

Fort Bend Subsidence District
Public Hearing on Proposed Permit Fee Rate Change
Tuesday, August 15, 2017, 9:00 a.m.
6th Floor Meeting Room, Wm. B. Travis Building
Richmond, Fort Bend County, Texas

The Following is a Transcript of the Permit Fee Rate Hearing

Helen Truscott: “We are going to open the Public Hearing of the Fort Bend Subsidence District. Notice was given and states:

**NOTICE TO ALL COUNTY AND MUNICIPAL GOVERNMENTS, ALL INTERESTED PERSONS AND ALL WATER WELL OWNERS AND OPERATORS IN FORT BEND COUNTY:
NOTICE IS HEREBY GIVEN THAT A PUBLIC HEARING BY THE BOARD OF DIRECTORS OF THE FORT BEND SUBSIDENCE DISTRICT WILL BE HELD AT THE WM. B. TRAVIS BLDG. SIXTH FLOOR MEETING ROOM, 301 JACKSON ST., RICHMOND, FORT BEND COUNTY, TEXAS, AT 9:00 A.M., ON TUESDAY, AUGUST 15, 2017, FOR THE PURPOSE OF CONSIDERING TESTIMONY, EVIDENCE, EXHIBITS, OR OTHER INFORMATION PRESENTED BY ANY PERSON, CONCERNING DETERMINATION BY THE BOARD OF THE 2018 FEES, TO BE ESTABLISHED BY SCHEDULE, BASED UPON THE TERM OF THE PERMIT AND THE MAXIMUM ANNUAL AMOUNT OF GROUNDWATER AUTHORIZED BY THE BOARD TO BE WITHDRAWN FROM THE WELL OF THE PERMITTEE.**

This notice was published in the Fort Bend Herald, posted at the Ft. Bend Co. Clerk’s office, mailed to all of the mayors in Ft. Bend County and forwarded to interested parties. This morning’s initial testimony will be provided by the General Manager for the Subsidence District, Mr. Michael Turco and, just for the record, this morning’s hearing is being recorded and if you would like to give any input, we ask that you please state your name prior to making a statement. Thank you.”

Mike Turco: “Thank you, Ms. Truscott, for the record, my name is Mike Turco, and I am the General Manager of the Fort Bend Subsidence District, I am going to go over today, just briefly, the regular Permit Fee rate change that has been proposed for implementation on January 1, 2018. As a little bit of a review, the Fort Bend Subsidence District is a Special Purpose District charged with the cessation and prevention of subsidence in Ft. Bend County, through the effective and reasonable regulation of groundwater withdrawal within the county. The District has no taxing authority, as revenue is received through the issuance of fees associated with groundwater withdrawal. The current regular Permit Fee, approved by the Board of Directors in 2008, is \$15.00 per MG of groundwater allocation, as specified by the District Regulatory Plan. Since revenue is correlated with the amount of permitted groundwater use and the Regulatory Plan is in place to reduce the amount of groundwater use. As the last conversion requirement began in 2011, by those folks over-converting in parts of Ft. Bend County, and, as a result, we see a negative impact on District revenue which has an impact on the ability for the District to complete its mission. To look at those groundwater withdrawals, here is a graph from our annual

Groundwater Report that was approved by the Board a couple of meetings ago. From 1990-2016, each one of the lines shows a total amount of groundwater withdrawn in the District. It's ranged in 1990 from a total of 62+ MGD upwards in 2011 to 130 or so MGD. You can see that in the beginning of 2011, really in 2010, if you take 2011 out because of the drought, we see a reduction of groundwater use in the county, which is good for our mission. But certainly that reduction in groundwater withdrawal has an impact on revenue. So the goal of this incremental Permit Fee increase is to systematically account for the loss in revenue due to the 30% reduction in groundwater use that occurred in 2014 to 2016. While maintaining a strong General Fund balance is a part of our Regulatory Plan updates, and future regulatory needs and other types of information that we need to support the Regulatory Plan. Change in the magnitude of the regular Permit Fees required to insure the continued completion of mission objectives throughout and beyond the planned conversions in Regulatory Area A. Although future incremental increases are included in the revenue projections, only the proposed rate change to be implemented on January 1, 2018, is present for consideration of the Board at this time. The only thing we are proposing for the Board right now, for the Board to consider, is the rate increase to be implemented January 1, 2018. Although our long term revenue projections do have a smaller increase out in 2020. An increase in the regular permit fee from \$15.00 to \$20.00 per MG of allocation would be implemented January 1, 2018. There would be no other changes, at least no other changes right now are proposed, to any other District fees. This change proposed rate increase will not affect any of the District Rules or the District Regulatory Plan. The regular Permit Fee does not apply to well owners who are exempt from the permitting requirement by District Rule. So, for example, if you own a single family dwelling, you have a well for that single family dwelling, you have been in contact with the District, and your well has been deemed exempt, this rate change doesn't change anything to do with that exemption at this time. Future rate increases are planned, but they are not for the Board consideration today. As you can see with the graph to the right, we have seen a reduction in the amount of revenue over the last 5 years or so, and this rate increase will just take us back to revenue where we saw revenue back in the 2010 to 2014 period. That concludes my information."

Helen Truscott: "Are there any persons offering testimony at this time or do you have questions? Would you come up and state your name for the record."

Mac McCune: "My name is Mac McCune, Lake Management Services, we monitor and handle hundreds of well permits throughout the greater Houston area, Ft. Bend, Harris, Montgomery, Galveston, Waller, Etc. The proposed increase, not here to debate right or wrong, but just to make some general comments on it. We represent a lot of well owners, Homeowner's Associations, and so forth. The big increase, which 30% is certainly a significant increase, I guess my comment would be to maybe consider more frequent smaller increases as opposed to waiting until, you know for 10 years, and then have a big one. This allows budget planning and so forth. It's unclear as far as how this fee will impact the GRP's and what their actions will be. Whether they will pass the full 30% on to all of their customers. Which could end up being fairly significant, depending on how much water each individual well owner is allocated. I think for the smaller well owners, that are not in a GRP, don't have to be in a GRP, I think if you've got a 5 MG year permit, obviously we are talking about \$25.00 a year. So I don't see that impacting our smaller well owners, as much as the unknown of what this is going to translate to once this fee goes to the North Fort Bend Water Authority, and the various cities and so forth and so on. The main comment I wanted to make was smaller incremental, more frequent increases, if increases have to

be made. The cost of doing business certainly goes up every year, we understand that, but rather than waiting 10 years and then having a big increase, make more frequent smaller increases. Thank you.”

Helen Truscott: “Thank you Mr. McCune. Anyone else?”

Keith Massey: “For millions of years people have dug wells and put up windmills and everything that was under the ground belonged to them. We own the land, we own the sulfur, the oil, the gas, or whatever else. How can you start charging for water which belongs to the landowner himself? Where did that kind of a thought come from? We’re people, we own our land and we need to have our rights, as well. Where I am they have put in a dump. That means the groundwater is going to be polluted. It’s not if, but when. If the state or the county goes to charging us then we can sue the county for what they are selling of water. I don’t agree with this that we’re doing, we’re trying to do. My name is Keith Massey.”

Helen Truscott: “Thank you, Mr. Massey.”

John Loper: “My name is John Loper, I’m just John Q. Citizen. I have questions for you. If I read your website that posted this proposal you are going to exempt farmers. And if you are going to exempt the farmer, do you have a definition of what is a farmer? And the other question I have for you, since ya’ll have somewhere between 1.6 million and 1.7 million right now as assets in your revenue and there is over 20 different regulatory bodies watching water, why do you need additional money? Thank you.”

“Sorry... another thing is if you look at your mission statement which your objective is, is to reduce subsidence and according to your chart, you are right on target and you are going to do it. So, there again, if by 2024 you’ve accomplished your mission, why are you needed? Thank you.”

Helen Truscott: “Are there any other persons offering testimony at this time? Is there any additional information that you would like to receive at this time or offer, Mr. Turco?”

Mike Turco: “No”

Helen Truscott: “Are we keeping this record open to receive any additional testimony that may be submitted in writing, or are we going to close the Permit Hearing at this time?”

Mike Turco: “Treat like any normal Permit Hearing, so whatever you do.”

Helen Truscott: “Excuse me, yes, sir.”

Gary Mefford: “My name is Gary Mefford and I just have a couple of simple questions. I’m not sure what the mission of the organization is, I mean...”

Mike Turco: “Sir, if I may ask, would you come to the microphone, please.”

Gary Mefford: “You can’t hear me?”

Helen Truscott: “Well, we are recording, I’m not sure if the record will hear you.”

Gary Mefford: “My name is Gary Mefford and I just had a couple of quick questions. I am trying to figure out exactly what the organization is doing for whatever you are collecting. A couple of hundred years ago, if the organization isn’t doing anything to improve the water, I don’t see the existence or the purpose for it, and I’d like to hear just what wells are going to be taxed and exactly what is not. I hear all kinds of stories about sizes of wells, residential, now its farmer. Who is exempt from this and who has to pay.”

Helen Truscott: “The record is going to be kept open until August 21, 2017, at 5:00 p.m. That is if you’d would like to submit any additional testimony, evidence or information. I believe the information and responses to the questions probably can be obtained from the website, or the report that has been provided. Otherwise, the actual Board meeting will be held on August 23, 2017, at 3:00 p.m. This will not be on this agenda.”

Mike Turco: “It will be on the September Agenda.

Helen Truscott: The rate increase will be on the agenda for the September Board meeting and that’s at 3:00 p.m., on the 4th Wednesday of September, the 27th, September the 27th.”

John Loper: “Will the minutes of this meeting be published on the website and, if so, when?”

Mike Turco: “This information and the answers to the questions will be put out on the website, and we will discuss them as part of the August meeting. So we will put information out there and discuss the Public Hearing at the August meeting, but the Board will not have the ability to talk about or act on this item until September.”

John Loper: “So we can expect it in October, the minutes of this meeting and the response?”

Mike Turco: “The minutes of this meeting and the response will be on the September Board meeting agenda, as part of that agenda.”

Joh Loper: “But the minutes of this will be published on the website in October?”

Mike Turco: “The information from this Public Hearing will be approved and received by the Board of Directors at the September meeting.”

John Loper: “OK, we are going around and around. The bottom line is, when are we going to see it, in writing or on the website?”

Mike Turco: “We are going to take these questions back Mr. Loper, we are going to address those comments and will put those comments out as soon as we can and the Board will receive those at the September meeting.”

John Loper: “Thank you for no answer.”

Helen Truscott: “Thank you. We are going, as I say, to keep the record open to receive any additional information until August 21st. We will close the Public Hearing at this time.”

Fort Bend Subsidence District

Responses to Questions from the Permit Fee Rate Hearing Held on August 15, 2017

Below is a summary of the questions that were asked during and immediately following the Permit Fee Rate Hearing.

How can you start charging for water which belongs to the landowner himself? How did that come about?

The Subsidence District was created by the State Legislature in 1989 "...to provide for the regulation of groundwater withdrawal in the district to prevent subsidence, which contributes to or precipitates flooding of overflow in the district, including rising water resulting from a storm or hurricane."

This is from the district's enabling legislation Special District Local Laws Code Chapter 8834 Section 8834.003. A copy of which can be found on our website.

If you are going to exempt the farmer, do you have a definition of what is a farmer?

The exemption that is referred to is for the irrigation of agricultural crops. That definition can be found on page 1 of the Fort Bend Subsidence District's Rules, and reads as follows:

"Rule 1.1 Definitions of Terms:

a. "Agricultural crop":

1. means food or fiber commodities grown for resale or commercial purposes that provide food, clothing, or animal feed; and
2. includes nursery products and florist items that are in the possession of a nursery grower."

For those permittees that fit this definition, the increase in the permit fee rate does not apply.

Since you have somewhere between \$1.6 and 1.7 million right now, why do you need additional money?

Beginning in 2014, most of Regulatory Area A was required to reduce its groundwater pumpage by 30%. As the conversions to surface water take place this results in the

reduction of revenues that would be generated by the Subsidence District. The reserve allows for minimizing potential future rate increases and facilitates phasing them in should such increases be necessary thereby reducing the immediacy of impact to our constituents. In addition, given the studies and other activities deemed necessary to determine the need for or timing of conversions and educating constituents, the reserves provide the means for completing these tasks to the degree operating cash flow is insufficient.

The Subsidence District must begin its update of the population estimates and water demand projections in preparation for the 2020 census. The last time that this was done, it cost in the neighborhood of \$500,000.

This information will be used to determine if the subsidence models are predicting the amounts of subsidence correctly over time, and if needed, it will allow us to make adjustments to the District Plan.

If by 2025, you've accomplished your mission, why are you still needed?

Today, we don't know if the last reduction will be completed by 2025. This will be dependent on what we find from the updated water demand projections and predicted subsidence that is mentioned above. We will also be needed to make sure that everyone remains in compliance and we will be needed for any new growth in the district.

Who is exempt and who is required to be permitted by the district?

The Subsidence District has the following exemptions:

“Rule 5.8 Exclusions and Exemptions

- a. Single-Family Small Wells Excluded: A well with a casing diameter of five inches nominal or less that primarily serves only a single-family dwelling is excluded from the permit requirements of these Rules. Serving only a single-family dwelling means the well supplies groundwater for domestic use inside one home located on property that does not have service from a retail public utility. Domestic use includes water used inside the home for any purpose and may include use outside the home for landscape irrigation, irrigating a garden or providing water to domestic livestock. (This section applies to a well for a single-family dwelling that was drilled after 7/22/15.)

- b. Exemptions: The permit requirements do not apply to a shallow well that:
 - 1. is not used to provide water for:
 - i. human consumption;
 - ii. agriculture;
 - iii. manufacturing or industry; or

- iv. water injection; and
- 2. withdraws water solely:
 - i. to prevent sand boils, dewater surface construction sites, or relieve hydrostatic uplift on permanent structures;
 - ii. for groundwater quality analysis and for monitoring migration of subsurface contaminants or pollution; or
 - iii. for recovery of contamination or pollution.
- c. Exemptions: The permit requirements do not apply to windmills with a casing diameter of five inches nominal or less.”

How does this change affect homeowners?

If you have a well serving a single-family dwelling that is five inches in diameter or less and was drilled prior to 7/22/15, then these changes do not affect you. If you have more than one well for your home, or a well that serves something other than a house, a permit may be required. You can call the Subsidence District at 281-342-3273, for more information.

Will the minutes of this meeting be published on the website and, if so, when?

Yes, they will be made available to the public on our website on September 21, 2017.