

RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL CONTINGENCY PLAN FOR OPERATIONS & MAINTENANCE

ADOPTED OCTOBER 8, 2018

I: DECLARATION AND PURPOSE OF INTENT

The goal of this Financial Contingency Plan is to monitor financial conditions of the Rusk County Groundwater Conservation District's (District) financial resources, provide public information on statuses of available services, and in extreme and extended deficiency conditions, cause a reduction in financial availability for Operations and Maintenance. The Financial Contingency Plan assists in preparing for a downturn in economic conditions that effect the District by establishing parameters to work within. This Plan has been prepared in advance, considering conditions that will initiate and terminate the actions set forth herein.

Currently the District's ad valorem tax cap is one-half cent (\$0.005) on each \$100 of assessed valuation of taxable property, as set in its Enabling Act in 2003 during the 78th Legislative Session. The District has maintained an effective tax rate at the maximum one-half cent each fiscal year (2005-2018). Due to fluctuations in the oil and gas economy and properties that may no longer exist, the District currently is subject to its effects with no option to adjust the tax rate through guidelines set by the Texas Tax Code to keep a minimum consistent revenue stream to adjust for revenue fluctuations. The combination of the oil and gas economy's downturn and power generator Luminant who operates a plant in Rusk County and was in dispute with the Rusk County Appraisal District in 2015, 2016, and 2017 compounded the District's revenue situation. The tax rate revenue within a five-year period has experienced extreme fluctuations that challenge continued services provided by the District.

To address continued financial health of the District's financial resources through declining tax revenue fluctuations this Financial Contingency Plan for Operations & Maintenance (FCP) has been designed to initiate action plans when trigger conditions have been met.

The District will monitor economic patterns, initiate public communication efforts, and initiate changes in attempt to offset any negative economic impact. The District will review and evaluate any needed amendments or major changes to this Plan due to relevant circumstances.

II: PUBLIC NOTIFICATION

The District will notify the public with information regarding the initiation and termination of this Fiscal Contingency Plan.

The District will make this notification and information available through some if not all of the following means of communication:

- A. Notification through major newspapers serving Rusk County;
- B. Posting on the Districts website.

III: TRIGGER CONDITIONS

The services provided to the public through mandates and best management practices are determined by the District's financial stability to responsibly manage its Operations and Maintenance. Monitoring economic conditions, the District's funds, and financial resources on a

real-time, monthly, quarterly, and annual basis determine initiation or termination of each stage of the Plan. When conditions warrant, the Board of Directors of the District may initiate or terminate each stage of the Plan. The following triggers described may be adjusted by the Board of Directors to meet special needs in the District.

A. **Stage I- Mild:** Stage I financial resource and funds measures may be implemented when any of the following condition exists:

- 1) If certified tax revenue total declines below \$200,000,
- 2) If certified mineral, utility and industrial values decline below 60% out of the total certified tax revenue,
- 3) If proposed expenses (outside of planned projects) exceed proposed total revenue by no more than 10%,
- 4) If contributions to District Reserves ceased for one year,
- 5) If other income and interest drops below a total of \$4,000.

B. **Stage II- Moderate:** Stage II financial resource and funds measures may be implemented when any of the following condition exists:

- 1) If certified tax revenue total declines below \$175,000,
- 2) If certified mineral, utility and industrial values decline below 50% out of the total certified tax revenue,
- 3) If proposed expenses (outside of planned projects) exceed proposed total revenue by 10%,
- 4) If proposed or actual payroll exceed 65% of proposed or real budget revenue for the fiscal year,
- 5) If contributions to District Reserves has ceased for 2 consecutive years,
- 6) If District reserves funds do not hold at least two years of District operations.

C. **Stage III- Severe:** Stage III financial resource and funds measures may be implemented when any of the following condition exists:

- 1) When certified tax revenue total declines below \$150,000,
- 2) When certified mineral, utility and industrial values decline below 40% out of the total certified tax revenue,
- 3) When proposed expenses (outside of planned projects) exceed proposed total revenue by 20%,
- 4) When proposed or actual payroll exceed 70% of proposed or real budget revenue for the fiscal year,
- 5) When contributions to District Reserves has ceased for 3 consecutive years
- 6) If District reserves funds do not hold at least two years of District operations,
- 7) If total indebtedness exceeds 30% of total operations expenditures.
- 8) Other unforeseen events that could cause imminent financial risks and instability.

IV: PRESERVATION & MANAGEMENT MEASURES

The Financial Contingency Plan provides the following recommended actions based on the severity or stage of revenue decline as determined by the board of directors of the Rusk County Groundwater Conservation District. The recommended actions will be issued in three stages. The stage levels of financial planning are to be placed in effect by the triggers in Section III. The board must approve the implementation of any stage.

A. Stage I- Mild Revenue Decline: Stage I fiscal management actions are as follows:

- 1) The General Manager will begin an efficiency review of the District's Operations & Maintenance and implement changes to decrease spending and maintain services. Not excluding prioritization of duties, restructure, and tightening inventory.
- 2) The board may consider at any time to form and task the Budget-Finance Committee to review the District's Operations & Maintenance along with economic factors influencing revenue decline.
- 3) The General Manager will provide a report at each scheduled board meeting on the District's Financial resources status, developments, and recommendations.
- 4) Notification in Rusk County of revenue decline and services at risk.

B. Stage II- Moderate Revenue Decline: Stage II fiscal management actions are as follows:

- 1) Stage I actions will remain in effect and carry on during Stage II.
- 2) The General Manager will review District policies, plans, and rules for further stringent fiscal practices.
- 3) The General Manager will bring any proposed changes to the Budget-Finance Committees attention for board consideration.
- 4) The board may consider reducing operations and maintenance expenditures at any time.
- 5) New commitments and projects as determined by the board will be put on hold. If a new commitment or project is required an offset of funds must occur.
- 6) Notification in Rusk County of revenue decline and services at risk.

C. Stage III- Severe/Extreme Revenue Decline: Stage III fiscal management actions are as follows:

- 1) Stage I & II actions will remain in effect and carry on during Stage III.
- 2) The board may consider reducing operations and maintenance expenditures at any level determined to keep the District in operation.
- 3) Commitments and Projects in progress may be considered to be canceled or delayed.
- 4) Notification in Rusk County of revenue decline and services at risk.

The District will continually practice restricting unnecessary spending and continual assessment and monitoring of its fiscal resources.

Section V: INITIATION AND TERMINATION PROCEDURES

- A. Once a trigger condition occurs, the Board will decide upon the appropriate stage of management to be initiated. The initiation may be delayed if there is a reasonable possibility the fiscal resources are expected to recover or not be compromised by the condition. If services are at risk, appropriate notice will be generated by the District's General Manager.

- B. When the trigger condition no longer exists, the Board may terminate the actions in the Financial Contingency Plan provided that such an action is based on sound judgment. Notification of the termination shall be generated by the District's General Manager.

- C. When stability of revenue to expenses is maintained the District may create a Strategy Plan for re-instating services that may have been discontinued and strategically plan future District development.

Section IX: IMPLEMENTATION

The District will review the procedures in this Plan as needed and will utilize as a monitor guideline with each budget quarterly review. Modifications may be required to accommodate for unforeseen circumstances.

This Plan was adopted by the Rusk County Groundwater Conservation District at the properly noticed public meeting held October 8, 2018.