

**INTERLOCAL AGREEMENT
THE STATE OF TEXAS**

**COUNTY OF COLLIN
COUNTY OF COOKE
COUNTY OF DENTON**

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**NORTH TEXAS GROUNDWATER
CONSERVATION DISTRICT**

**INTERLOCAL AGREEMENT BETWEEN
COLLIN, COOKE, AND DENTON COUNTIES, TEXAS, AND
THE NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT**

This Interlocal Agreement (“Agreement”) is made and entered into as of the date last executed below (“Effective Date”) among, by and between Collin, Cooke, and Denton Counties, Texas (collectively referred to as the “Counties”), and the North Texas Groundwater Conservation District (“District”), a political subdivision of the State of Texas created under the authority of Article XVI, Section 59, Texas Constitution, and operating pursuant to the provisions of Texas Water Code, Chapter 36, and Senate Bill 2497, Acts of the 81st Texas Legislature, Regular Session, 2009. The District, through its Board of Directors, and each of the Counties, by resolution approved by the Commissioners Courts of each county, shall adopt and execute this Agreement. The agreement shall not become effective unless and until executed by each and all of the Counties and the District.

RECITALS

WHEREAS, the Counties were each designated as part of a Priority Groundwater Management Area (“PGMA”) by the Texas Commission on Environmental Quality (“TCEQ”) and the PGMA designation required the TCEQ to create a groundwater conservation district in the Counties within two years of the PGMA designation unless the Counties achieved creation of a district through the Texas Legislature before the expiration of the two-year statutory deadline; and

WHEREAS, the Counties and the District both believe it is in the best interest of the Counties and the District to manage the groundwater resources of the Trinity and Woodbine Aquifers in the area in and around the Counties for use by the present and future citizens of the Counties; and

WHEREAS, the 81st Texas Legislature created the North Texas Groundwater Conservation District through Senate Bill 2497, Acts of the 81st Texas Legislature, Regular

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Session, 2009, which was subsequently signed by the Governor and became effective on May 27, 2009; and

WHEREAS, the Commissioners Courts of each of the Counties has approved a resolution confirming the desire of the individual Counties to be included in the District; and

WHEREAS, the Counties and the District find that the District's enabling legislation provides that the boundaries of the District are therefore coextensive with the boundaries of the Counties; and

WHEREAS, the Counties and the District find that the District will serve a public purpose and that the District's enabling legislation provides that the District is created to serve a public use and benefit in the Counties; and

WHEREAS, the Commissioners Courts of each of the Counties find that: (1) the Texas Legislature has created a unique role for the Counties in the creation and start-up of the District; (2) the PGMA designation by the TCEQ gave the Counties certain authority with respect to the regulation of groundwater in addition to the authority the Counties already had under Texas law; and (3) participation in the Agreement is county business; and

WHEREAS, now that its Board of Directors has been appointed and qualified to perform the duties of office, the District must, among other things, work to develop and adopt a management plan and rules to establish a registration and permitting system, assess fees for and meter groundwater production, and other actions as required by its enabling legislation and the Texas Water Code; and

WHEREAS, the District is presently insolvent, the District has no authority to levy taxes, and the District has no revenue source presently nor will it have a revenue source until it is able to promulgate and adopt rules setting user fees for certain groundwater wells and allow sufficient time for groundwater users to comply with those rules; and

WHEREAS, due the timing logistics involved in its regulatory structure, the District is not likely to have a revenue stream before at least calendar year 2011 or 2012; and

WHEREAS, the District has incurred and will incur many costs, fees, and expenses in obtaining statutorily required bonds, in purchasing insurance, in formulating and adopting rules and a district management plan, in establishing and formulating a well registration and permitting program, in establishing and equipping an office for the District, in hiring staff for the District, in retaining legal and technical expertise, and for other reasons related to the operation and maintenance of the District in furtherance of the purposes for which the District was created before it will have its own source of revenue; and

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WHEREAS, the Counties desire to assist the District by loaning funds to it on a short-term basis to be repaid to the Counties by the District once the District has its own source and stream of revenue; and

WHEREAS, the Counties acknowledge the importance of coordinating their activities under this Agreement and are in favor of sharing the expenses associated with loaning monies for the maintenance and operation of the District in a total amount not to exceed \$450,000 per fiscal year of the Counties as specifically set forth herein; and

WHEREAS, each of the Counties has a fiscal year cycle that begins on October 1 of a calendar year and ends on September 30 of the following calendar year (a "Fiscal Year"); and

WHEREAS, this Agreement sets forth the mutual understanding of the Counties and the District and by executing this Agreement the Counties and the District each represent and agree that each shall abide by the terms and conditions set forth herein;

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants and agreements here set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Counties and the District agree as follows:

1. Recitals. The above recitals are true and correct.
2. Commitment to Loan; Limitation on Loan Commitment. Because of the District's insolvency and present inability to generate a revenue stream, the Counties will loan monies to the District to pay for costs and obligations the District incurs in its organization, maintenance and operation for any expense that it is authorized by law to incur in furtherance of its purposes, including without limitation bonds, insurance, administrative costs, salaries and benefits for staff, fees and costs for legal, engineering, hydrogeological, technical, or auditing services, or any other cost or expenditure the District is legally allowed to incur or make; provided, however, that the total obligation and commitment of the Counties to loan monies to the District pursuant to this agreement shall not exceed \$150,000.00 per County per Fiscal Year, or \$450,000.00 collectively for the Counties per Fiscal Year of the Counties for Fiscal Years 2009/2010 and 2010/2011, and shall not extend to any other Fiscal Years thereafter, unless modified by the parties through an amendment to this Agreement or by separate agreement.
3. Method for District to Make Call on Commitment: The District shall exercise its ability to make a call on or withdrawal of monies under this Agreement by

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submitting a written request setting forth the total amount of the withdrawal and the proportionate amount of that total owed by each of the Counties, and delivering such written request to each of the Counties. The proportionate amount owed by each of the Counties shall be equal to one-third of the total amount of the requested withdrawal. The District may use rounding up or down to the nearest cent in setting forth the proportionate amount owed by each County in order to make the sum of the proportionate shares equal the total amount of the withdrawal. Upon receiving the written request, each of the Counties shall transfer or deliver to the District monies or funds equal to its respective proportionate share of the amount requested by any legal instrument or means within 30 days of receipt of such request.

4. Responsibility of Each County. Each County shall be responsible for its respective proportionate share of the total amount of monies called on or withdrawn by the District pursuant to this Agreement.
5. Reimbursement. The District shall reimburse the Counties without interest for all monies loaned to the District pursuant to this Agreement. The District shall begin making reimbursement payments to the Counties no later than the end of Fiscal Year 2012/2013 and the District shall complete such reimbursement to the Counties for all monies loaned pursuant to this agreement no later than September 30, 2017, unless extended by the parties through an amendment to this Agreement. When the District makes a reimbursement to the Counties under this Agreement, the District shall do so by making a payment to each County in the amount of one-third of the total amount of the reimbursement, and be allowed to round up or down to the nearest cent as contemplated in paragraph 3 above.
6. Mutual Cooperation. The Counties and the District hereby agree to cooperate in good faith in carrying out the intent of this Agreement in the loaning of monies to the District and the reimbursement of such monies to the Counties and shall coordinate their efforts to accomplish this objective.
7. Amendment. This Agreement shall not be amended or modified other than by written agreement signed by all of the Counties and the District.
8. Severability. In the event that any provision of this Agreement is held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of this Agreement.
9. Adoption. This Agreement has been approved and adopted by each of the commissioners court of each of the undersigned counties and by the Board of

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Directors of the District and is adopted and executed in accordance with the laws of the State of Texas.

- 10. Authorization to Effectuate. The officers, employees, and attorneys of the District and the Counties are authorized to take any actions necessary or convenient to effectuate the purposes of this Agreement.

IN WITNESS, WHEREOF, the parties have executed this Agreement in multiple originals on the dates indicated below on the signature pages, and the Agreement becomes effective on the Effective Date, which is the date of execution that the fourth and final entity included under the Agreement executes the Agreement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT:

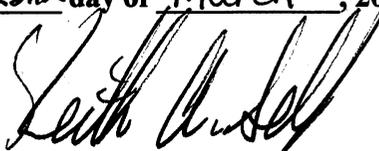
By: _____ Date: _____
President, Board of Directors

By: _____
Secretary, Board of Directors

THE FOLLOWING SIGNATURE PAGES FOR EXECUTION BY EACH OF THE COUNTIES ARE ATTACHED HERETO AND INCORPORATED HEREIN BY THIS REFERENCE.

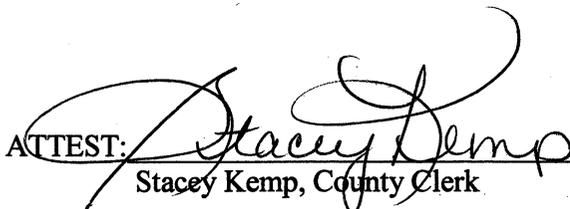
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Passed and adopted by the Collin County Commissioners Court, in witness thereof, signed the 22nd day of March, 2010.



Keith Self, County Judge

ATTEST:



Stacey Kemp, County Clerk

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**Passed and adopted by the Cooke County Commissioners Court, in witness thereof, signed
the ____ day of _____, 2010.**

John Roane, County Judge

ATTEST: _____
Rebecca Lawson, County Clerk

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Passed and adopted by the Denton County Commissioners Court, in witness thereof, signed
the ____ day of _____, 2010.

Mary Horn, County Judge

ATTEST: _____
Cynthia Mitchell, County Clerk