 for groundwater produced last year. At this time, the District has collected \$60,625.27. The fees are due September 1, 2018.

The District's effective tax rate has progressively decreased in calendar years 2016, 2017 and 2018. To reflect the reduced effective tax rate on taxpayers and the additional income source from groundwater exporters, the General Manager proposed to reduce the production fees in the un-taxed District area by 10%. This will result in an approximate \$7,000 to \$8,500 decrease in revenue from the un-taxed area.

For 2019, the General Manager recommended that the Finance and Budget Committee propose that the Board adopt a \$0.90 per acre foot for non-exempt groundwater produced for agricultural purposes and \$4.50 per acre foot on all other non-exempt uses starting with the 2018 production year in the non-taxed area.

Daniel L. Krienke moved to adopt a \$0.90 per acre foot for non-exempt groundwater produced for agricultural purposes and \$4.50 per acre foot on all other non-exempt uses starting with the 2018 production year in the non-taxed areas in Dallam County. Mark Howard seconded the motion. Discussion ensued and Bob Zimmer stated that a 10% reduction in the un-taxed areas production fees was too much. The motion passed by the majority vote of the Board with Bob Zimmer opposing the motion.

Action Agenda 3i - Consider final compliance approval of Water Well Permits as active and complete wells.

The General Manager reported that District Rule 2.13 provides, after the site inspection is complete, and it is determined that the Well (and all Wells within the Groundwater Production Unit) are in compliance with the Rules of the District and the Well Permit application, the General Manager shall submit the Well Permit to the Board for final compliance approval.

The General Manager reported that the District staff had processed 21 Water Well Permits which are ready for Board consideration and approval. These permits, listed in the table below, represent completed Wells that have been inspected and are in compliance with District Rules. The inspections verify that the Wells were completed as required by the respective Permits, including proper Well location, Well classification, maximum yield, and proper installations of check valves and flow meters. Copies of the individual permits were presented to the Board.

| Well | Class | QTR | SEC | BLK | SUR | NS | EW |
|----------|-------|------|-----------|-----|-----------|--------|-------|
| DA-10092 | D | SW/4 | 328 | 1-T | T&NO | 39 S | 32 W |
| DA-10094 | D | SE/4 | 328 | 1-T | T&NO | 37 S | 827 E |
| HA-9879 | B | NE/4 | 115 | 48 | H&TC | 879 N | 578 E |
| HA-9880 | B | NW/4 | 115 | 48 | H&TC | 865 N | 328 W |
| HA-9885 | D | SE/4 | M Whitley | - | - | 2316 N | 898 E |
| HA-0318 | C | NW/4 | 12 | 12 | CSS | 609 N | 769 W |
| HA-0408 | C | SE/4 | 5 | A-4 | PSL | 80 S | 15 E |
| HA-0474 | C | SE/4 | 42 | 48 | H&TC | 679 S | 771 E |
| HN-9828 | D | SW/4 | 1 | 8 | WCRR | 886 S | 23 W |
| HN-10006 | B | SE/4 | 118 | 2 | GH&H | 732 S | 106 E |
| HU-9978 | C | SE/4 | 112 | 5-T | T&NO | 401 S | 235 E |
| LI-10081 | D | SW/4 | 150 | 10 | SPRR | 752 S | 773 W |
| LI-10292 | C | NE/4 | 1172 | 43 | H&TC | 880 S | 785 E |
| LI-10293 | C | SE/4 | 1172 | 43 | H&TC | 149 N | 785 E |
| LI-10294 | C | SE/4 | 151 | 10 | SPRR | 283 S | 117 E |
| LI-10295 | C | SE/4 | 151 | 10 | SPRR | 177 N | 122 E |
| LI-10308 | D | W/2 | 1170 | 43 | H&TC | 776 S | 822 W |
| MO-10300 | C | NE/4 | 8 | M-2 | CL PORTER | 160 N | 447 E |
| MO-10512 | C | SW/4 | 96 | 3-T | T&NO | 249 S | 458 W |
| SH-9937 | B | NW/4 | 14 | 2-T | T&NO | 90 N | 150 W |

Daniel L. Krienke moved to approve all of the Well Permits on the Well Permit Schedule, noting that the Wells are properly equipped and otherwise comply with District Rules. Mark Howard seconded the motion and it was unanimously approved by the Board.

Action Agenda 3j - Consider action directing the General Manager to amend 2017-2018 Budget based on consultation with Auditor and report any changes to the Board for review.

At the end of each fiscal year, the Board requires that the District's Auditor perform a financial audit of the District's operations. As a result of the audit and in consultation with the Auditor, the District may be compelled to amend its books pursuant to fiscal policy, state and/or local law. The General Manager requested that the Board direct the General Manager to amend the 2016-2017 Budget, if necessary based on consultation with the Auditor, and report any changes to the Board for review.

The General Manager does not anticipate that a budget amendment will be required because of the audit and in consultation with the Auditor; or that the District will be compelled to amend its books pursuant to fiscal policy, state and/or local law after the end of the fiscal year.