

STATE OF TEXAS        )(

COUNTY OF FORT BEND )(

NOTICE OF PUBLIC HEARING

NOTICE TO ALL COUNTY AND MUNICIPAL GOVERNMENTS,  
ALL INTERESTED PERSONS AND ALL WATER WELL OWNERS IN FORT BEND  
COUNTY;

NOTICE IS HEREBY GIVEN that a Public Hearing will be held by the  
Fort Bend Subsidence District at the Travis Building, Sixth Floor Meeting Room, 301  
Jackson St., Richmond, Fort Bend County, Texas, on Tuesday, the 26th day of October,  
2021, at 10:00 am. The purpose of the hearing shall be to consider testimony, evidence,  
exhibits or other information presented by any person concerning the determination by  
the Board of Directors of the rate of the disincentive permit fee, to be established by  
schedule, based upon the requirements contained in the 2013 District Regulatory Plan,  
the term of a permit, and the maximum annual amount of groundwater authorized by the  
Board to be withdrawn from the well of a permittee.



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Michael J. Turco, General Manager

Fort Bend Subsidence District  
301 Jackson St., Suite 639  
Richmond, Texas 77469  
(281) 342-3273

BLIND PERSONS WHO WISH TO HAVE THIS READ TO THEM MAY CALL 281-  
342-3273.

# MEMORANDUM

To: Board of Directors  
 From: Robert Thompson, Assistant General Manager  
 Thru: Michael Turco, General Manager   
 Thru: Jon Strange-Chairman-Disincentive Fee Committee



The Disincentive Fee Committee met on June 25, 2021 and discussed the general guidelines they wanted the District Staff to use going forward, for determining the Disincentive Fee Rate. The first step was to determine the water rates for the cities and other large water-utility users in the District.

The committee suggested that we work with the top five public water supply systems, based on total water demand as submitted to the District (Table 1). Although, the North Fort Bend Water Authority is the largest water user in the District, they are a wholesale water provider to other providers that then distribute water to their retail customers. Public Water Supply Systems were used exclusively to assure that the rates use in the calculation of the average rate in Fort Bend county were comparable.

*Table 1. Calculated retail water rate for top five water users in Fort Bend County based on 2020 total water demand.*

Public Water Supply System	2020 Total Water Demand, in millions of gallons	Calculated Rate, in US dollars per thousand gallons
City of Sugar Land*	10,700	5.40
City of Missouri City	6,250	4.58
Fort Bend County WCID No. 2	2,900	2.68
City of Rosenberg	2,765	5.63
City of Richmond*	1,600	6.87

The rates are calculated assuming 10,000 gallons of use per month. If a minimum fee is included in the rate based on meter size, the 1-inch meter size is used (denoted by an asterisk in the table). The average calculated rate, based on the selected public water supply systems, is \$5.03 per thousand gallons.

The proposed methodology for calculating future disincentive permit fee rates, to be enacted on January 01, 2021, is:

- Annually, based on the previous year total water demand, the water rates (as of June 1<sup>st</sup> of the current year) of the top five retail public water supply systems will be determined based a monthly usage of 10,000 gallons,
- The average of these rates will be multiplied by 190% to determine the new disincentive permit fee and included in the annual budget document rate table.
- The updated disincentive permit fee will be enacted in the succeeding year on January 1.

For example, based on the current information, shown in table 1, the disincentive permit fee will change from \$6.50 per thousand gallons (current) to \$9.56 per thousand gallons (\$5.03 multiplied by 190%) should this proposal be approved by the Board of Directors.

The Disincentive Permit Fee is used to provide an economic incentive for permittees to comply with the District's regulatory plan. The disincentive permit fee only applies to a permittee when they fail to comply with the District's Regulatory Plan. All revenue from this fee is used to fund further research, monitoring, and planning activities in support of the District's regulatory plan and is held in a fund separate from the general fund.

There are no other proposed changes to District Fees.





## PROPOSED CHANGES TO THE DISINCENTIVE PERMIT FEE

The Fort Bend Subsidence District's purpose is to prevent subsidence within Fort Bend County through the regulation of groundwater use (Sec 8834.003). The disincentive permit fee is specifically authorized in the District's enabling legislation as the primary regulatory tool creating a disincentive to continued overreliance on groundwater (Sec 8834.212 (b)).

This rate will only be used for those permittees that are not in compliance with the District's Regulatory Plan. The District's Regulatory Plan and Rules provides several mechanisms by which permittees can avoid being subject to the disincentive permit fee including: water conservation credits, over-conversion and water reuse credits, and joining a regional water provider's groundwater reduction plan. Since the inception of the disincentive permit fee, it has only applied to four permittees. All disincentive fees collected by the District are utilized within the District's Science and Research Fund for use in subsidence monitoring and research in support of the District's Regulatory Plan.

The first disincentive permit fee went into effect, by Board order, on January 1, 2008 at a rate of \$3.25 per million gallons of groundwater (MG). The fee was increased, by Board action, in 2014 to \$6.50 per MG in response to the increased cost of retail water within the District. In order for the disincentive permit fee to be effective in fulfilling its purpose, it must consistently maintain a level that greatly exceeds the normal retail water rate for an area. Currently, the Board has determined, based on the water rates of the municipalities and the Authorities in the District, that the disincentive permit fee may need to be increased and indexed to the retail water rates so that it can more consistently maintain its purpose as a disincentive to groundwater use.

The proposed changes to the disincentive permit fee to be heard at the Public Hearing on October 26<sup>th</sup>, 2021 will include a modification to improve how the disincentive permit fee is determined for each fiscal year beginning on January 1, 2022. The methodology is as follows:

1. Annually, based on the previous year total water demand, the water rates (as of June 1<sup>st</sup> of the current year) of the top five retail public water supply systems will be determined based a monthly usage of 10,000 gallons, for the 2022 rate calculation the following municipalities were included:
  - a. Fort Bend WCID No. 2,
  - b. Missouri City,
  - c. Richmond,
  - d. Rosenberg, and
  - e. Sugar Land
2. The average of these rates will be multiplied by 190% to determine the new disincentive permit fee and included in the annual budget document rate table.
3. The updated disincentive permit fee will be enacted in the succeeding year on January 1.

The average water rate from the top five water providers, assuming 10,000 gallons of monthly water use, is \$5.03 per 1,000 gallons. Multiplying \$5.03 by 190% results in a rate of \$9.56 per 1,000 gallons of groundwater use. This rate is comparable to the disincentive permit fee rate in nearby counties (\$9.80 per 1000).

Should the proposed changes to the disincentive permit fee be ultimately approved by the Board of Directors, the fee will be \$9.56 per 1,000 gallons of groundwater use during the 2022 calendar year. Additionally, the fee will be updated annually, following the approved methodology outlined above, incorporating any changes in the retail water rates of the top five water providers in the county and published in the schedule of fees in the annual budget each fall.