

**Item 4 – FY 2025 District Water Production & Export Fee Schedule | All-Board
Budget & Fees Workshop**

Directors Present

Lisa Rolke – Chair
Jeff Kennedy
Gary Mechler
Jayson Barfknecht
Stephen Cast
John Elliott

The BVGCD board met Wednesday, December 4, 2024 in a posted All-Board workshop to discuss and develop a recommendation for both the FY 2025 Operating & Capital budgets and District Water Production and Export Fee Schedules for board consideration and approval. The current fee schedule is:

Agricultural	\$0.1975/ac-ft
Steam Electric	\$0.31/ac-ft
Municipal/PWS	\$0.04875/1000 gallons produced
All other non-exempt	\$0.04875/1000 gallons produced
Export Fee	\$0.20/1000 gallons transported

Export Fee:

Using both District Local Laws Code and Section 36.122 of the Texas Water Code:

- **Export Fee Tier 1** is based on the amount of groundwater that is ***authorized*** under a transport permit but was not exported out of the District during the fiscal year (Enabling Act).

Export Fee Tier 1: the difference of \$0.17/1000 gallons authorized and the adopted production fee

- **Export Fee Tier 2** is based on the ***actual*** amount of metered groundwater transported out of the District during the year (District Rule 9.1(c)).

Export Fee Tier 2: \$0.206/1000 gallons

A transport permit could be charged for one or both export fee rates in a fiscal year. Export Fee Tier 1 will be charged on all transport permits that do not export water during the year. If only some water is exported, then the non-exported, but authorized amount

will be prorated to the date export begins and charged at a Tier 1 rate, and the exported water will be charged at a Tier 2 rate.

Water Production Fees:

The Board discussed the fact that the District will run a deficit budget this coming year with outflows exceeding fee collections using the current fee structure. This is a direct result of expenses incurred from challenges to permit applications requiring hydrogeological modeling reports, a future export project, and unforeseen legal expenses related to permit challenges.

There is a desire for the District to:

1. Collect fees during the fiscal year in which production occurred or will occur; and,
2. Develop a fee structure which provides a steady and known revenue stream.

The District fee collection structure has been one that is one (1) year in arrears and is driven solely by actual metered water production making the fees subject to the weather and highly variable.

District staff researched and presented information to the members present outlining the use of increased water production fee rates to close the gap between income and expenses. The downside to using this approach is that it does not address the objective of having a steady and consistent revenue stream collected in real time and not a year after production. With the advent of future large scale water production appearing to be several years away, an ongoing groundwater surface water interaction study, and extraordinarily large hydrogeological and legal expenses, there is a need to generate more revenue to cover some of the increased expenses related to the above-mentioned items.

Lengthy discussion occurred and centered around:

1. Set an Operating & Capital budget for FY 2025 of approximately \$1,400,000.

2. Collect 2024 water production in the same manner as years previous. Estimated revenue from metered water production fees, permit renewals, and interest earned is estimated at \$830,000.
3. Revenue shortfall for FY 2025 would be \$570,000.
4. Cover the shortfall by collecting FY 2025 water production fees based on authorized permitted amounts on each metered well (permit) and move away from water production fees based on actual production.
5. FY 2025 fees would be due beginning in January 2025 and can be paid in the following manners:
 - a. Twelve (12) equal payments made during FY 2025 (monthly); or
 - b. Lump sum payments made no later than March 1st of the year of production (Amounts due of \$1,000 or less are to be made in a one lump sum payment).
6. FY 2025 fee rate will be calculated to cover the \$570,000 budget gap and distributed across all wells capable of producing water excluding permits solely permitted for agricultural use and steam electric.
7. The fee rate will be applied equally across the above-mentioned permits based on total authorized permitted amount on each permit.
8. Current drilled/completed permitted amount is 132,635.76 ac-ft. Expectations are that 10% of the permits will be relinquished or amended to include only agricultural use. Total ac-ft to be used in the calculation is 119,372.18 (132,635.76 x .90).
9. The water production rate for FY 2025 will be 4.775/ac-ft (\$0.01465/1000 gallons authorized).
10. Agricultural fee rate remains unchanged at \$0.1975/ac-ft on total authorized permitted amount whether metered or not.
11. Steam Electric fee rate remains at \$0.31/ac-ft on total authorized permitted amount.
12. Permitted wells that have not been drilled are not included in the calculation. All wells not drilled on September 14, 2023 have three (3) years to complete the well at no additional fee. Once completed as per the District Rules, the permit will be subject to fees based on the highest beneficial use category associated with the permit.
13. An overproduction fee will be charged at a rate of \$11.73/ac-ft (\$0.036/1000 gallons produced) exceeding the permitted amount during FY 2025.
($\$1,400,000 / 119,372.18 \text{ ac-ft} = \$11.73/\text{ac-ft}$)

It is expected that this same water production fee structure will be in place for FY 2026. If so, the same formula and calculations will be made to determine the fee rate but will be based on the entire budgeted amount determined by the Board. It is seen that all total fees to be collected from each permit holder will be significantly higher than in FY 2025.

It is the recommendation by the General Manager and Budget/Financial Committee to adopt by resolution and implement the following water production fees for FY 2025:

Agricultural Use only: \$0.1975/ac-ft based on authorized permitted amount

Steam Electric Use: \$0.31/ac-ft based on authorized permitted amount

Municipal/RPWS Use: \$0.01465/1000 gallons authorized permitted amount

Commercial/Industrial Use: \$0.01465/1000 gallons authorized permitted amount

Export Fee:

Tier 1 – The difference of \$0.17/1000 gallons authorized (not transported during the year) and the adopted production fee

Tier 2 - \$0.206/1000 gallons metered & transported

Over Production Fee - The initial fee for producing more groundwater in the first year than is authorized in the applicable permit is \$0.036/1000 gallons produced above the permitted amount.

If compliance is not achieved and over production occurs in any subsequent year(s), then the Board may set reasonable civil penalties against any person for breach of any rule of the District not to exceed \$10,000 per day per violation, and each day of a continuing violation constitutes a separate violation. § 36.102, Texas Water Code and District Rule 15.4.

*****Collect fees during the fiscal year in which production occurred or will occur**