



The Woodlands Township Governance

As of September 2012



Overview

- The Woodlands Governance History
- The Woodlands Township – Current Governance Structure
- 2011 – 2012 Governance Study Process and Results
- The Township Board’s Plan for the Future





Overview of The Woodlands

- Unincorporated area within two counties / approximately 103,000 residents
- Nearly 40,000 dwelling units
- Properties covered by protective covenants
- Financial
 - Tax base of \$13.3 billion
 - Major revenue sources
 - Sales tax and room tax - \$45.3 million
 - Property tax - \$41.4 million



Development and Governance Overview

- Started as a master planned community in 1974
- Protective covenants placed on developed properties
- By 2006, The Woodlands governed by three large HOA's / over 30,000 single family properties



Development and Governance Overview

- Part of The Woodlands also included the Town Center Improvement District (a special purpose district)
 - Created in the early 1990's / a special purpose government unit
 - Provided economic development services in Town Center
 - Town center public amenities
 - Convention Center
 - Funded by a 2% sales tax in town center area and a 7% room tax



History of Governance Changes

- **December 2006:** Agreement with the City of Houston (RPA)
- **Spring 2007:** Legislation provides the authority to enter into the Regional Participation Agreements and to establish, with voter approval, a new governance body for The Woodlands.
- **November 2007 Election:** TCID changes its name to The Woodlands Township. Three propositions pass:
 - Authorizing the expansion of Town Center Improvement District (TCID) to cover the entire Woodlands
 - Reorganization of the TCID's Board of Directors to a seven-member resident-elected board (by 2010)
 - TCID to assess an ad valorem property tax

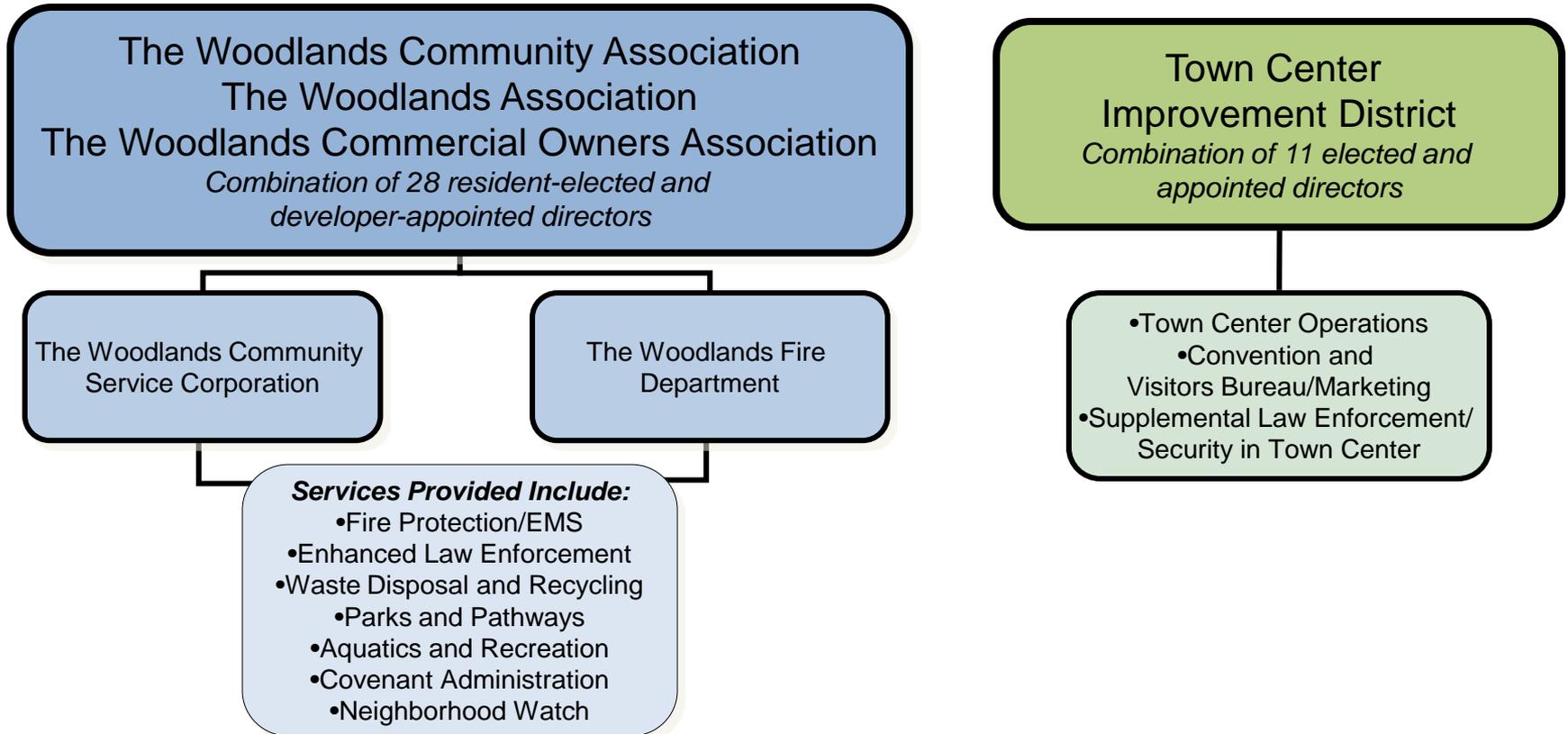


History of Governance Changes (continued)

- **January/February 2008:** Community Associations and The Woodlands Township unanimously approve the **Transition Agreement** that outlines the transition of service delivery from the Associations to the Township.
- **January 2010:** Consolidation of services / Township assumes all Community Association duties and responsibilities



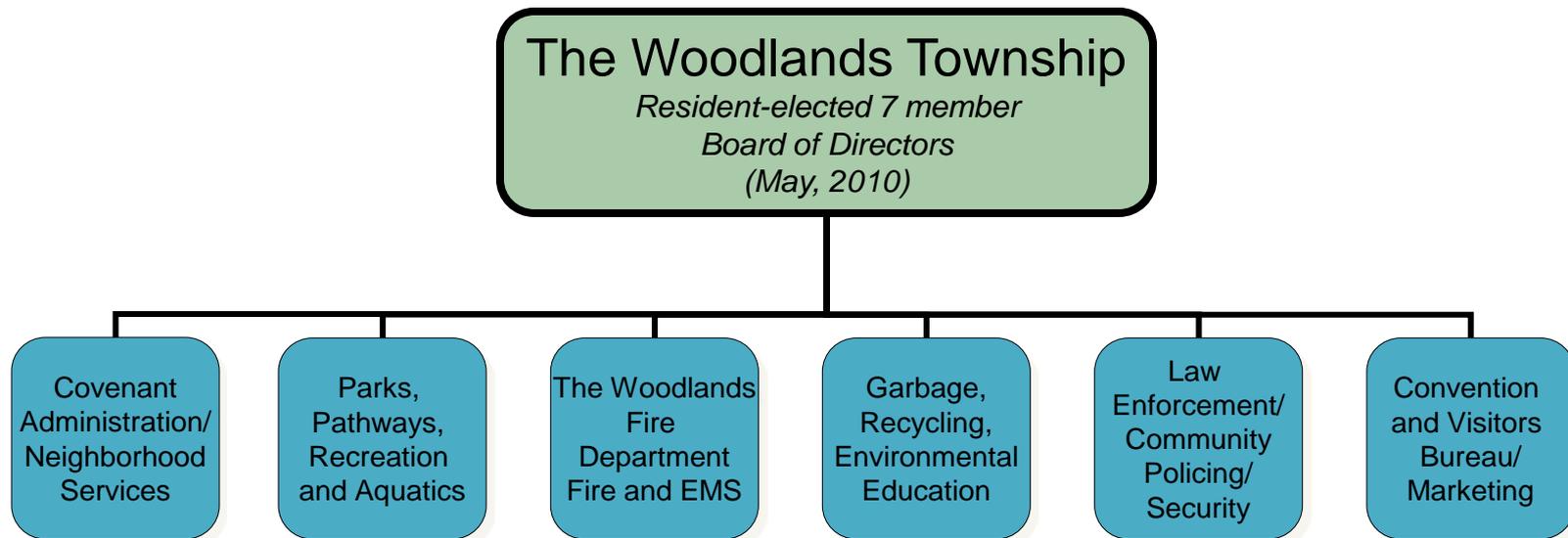
Services, Costs and Governance Prior to January 2007



*Enhanced municipal-type services funded through **property assessments**.*

Sales taxes collected to fund services in the Town Center area

Services, Costs and Governance After 2010



Sales taxes collected to fund services and ongoing Regional Participation Agreements with Houston and Conroe.

*Enhanced municipal-type services funded through **ad valorem property tax** and a portion of the sales tax.*



Overview of The Woodlands Township

- The Woodlands Township is a “Special Purpose District”
- The Township is not a city government but provides similar city types of services
- The Woodlands has an agreement with the City of Houston which protects The Woodlands from the threat of annexation for 50 years



Significance of Regional Participation Agreement

- Protects The Woodlands from the threat of annexation for 50 years
- Allows The Woodlands to incorporate any time after May 29, 2014, and until November 16, 2057
- Includes financial provisions for funding joint regional projects
 - Required initial payment of \$16 million
 - 1/16 of 1 cent paid from sales tax collections each year
- Catalyst for the change from community associations to the current Township governance structure



Current Service Providers in The Woodlands

- The majority of municipal-type services in The Woodlands are provided by four key entities:
 - The Woodlands Township
 - Montgomery County
 - Harris County
 - Municipal Utility Districts (MUDs)/SJRA



Major Township Services

- The same services that were previously provided by the Township and the Community Associations.
 - **Fire and EMS Services:** 129 firefighters / eight stations / emergency training center
 - **Refuse Collection and Recycling:** 31,900 households
 - **Law Enforcement:** contract with Sheriff for 83.5 officers in Montgomery County / contract with Constable for 3 officers in Harris County
 - **Covenant Enforcement:** 36,000 properties
 - **Neighborhood Services:** Neighborhood watch / village liaison / community education
 - **Convention and Visitors Bureau / Special Events / Economic Development:** \$2.9 million
 - **Parks and Pathways:** 124 parks / 195 miles of pathways
 - **Recreational programming**
 - **Aquatics:** 13 pools
 - **Streetlights**
 - **Roadway and Entryway Maintenance**
 - **Capital Projects:** Replacement of existing facilities and equipment / new parks, pathways, fire stations





Services Provided by Counties

- Law enforcement
- Courts
- Public health
- Library
- Road maintenance and traffic control
- Building inspection and code enforcement
- Animal control



Services Provided by MUDs/ San Jacinto River Authority

- Water service
- Wastewater/sewer service
- Storm water management





Township initiated a governance review process in 2011

- Based on 2007 Agreement with Houston, the first date that The Woodlands can consider incorporation is May 29, 2012
- Board initiated a process that
 1. Examined the current structure / any deficiencies or “gaps”
 2. Examined the costs / benefits of exercising the incorporation option
 3. Considered if status quo should be maintained, incorporation pursued or if some other governance options are available.

Step 1: The Gap Analysis

- Goal: To determine if there are any deficiencies in services or degree of local control based on the current governance structure (The Woodlands Township)
- Consisted of a series of interviews and meetings with:
 - Residents
 - Elected and appointed officials
 - Service providers
 - Service organizations
 - Business interests



Gap Analysis Summary



- Areas the Township Governance Model Excels:
 - Transition to the Township structure
 - High quality services and amenities
 - Quality of life
 - Responsiveness
 - High quality staffing
- Deficiencies of the Township Governance Model:
 - Ordinance making authority (ability to create local laws within the Statutes of the State of Texas)



Gap Analysis Summary

- Future community challenges identified that local governance will need to address:
 - Developer will be leaving at some point
 - Community infrastructure and rehabilitation
 - Water issues
 - Mobility and transit
 - Community apathy
 - Leadership succession
 - Growth
 - Expanding cultural amenities



Step 2: Model the Financial Impact of Incorporation

- Goal: To identify new responsibilities required should the community incorporate and to estimate the financial impacts
- Independent consulting team used to develop a model to illustrate costs of full incorporation
- Used financial data from:
 - The Township
 - Counties
 - Peer communities (Sugar Land, Frisco, McKinney, Round Rock)
 - MUDs



What Would Incorporation Mean for The Woodlands?

- Changing the legal status of The Woodlands Township to a municipality
 - State law requires that municipalities take on certain responsibilities





New Responsibilities If Incorporated

- Upon incorporation, The Woodlands would assume full responsibilities for:
 - Law enforcement (including a local police force, courts)
 - Road maintenance (including a public works department)
 - Services now provided by MUDs
 - All MUDs would be dissolved / water and sewer service provided by new city
 - Traffic control
 - Health and safety (including health inspection services)
 - Planning and development services
 - Building inspection and code enforcement
 - Animal control





New Requirements If Incorporated

- The new city would require additional staffing and need to support them with vehicles, equipment, and facilities
 - Police operations / equipment / public safety facility
 - Court facility / operations
 - Offices and support equipment/furnishings
 - Public works equipment and facility





New Abilities If Incorporated

- Ordinance-making authority
- Local control of all municipal-type services and functions
- More consolidated service delivery





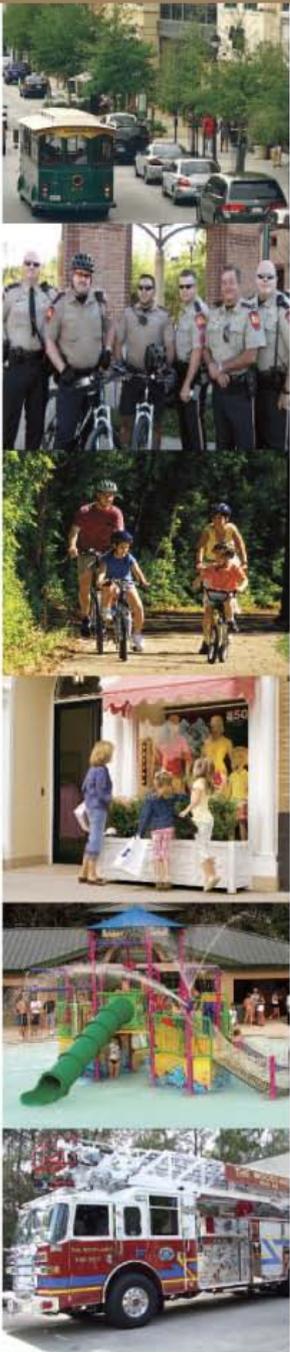
What Happens to the MUDs Under Incorporation?

- By law, the MUDs would be dissolved and all assets and liabilities assumed by the new city
- Water and sewer service would then be provided by the new city
- Debt repayment would be assumed by the entire community with a now uniform tax rate and/or through a uniform user fee system



What Happens to the Counties Under Incorporation?

- Would provide very minimal services in the incorporated areas (e.g., library)
- No obligation to adjust tax rates in spite of lowered responsibilities to the incorporated community



Incorporation Financial Factors that Impact the Cost of Incorporation

- Adding needed personnel and associated costs
- Purchasing equipment and constructing facilities
- Consolidating MUDS
- Taking on new responsibilities





Key Assumptions Used in the Financial Model

- Analysis is a “snap shot” in time (2011 data)
- Inflation and on-going costs were not factored
- 4.75% interest rate and 30-year term on long term debt
- Maintained current levels of service
- All state requirements have been met
- Services and contracted costs taken over by municipality



Financial Model Results

- Reflects an increase in general property tax for a majority of residents and businesses
 - The property tax assessment under the incorporation model would increase 70.4% from the current Township assessment
 - *This only pertains to the Township portion of the property tax* – there are several other entities that levy taxes that would not change upon incorporation
 - This is only part of the overall equation
- Total impacts of incorporation vary greatly depending on the MUD in which the property is located



Step 3: Community Outreach

- Goal: Share the results of the Gap Analysis and Financial Model with the community to garner feedback to assist the Township Board of Directors in determining appropriate next steps
- Outreach activities:
 - Two forums with business interests (March 1)
 - Two community forums (March 29, March 31)
 - Online feedback (solicited through the end of April)
- Nearly 400 feedback forms received





Feedback Received

- “Do you think the current Township governance structure is equipped to address future challenges?”
 - 70% participants believed the current governance structure is equipped to address future challenges
 - Those that didn’t believe the Township was well equipped cited future growth concerns and the lack of ordinance making authority





Feedback Received

- Positive impacts of incorporation
 - Ordinance making authority; ability to make and enforce laws
 - Local control of community services
 - Ability to prevent annexation
 - Improved transparency and accountability
 - Consolidation of services
 - None





Feedback Received

- Negative impacts of incorporation
 - Higher taxes, costs
 - Expansion of government, bureaucracy
 - More regulations
 - Consolidation of municipal utility districts





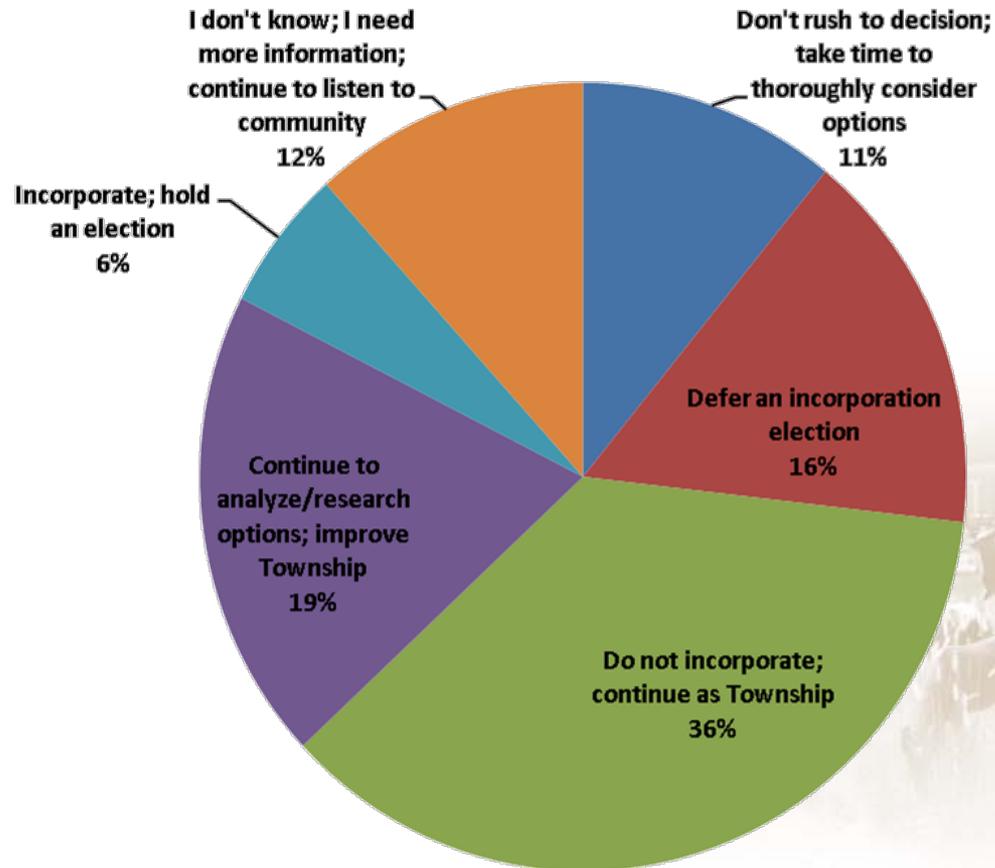
Feedback Received

- Advice to the Board of Directors
 - Nearly 80% of responses fit into one of the following general categories:
 - Don't rush to a decision; take time to thoroughly consider options
 - Defer an incorporation election
 - Do not incorporate; continue as Township
 - Continue to analyze and research options; improve the Township (i.e. ordinance making authority, improved law enforcement, etc.)
 - Incorporate; hold an incorporation election
 - I don't know; I need more information; continue to listen to the community



Feedback Received

Advice to the Board of Directors





What did the Board find in this governance review?

- Residents are satisfied with the current Township governance model
 - Some deficiencies such as ordinance making ability but ok for now
- Cost of incorporation would increase taxes from 32.5 cents to approximately 55.39 cents (70.4% change)
 - Residents did not feel that additional costs matched benefits at this time
 - Did not feel that county property taxes would be decreased at incorporation



What was the Township Board's determination?

- Board will not call an incorporation election in 2014
- Will wait an indefinite period before bringing issue back for consideration
- Will monitor changes in community conditions to determine when this matter is brought back for additional consideration



What challenges does this present for the Township?

- In short term, no significant challenges
- In long term, some issues may become more challenging, such as
 - Ordinance making ability (needs beyond what we can manage with covenants)
 - Any significant changes in condition of county road system
 - Any significant changes in community policing needs
 - Other community issues beyond the Township's span of control





The Woodlands Township Governance

September 21, 2012