

The Woodlands Township Incorporation Study

Benchmarking Review

June 2018

- Review benchmarking research regarding revenue and municipal programs
- Frame board policy questions pertaining to the financial model

Benchmark Jurisdictions



Benchmarking Approach

- Two components to Benchmarking: Revenues and Programs
 - What program do benchmark jurisdictions deliver and how do they fund them?
- Compare revenue sources and staffing levels among benchmark jurisdictions
- Provide context regarding revenue sources and operations to help frame board policy questions and financial modeling
 - Identify potential new or augmented revenue sources associated with incorporation
 - Pose policy questions regarding ongoing vs. one-time revenue assumptions
- This presentation will focus FIRST on Revenue benchmarking and second on operations

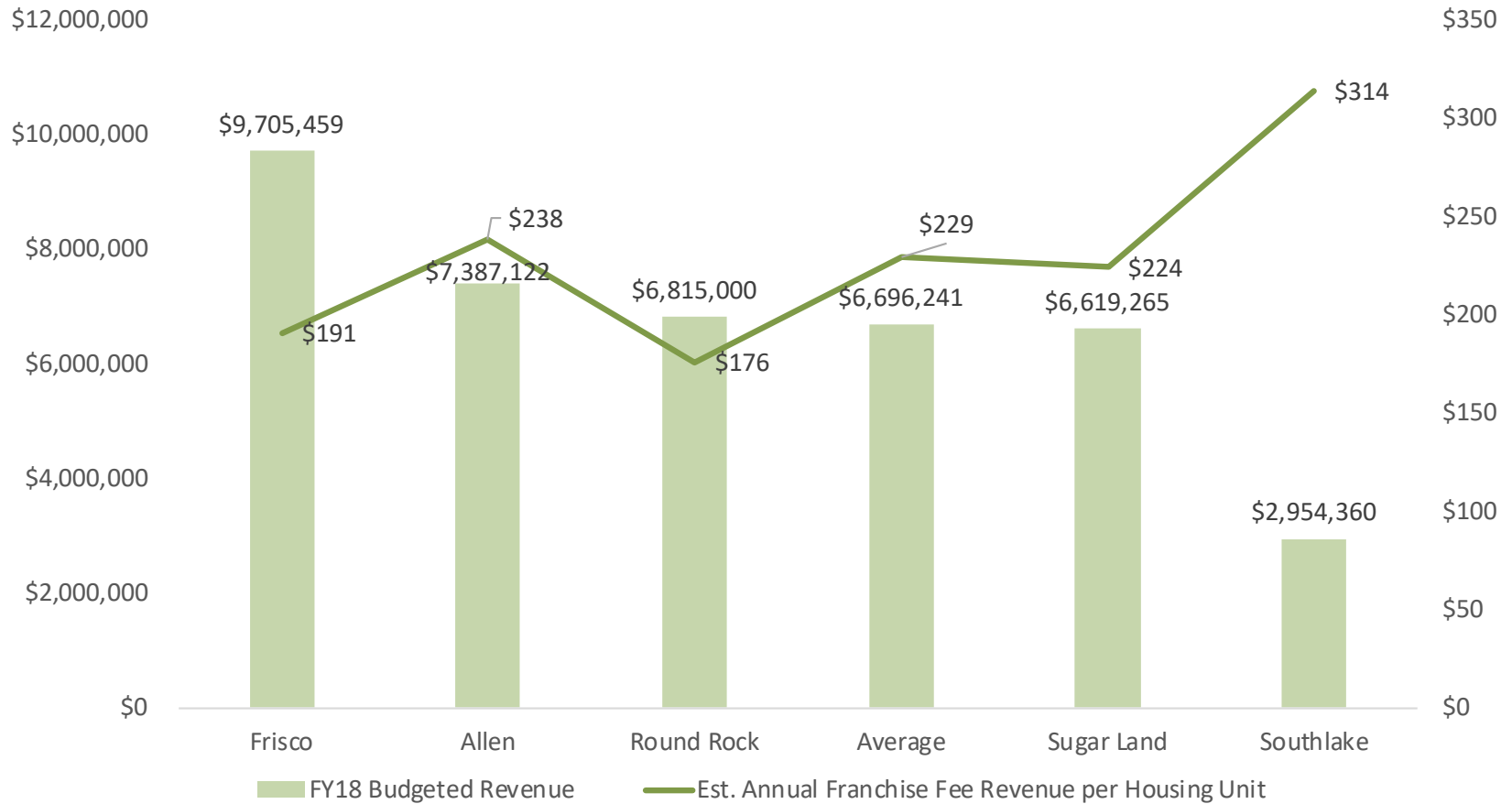
Major Tax Sources

Ad Valorem Taxes	Property Tax Rate per \$100	Local Sales Tax Rate	Hotel Tax Rate
Allen	\$0.51000	2%	7%
Frisco	\$0.44660	2%	7%
Round Rock	\$0.43000	2%	7%
Southlake	\$0.46200	2%	7%
Sugar Land	\$0.31762	2%	7%

- Should The Woodlands choose to incorporate, its ability to use some revenue streams (such as hotel occupancy taxes) will be constrained while other new revenue sources will become available
- Revenue opportunities to explore include:
 - Franchise fees
 - Sanitation fees
 - Permit fees
 - Fines and forfeitures
 - Grants
 - Utility Revenue

- All benchmark jurisdictions collect franchise fees for a variety of utilities and services
 - Utilities – natural gas, electricity, telecom, cable
 - Services – solid waste collection
- Fees are typically based on a percentage of the provider's gross receipts, the number of utility connections, or quantity of energy sold

Franchise Fees



- All benchmarks contract with a single waste hauler for residential solid waste services
 - All but one contract with a single hauler for commercial
- The Woodlands residents pay the lowest monthly rate among benchmarks and receive comparable services
 - Sugar Land receives twice per week service but residents pay nearly twice as much
- Each benchmark jurisdiction collects franchise fees from solid waste contractors
- Each benchmark jurisdiction passes refuse collection costs onto residents

Solid Waste Revenue

Category	The Woodlands	Allen	Frisco	Round Rock	Southlake	Sugar Land	Benchmark Average
Monthly Solid Waste Cost per Household	\$10.46	\$15.02	\$13.50	\$20.52	\$14.55	\$18.45	\$16.41
What portion of the fee is paid by residents?	Residents do not pay a solid waste fee.	Residents pay full fee. Senior Citizens eligible for 20% discount.	Residents pay full fee.	Residents pay full fee.	Residents pay full fee.	Residents pay full fee.	N/A

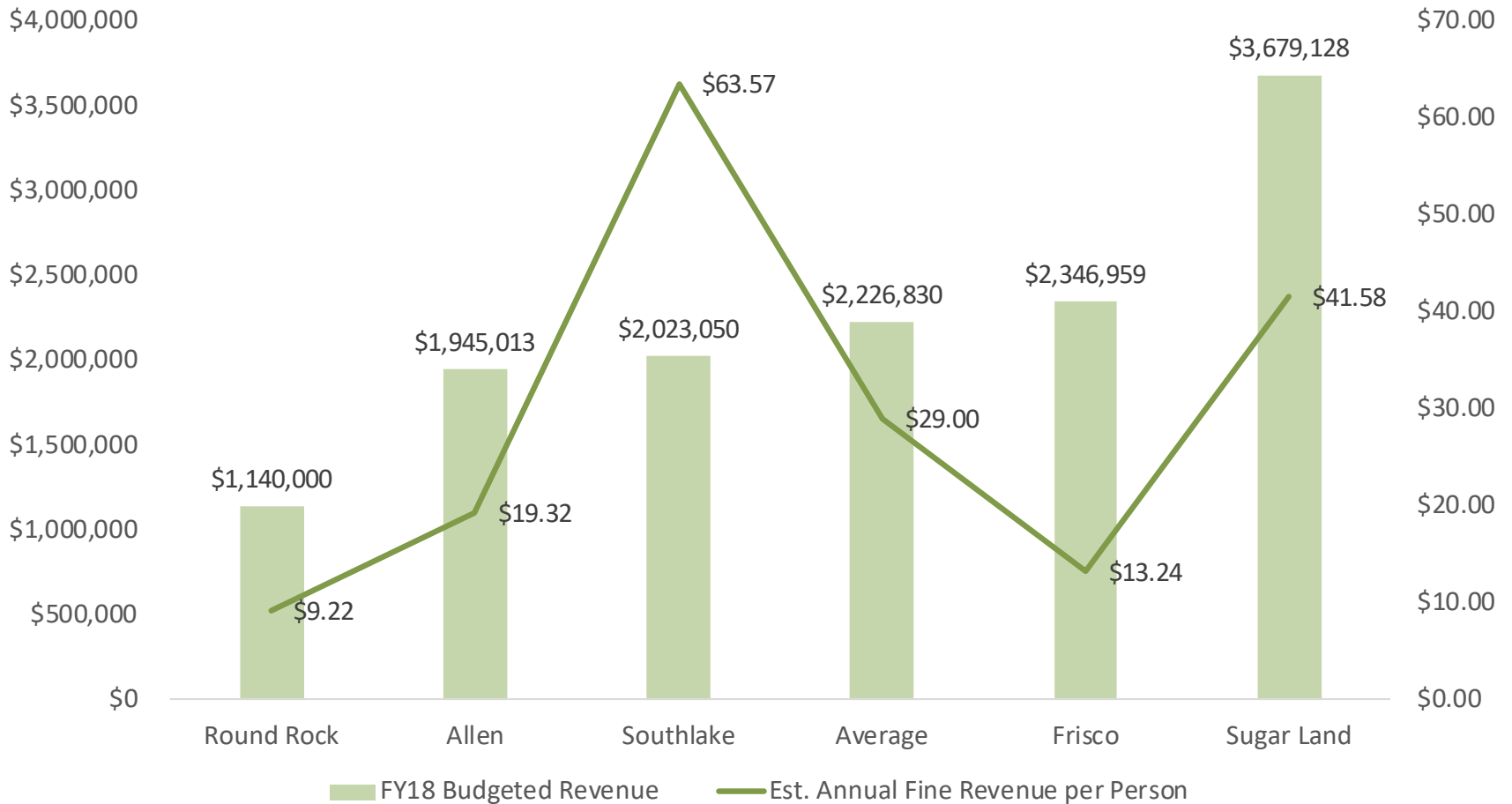
- All benchmarks collect revenues related to issuing licenses, permit intake, and plan review
- Budgeted revenue for FY18 averages \$5.4 million among benchmark communities
 - Actual revenues are influenced by the amount of development activity in each jurisdiction, as well as the methodology used to calculate fees
- Compared methodologies and fees for new construction building permits in each jurisdiction

Fee Methodology - New Construction Building Permits	Residential	Commercial
Allen	Valuation	Valuation
Frisco	Valuation	Valuation
Round Rock	Single Family/Duplex: Flat Multi-Family: Square Footage	Square Footage
Southlake	Square Footage	Valuation
Sugar Land	Valuation	Valuation

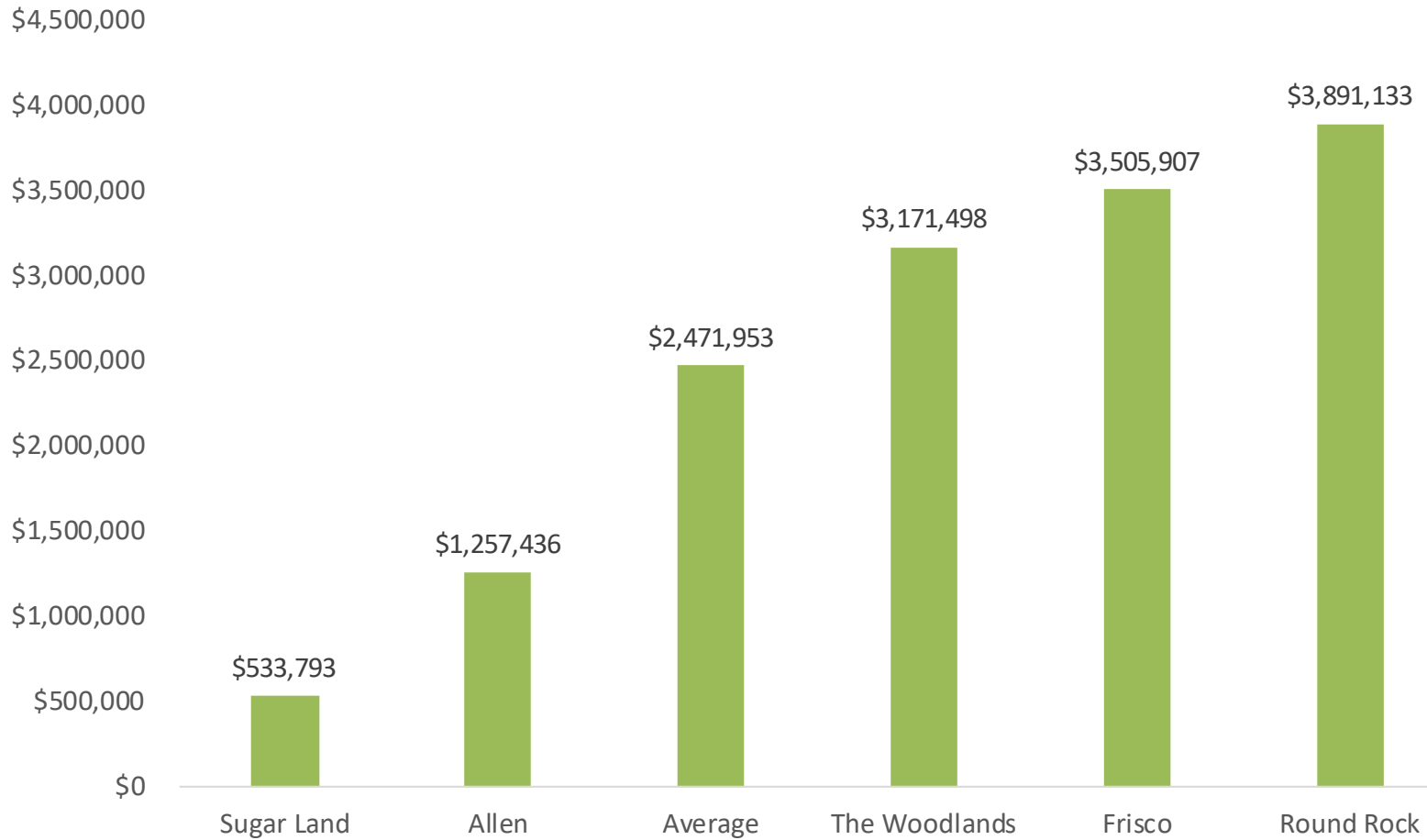
New Construction Valuation	Average Fee (Allen, Frisco, Southlake, Sugar Land)
\$1 to \$500	\$50.13 minimum
\$501 to \$2,000	\$29.00 for the first \$500 plus \$4.74 for each additional \$500
\$2,001 to \$25,000	\$76.88 for the first \$2,000 plus \$16.06 for each additional \$1,000
\$25,001 to \$50,000	\$410.38 for the first \$25,000 plus \$12.01 for each additional \$1,000
\$50,001 to \$100,000	\$748.31 for the first \$50,000 plus \$8.50 for each additional \$1,000
\$100,001 to \$500,000	\$1,173.19 for the first \$100,000 plus \$6.44 for each additional \$1,000
\$500,001 to \$1,000,000	\$3,868.75 for the first \$500,000 plus \$5.49 for each additional \$1,000
\$1,000,000 and up	\$6,331.25 for the first \$1,000,000 plus \$3.79 for each additional \$1,000

- All benchmark communities collect municipal court fines and forfeiture revenues
- Fine and forfeiture revenue in The Woodlands is currently collected by Montgomery and Harris counties

Fines and Forfeitures



- Grant revenue for The Woodlands is budgeted at over \$3 million, largely for ongoing public transit services
- Grants make up a comparatively small percentage of benchmark jurisdiction revenues



- The Woodlands is served by MUDs which provide water and sewer services to various parts of the Township
 - MUDs serving The Woodlands are supported by ad valorem taxes and user fees
- Benchmark communities currently engage in a variety of utility functions, including water treatment and distribution and wastewater collection and treatment
 - Each utility is operated as an Enterprise Fund
- Upon incorporation, The Woodlands will have an opportunity to explore developing its own capacity to provide utility services
- Service model options will drive financial model assumptions

Utility Revenue

MUD Number/Name	WJPA Latest Available Property Tax Rate (FY17)
1	0.0800
6	0.0750
7	0.1645
36	0.0350
39	0.3550
46	0.2125
47	0.2450
60	0.1650
67	0.2175
Metro	0.1050
386	0.4650
Average Rate	0.1927

Utility Revenue

Residential Fee Methodologies	Residential Water	Residential Sewer
The Woodlands	<ul style="list-style-type: none"> • Base Rate: \$5.00 • Volume Charges: \$1.70 - \$5.80 based on tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$10.50 • Volume Charges: \$4.50 per 1,000 gallons
Allen	<ul style="list-style-type: none"> • Base Rate: \$11.32 - \$30.20 according to meter size • Volume Charges: \$3.74 - \$13.18 based on tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$22.87 • Volume Charges: \$2.82 based on tiers per 1,000 gallons up to max \$46.84
Frisco	<ul style="list-style-type: none"> • Base Rate: \$17.69 up to 2,000 gallons • Volume Charges: \$3.84 - \$6.65 based on tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$25.44 • Volume Charges: \$5.36 per 1,000 gallons • *City does average residential sewer billing
Round Rock	<ul style="list-style-type: none"> • Base Rate: \$16.04 - \$35.26 depending on meter size • Volume Charges: \$2.49 - \$5.60 based on meter size and tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$13.27 - \$2,066.84 depending on meter size • Volume Charges: \$3.39 per 1,000 gallons • *City does average residential sewer billing
Southlake	<ul style="list-style-type: none"> • Base Rate: \$40.58 - \$125.70 depending on meter size • Volume Charges: \$4.53 - \$6.89 based on meter size and tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$32.14 up to 2,000 gallons • Volume Charges: \$3.69 per 1,000 • MAXIMUM RESIDENTIAL CHARGE: \$61.66
Sugar Land	<ul style="list-style-type: none"> • Base Rate: \$7.98 - \$752.65 depending on meter size • Volume Charges: \$0.90 - \$1.64 based on tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$12.40 - \$1,291.80 depending on meter size • Volume Charges: \$2.90 per 1,000 gallons • *City does average residential sewer billing

Commercial Fee Methodologies	Commercial Water	Commercial Sewer
The Woodlands	<ul style="list-style-type: none"> • Base Rate: \$8.15 • Volume Charges: Usage compared to 1/12th of prior year's usage and assessed rate of \$2.85 to \$4.00 depending on volume 	<ul style="list-style-type: none"> • Base Rate: \$11.25 base rate • Volume Charges: \$4.75 per 1,000 gallons
Allen	<ul style="list-style-type: none"> • Base Rate: \$37.74 - \$377.50 according to meter size • Volume Charges: \$2.58 - \$3.21 based on tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$28.39 per month • Volume Charges: \$3.72 per 1,000 gallons
Frisco	<ul style="list-style-type: none"> • Base Rate: \$19.29 - \$547.47 according to meter size • Volume Charges: \$3.97 for every 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$45.00 • Volume Charges: \$5.36 per 1,000 gallons
Round Rock	<ul style="list-style-type: none"> • Base Rate: \$16.04 - \$3,423.41 depending on meter size • Volume Charges: \$2.72 per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$13.27 - \$2,066.84 depending on meter size • Volume Charges: \$3.39 per 1,000 gallons
Southlake	<ul style="list-style-type: none"> • Base Rate: \$62.64 - \$362.90 depending on meter size • Volume Charges: \$4.53 - \$6.93 based on meter size and tiers per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$32.14 up to 2,000 gallons • Volume Charges: \$3.69 per 1,000 gallons
Sugar Land	<ul style="list-style-type: none"> • Base Rate: \$7.98 - \$752.65 depending on meter size • Volume Charges: \$1.17 per 1,000 gallons 	<ul style="list-style-type: none"> • Base Rate: \$12.40 - \$1,291.80 depending on meter size • Volume Charges: \$2.90 per 1,000 gallons

Program Comparison

- Compared staffing levels among major programs and functional areas in each benchmark jurisdiction
- Four program areas where delivery approach will drive staffing determinations under incorporation
 - Planning and Zoning/Covenant Administration
 - Police
 - Public Works
 - Water, Sewer, and Stormwater Utility services
- Two program areas provided by benchmark jurisdictions where The Woodlands does not have dedicated staff
 - City Secretary
 - Municipal Court

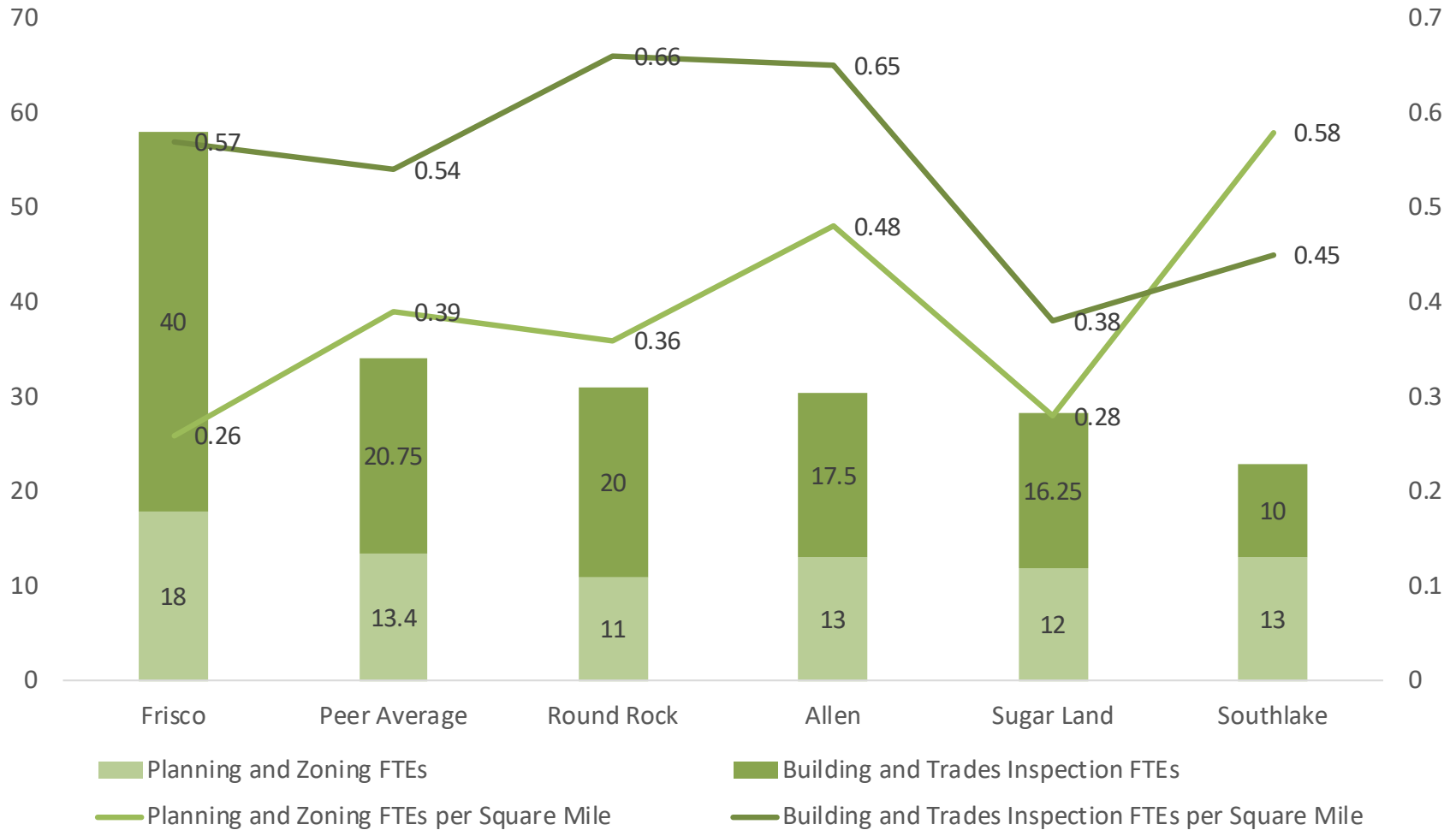
Staffing Overview

FTE Staffing per 1,000 Population for Major Programs/Functions	The Woodlands	Allen	Frisco	Round Rock	Southlake	Sugar Land	Benchmark Average
City Administration	0.04	0.05	0.08	0.08	0.24	0.25	0.14
City Secretary	0.00	0.03	0.02	0.02	0.13	0.10	0.06
Planning and Zoning	0.46	0.30	0.37	0.42	0.72	0.45	0.45
CVB/Tourism	0.06	0.05	0.08	0.17	-	0.05	0.07
Finance	0.12	0.20	0.13	0.17	0.66	0.24	0.28
Fire	1.44	1.15	1.42	1.23	2.29	1.47	1.51
Human Resources	0.05	0.06	0.07	0.10	0.21	0.12	0.11
Information Technology	0.14	0.18	0.29	0.17	0.25	0.26	0.23
Municipal Court	District Court	0.11	0.11	0.08	0.03	0.14	0.09
Parks and Recreation	1.74	1.42	1.09	0.85	3.61	0.45	1.49
Police	Contracted	1.88	1.75	2.03	2.15	2.72	2.11
Public Communications	0.04	0.06	0.05	0.04	0.21	0.12	0.10
Public Works	Provided by County	0.25	0.53	0.57	1.13	0.59	0.61
Utilities (Water, Sewer, Stormwater)	Provided by MUDs	0.76	0.73	1.07	1.13	0.85	0.91

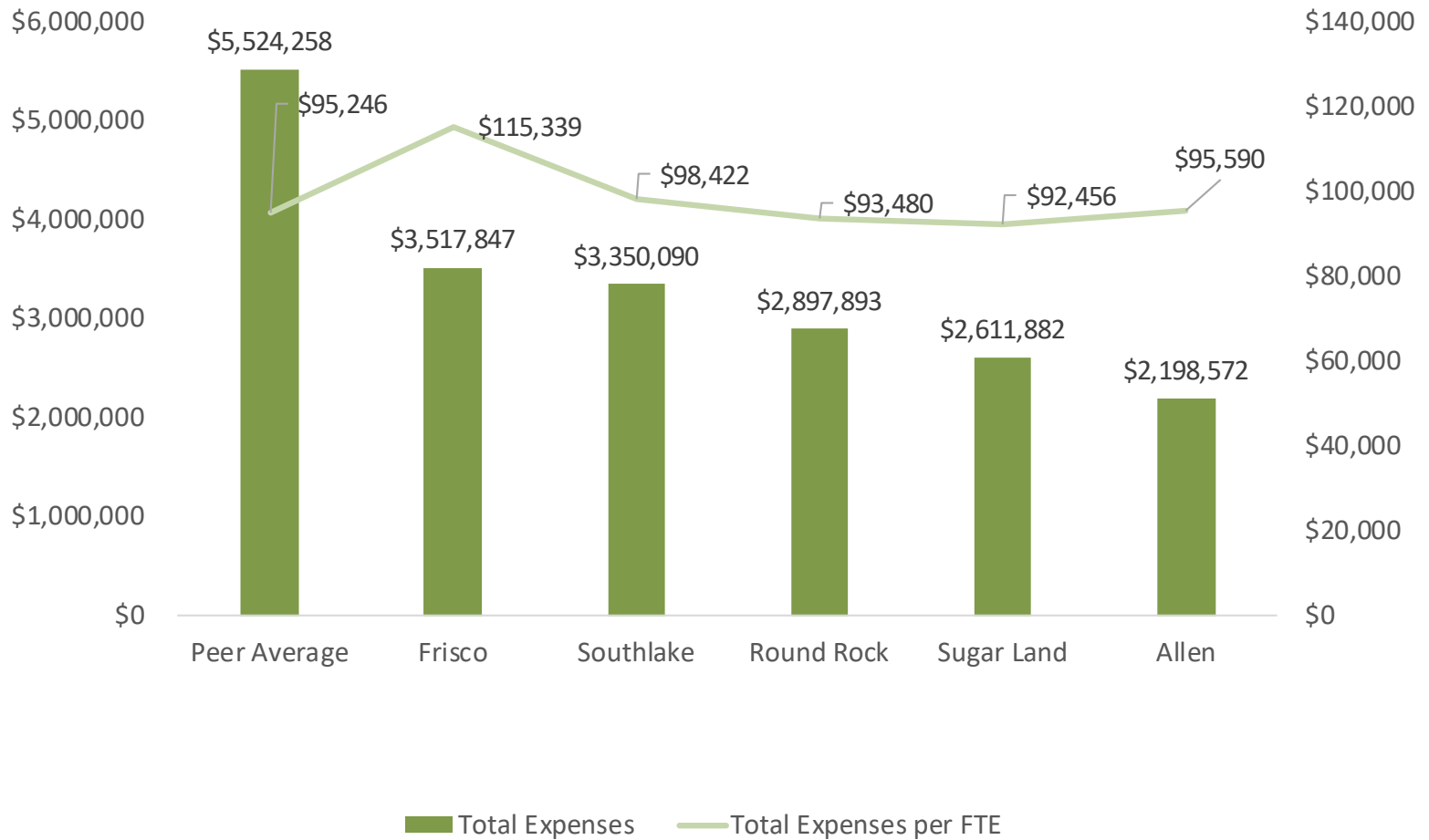
Planning, Zoning and Building

- The Woodlands uses approximately 44 staff to perform covenant administration functions, including enforcement of design standards and inspection of covenant violations
- This process is similar to traditional plan review insofar as staff review applications for compliance with design standards
 - No zoning ordinance
 - The Woodlands does not engage in planning activities or perform construction or trades inspections
- Benchmark communities use traditional planning, zoning, and inspection service models

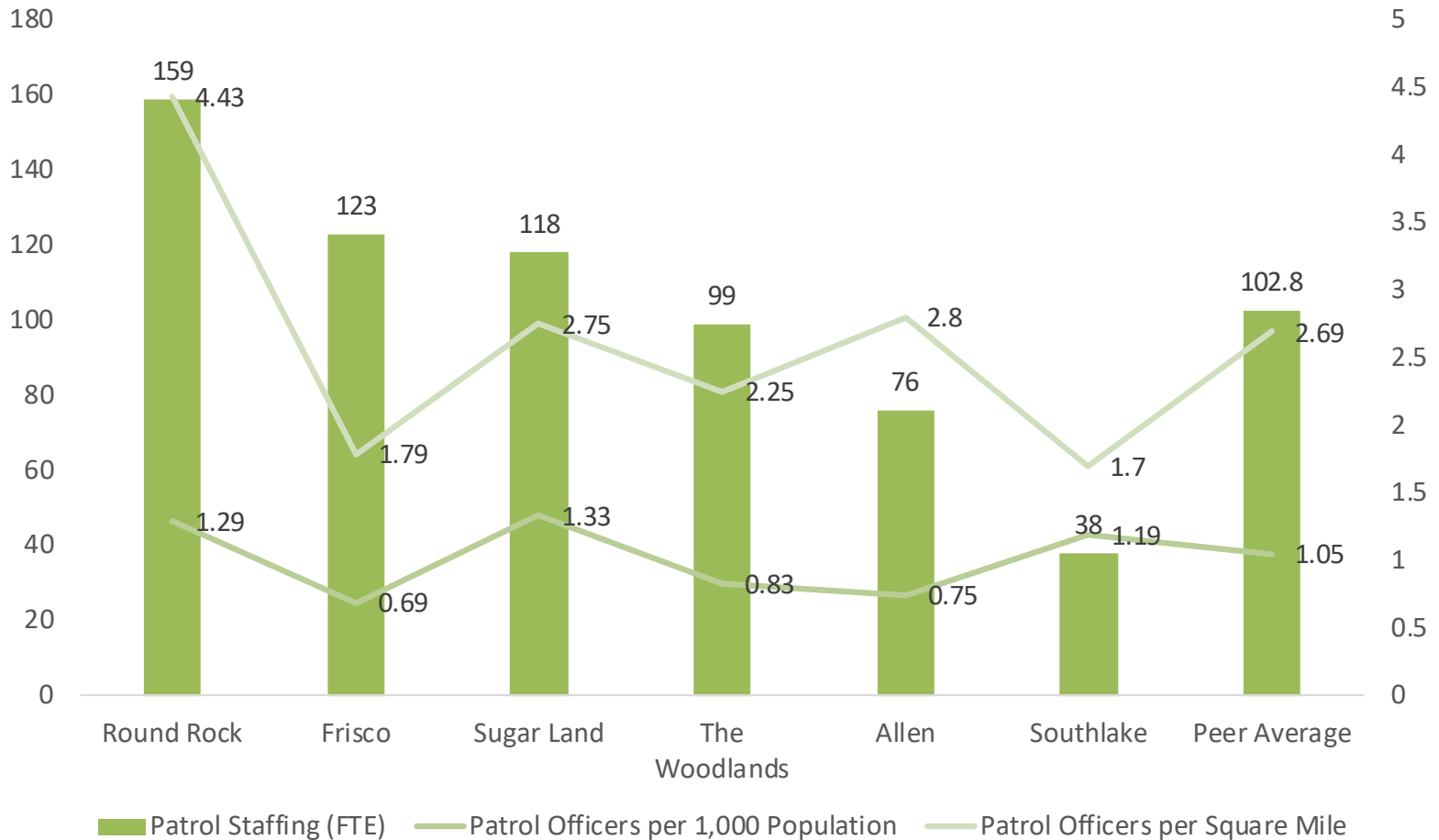
Planning, Zoning and Building

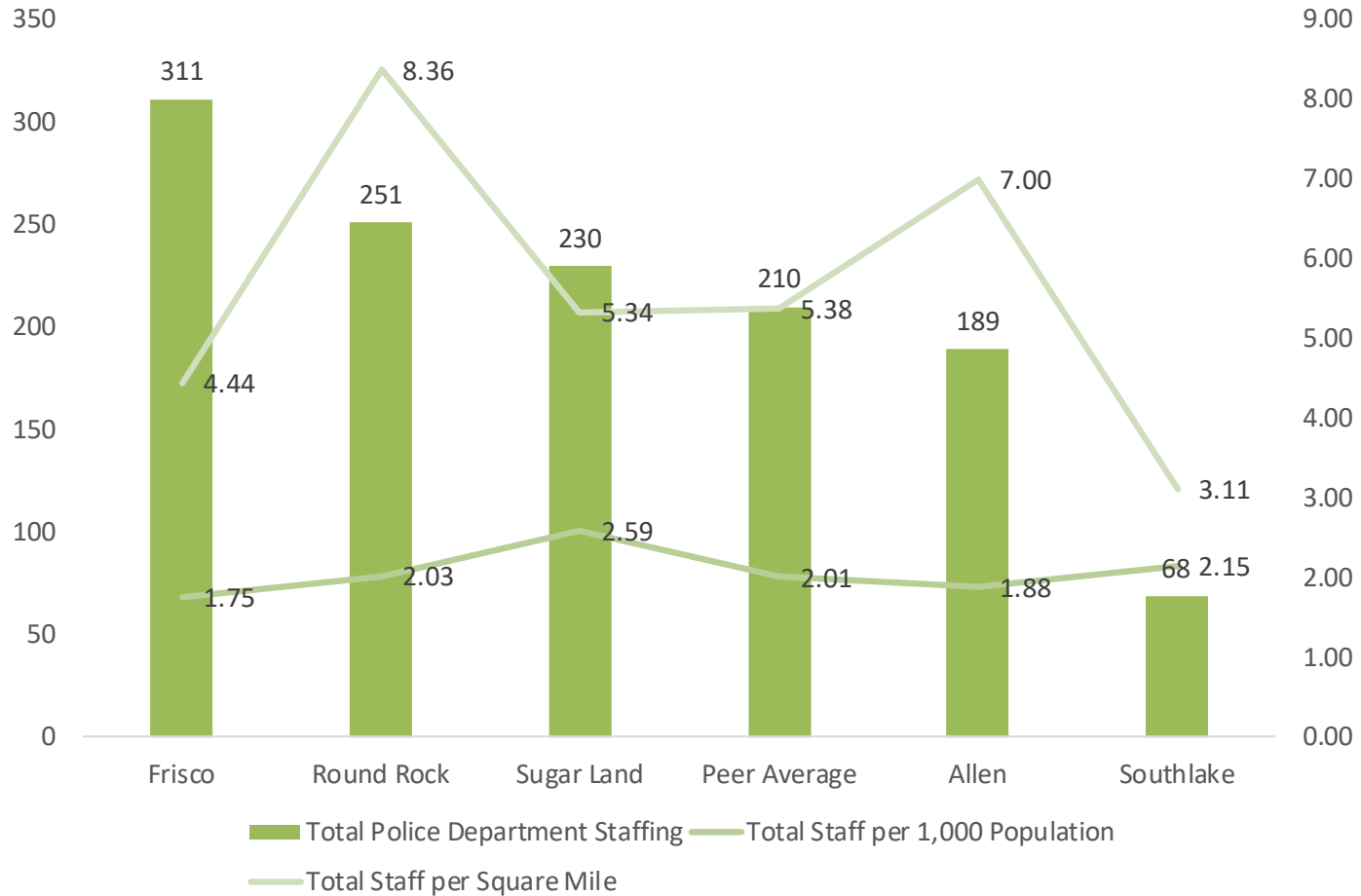


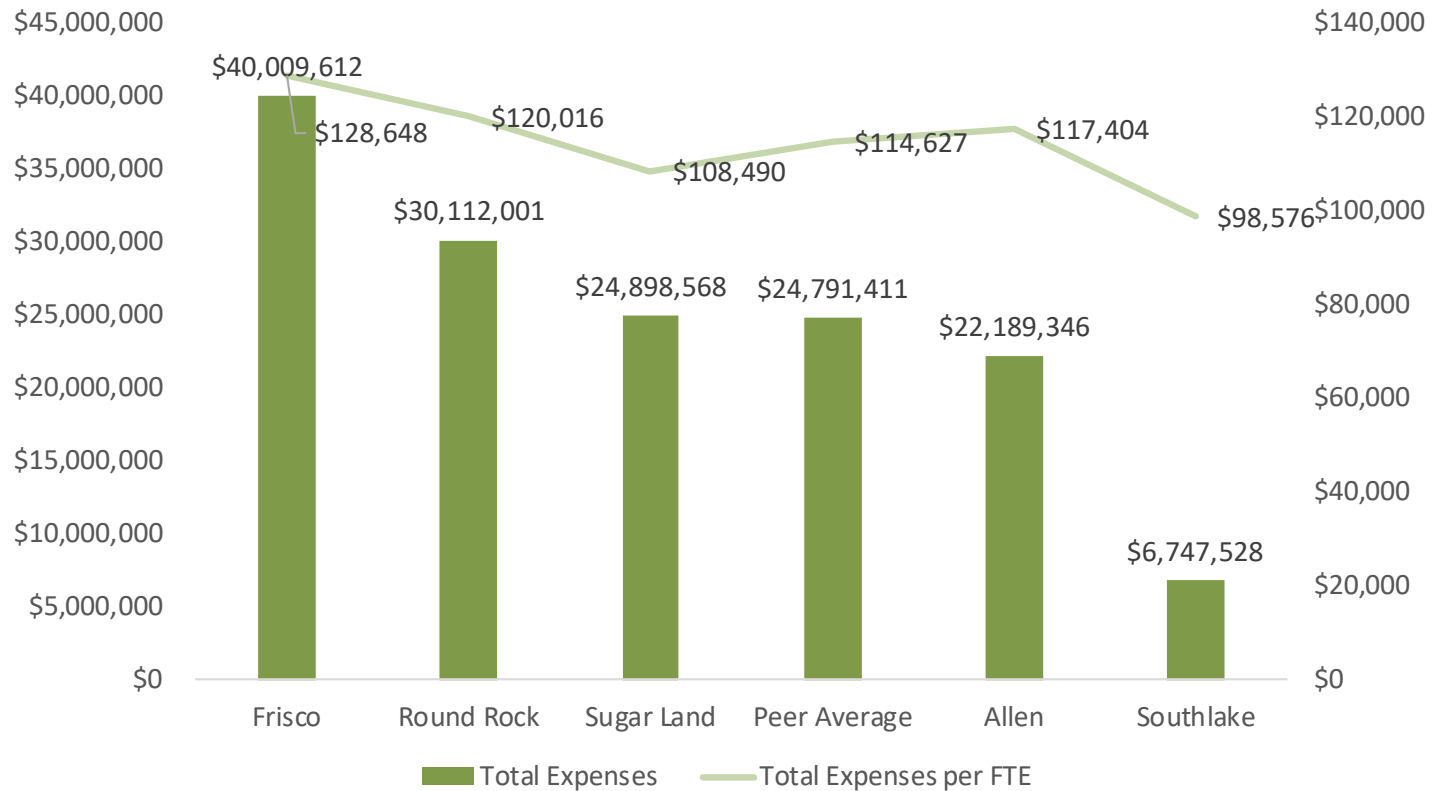
Planning, Zoning and Building



- All benchmark communities provide in-house police services
- The Woodlands contracts for police patrol services including 89 officers from the Montgomery County Sheriff's Office and a Sergeant and 11 Deputies from the Harris County Constable's Office
- Command, supervision and support services are provided by the counties as well

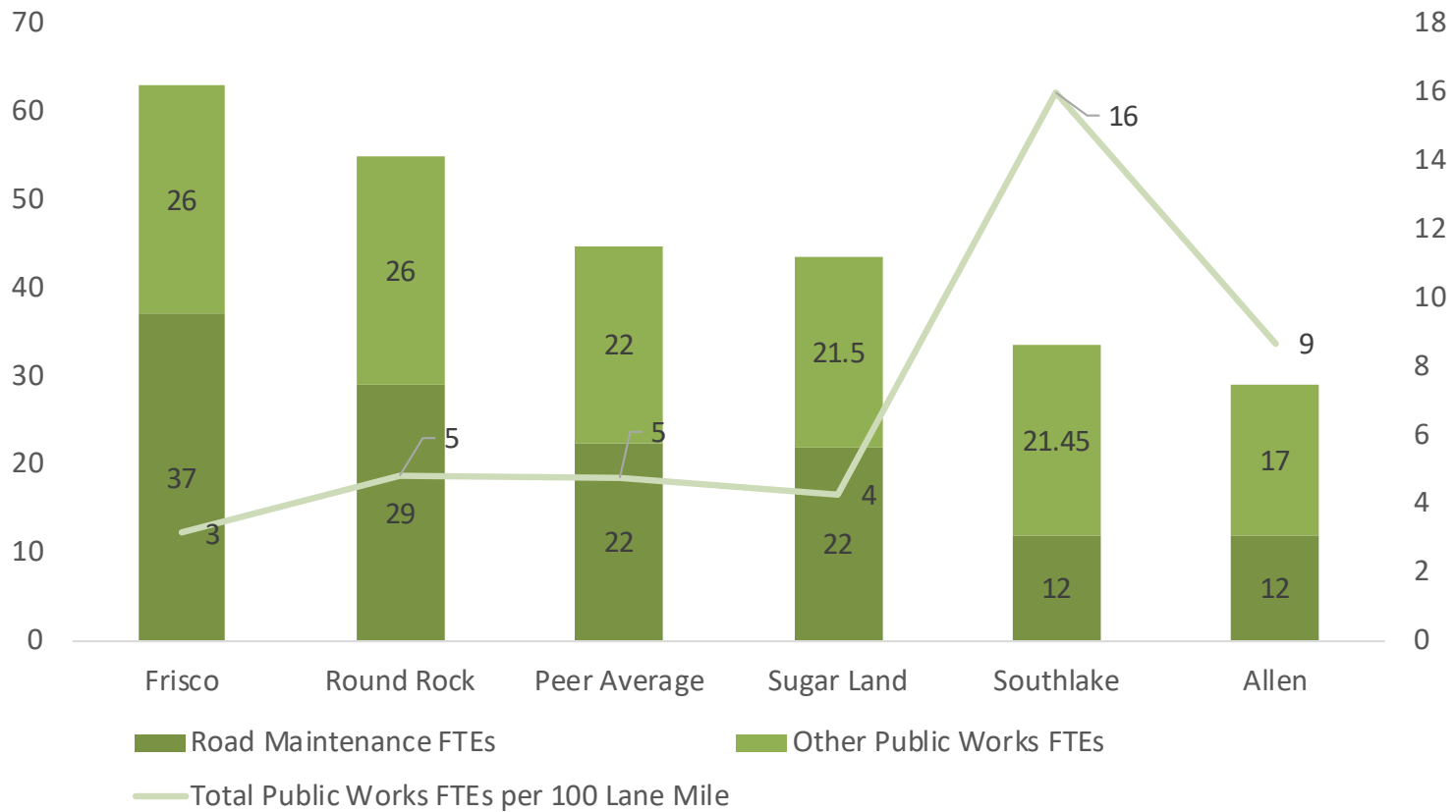


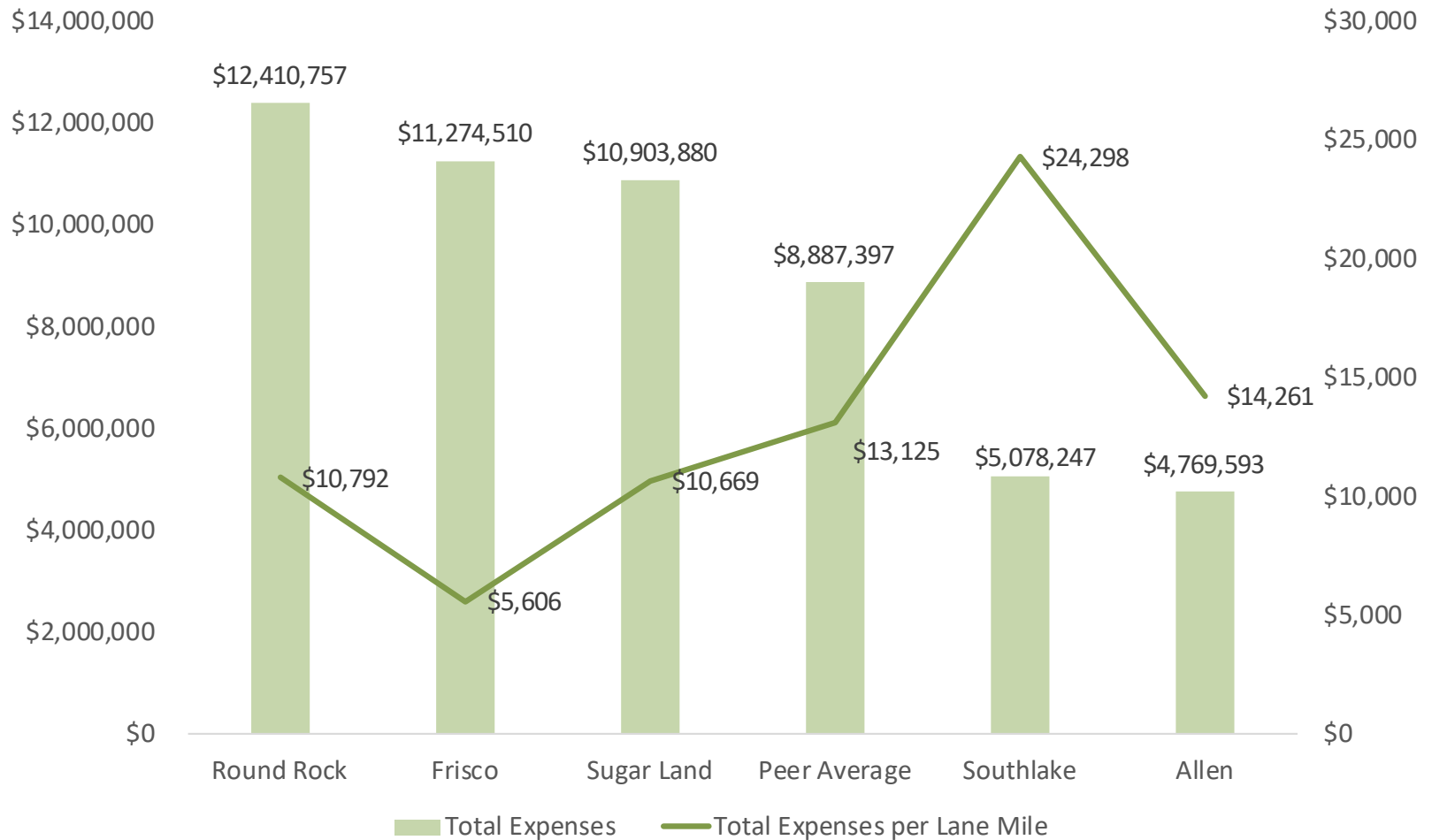




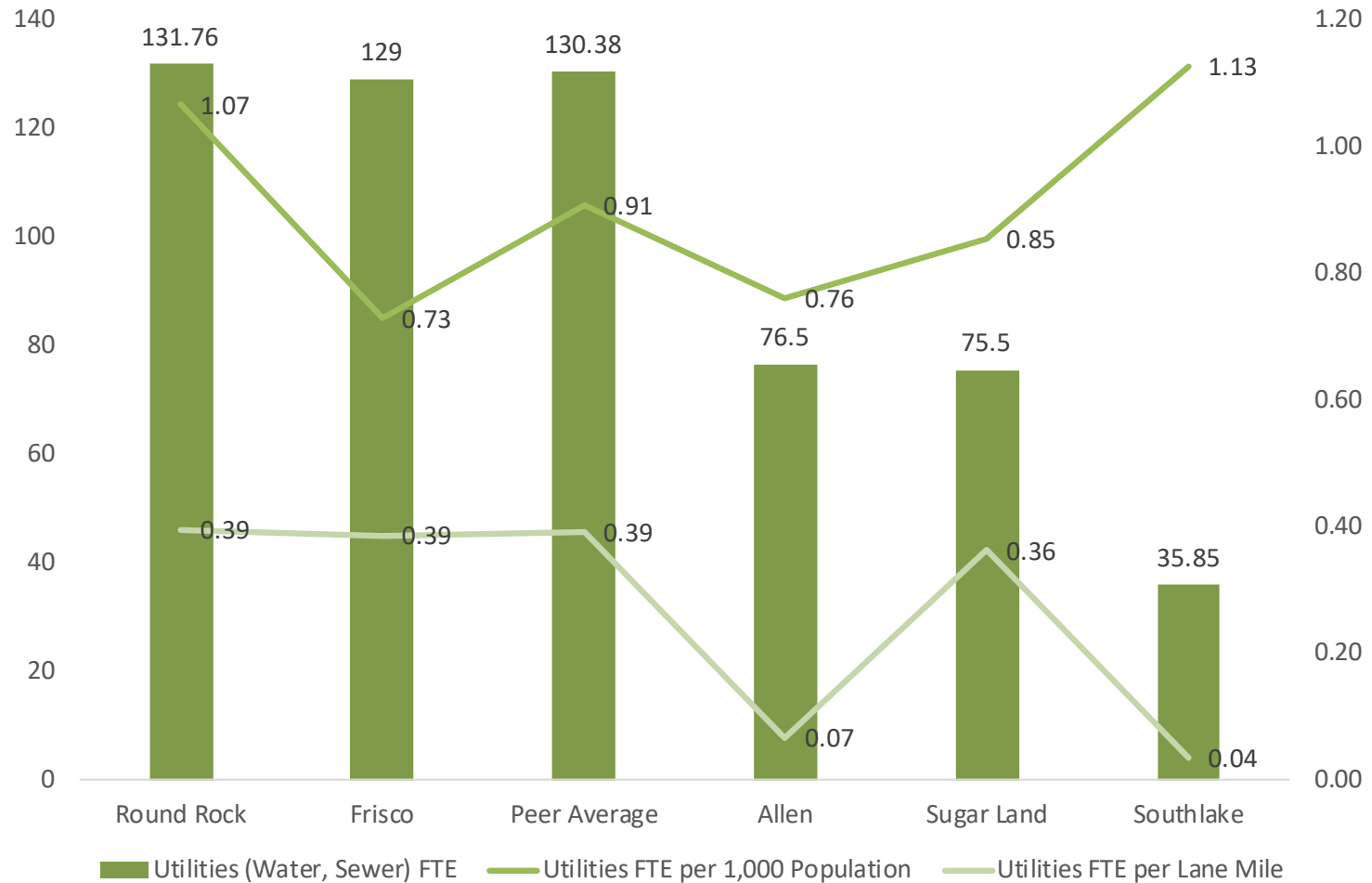
- Transportation infrastructure maintenance is a municipal public works function in each benchmark jurisdiction
- In The Woodlands, this maintenance is performed by Montgomery and Harris County

FY2018 - FTEs per 100 Lane Miles	Allen	Frisco	Round Rock	Southlake	Sugar Land	Benchmark Average
Est. Lane Miles	334	2,011	1,150	209	1,022	945
Road Maintenance FTEs	12.00	37.00	29.00	12.00	22.00	22.40
FTEs per 100 Lane Miles	3.59	1.84	2.52	5.74	2.15	3.17

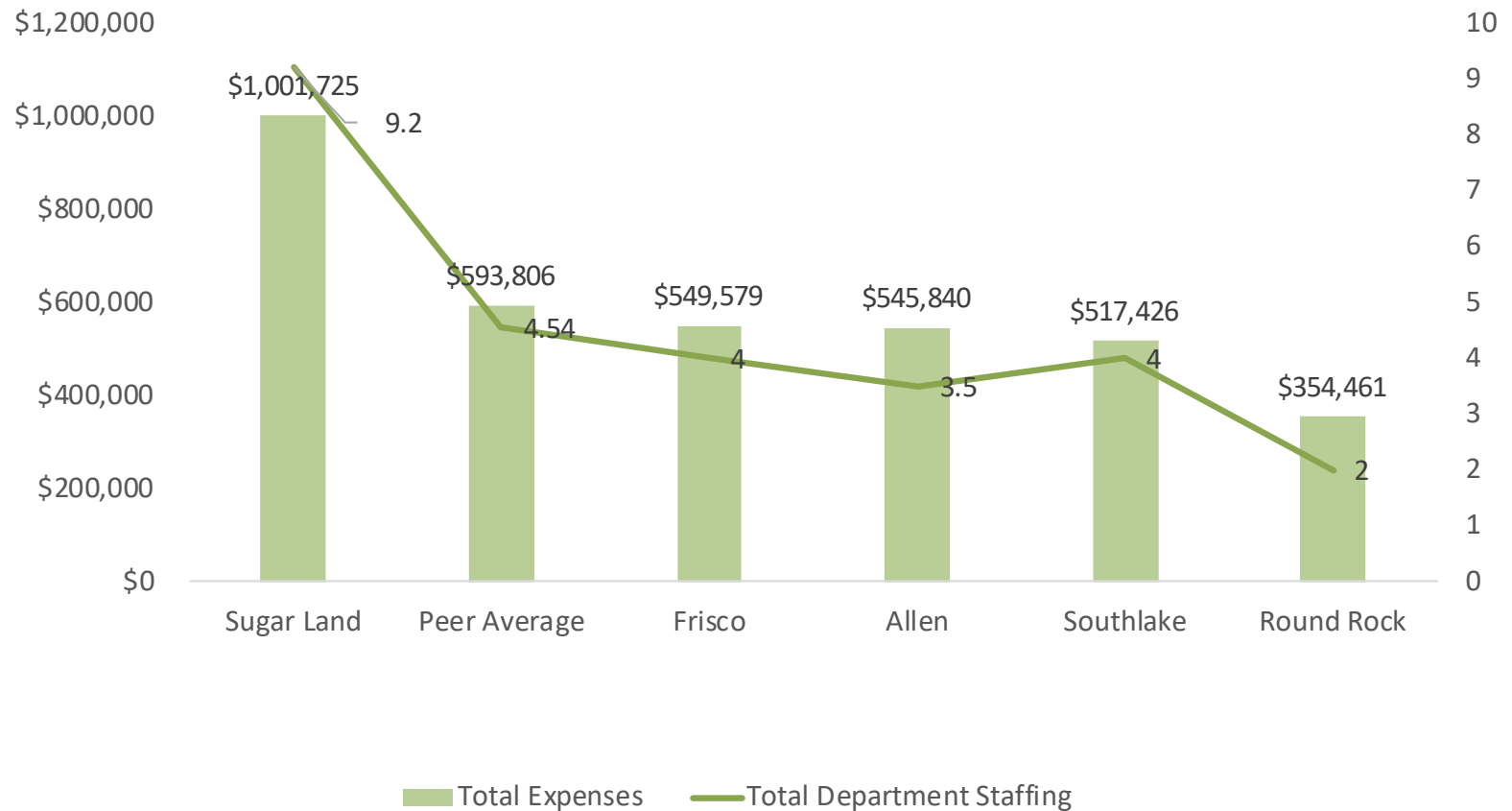




- Water, Sewer and Stormwater utilities provided by MUDs in The Woodlands
- Benchmark communities currently engage in a variety of utility functions, including water treatment and distribution and wastewater collection and treatment
- All operate as user fee supported Enterprise Funds

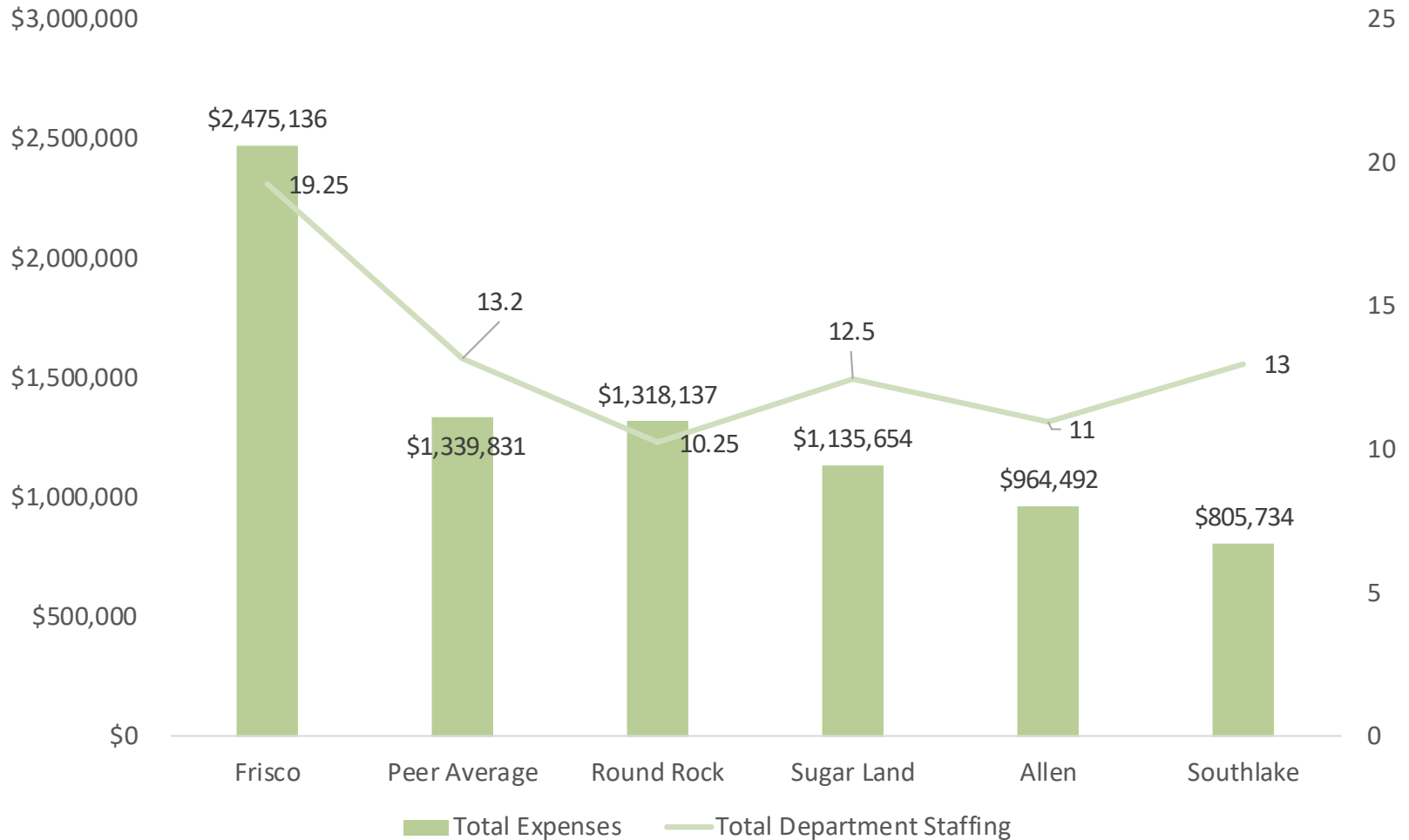


- All benchmark communities utilize a City Secretary's Office or (in the case of Round Rock) a City Clerk
- Activities performed by staff in these offices generally include:
 - Agendas and Minutes
 - Board and Commission Appointments
 - Elections
 - Legal Notices
 - Public Information Requests
 - Records Management
 - Voter Education and Registration
- Most of these services currently decentralized in The Woodlands



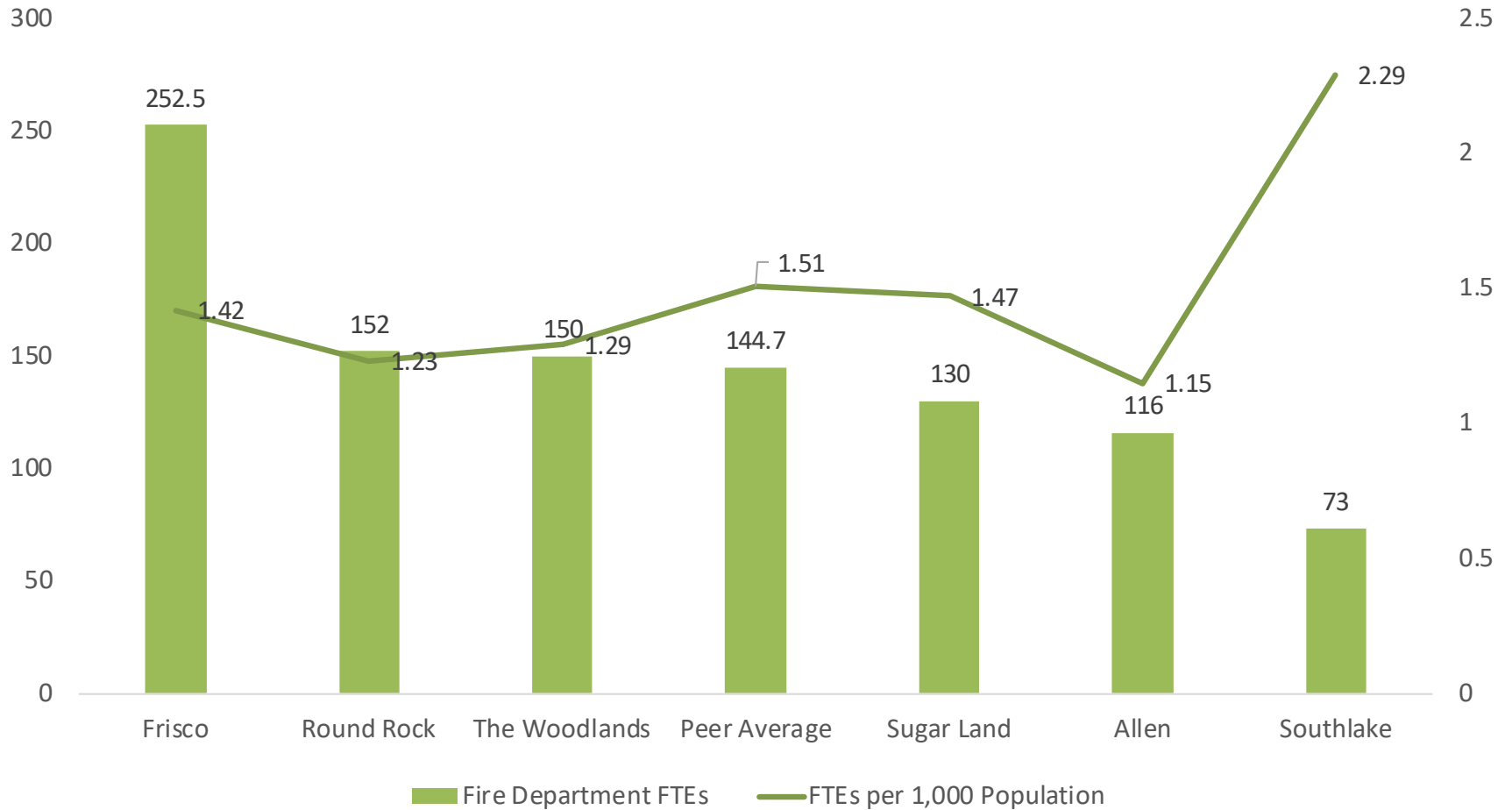
- All benchmark communities operate a municipal court
- These courts handle a variety of issues including traffic violations, municipal ordinance violations, and penal code cases

Municipal Court



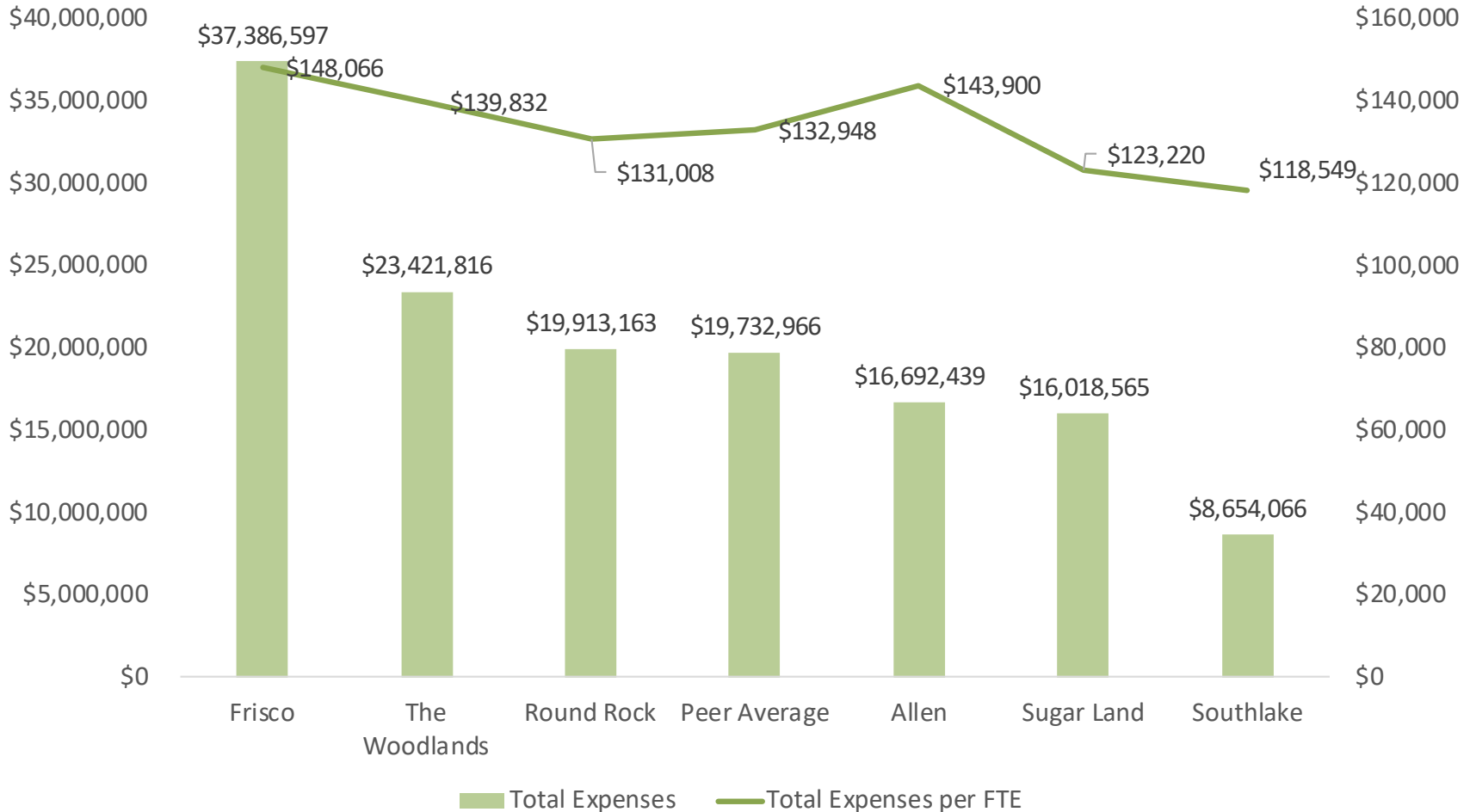
- Each benchmark jurisdiction operates its own Fire department
- All benchmark fire departments provide the same core services:
 - EMS
 - Fire Suppression
 - Fire Prevention
 - Emergency Management
- The Woodlands Fire Department is the only department that provides dispatch services

Fire Department



Fire Station Coverage	The Woodlands	Allen	Frisco	Round Rock	Southlake	Sugar Land	Benchmark Average
Est. Land Area (Square Miles)	44	27	70	30	22	43	39
Number of Stations	8	5	8	9	3	7	6
Stations per Square Mile	0.18	0.18	0.11	0.30	0.13	0.16	0.18
ISO Public Protection Classification	1	2	1	2	1	2	N/A

Fire Department

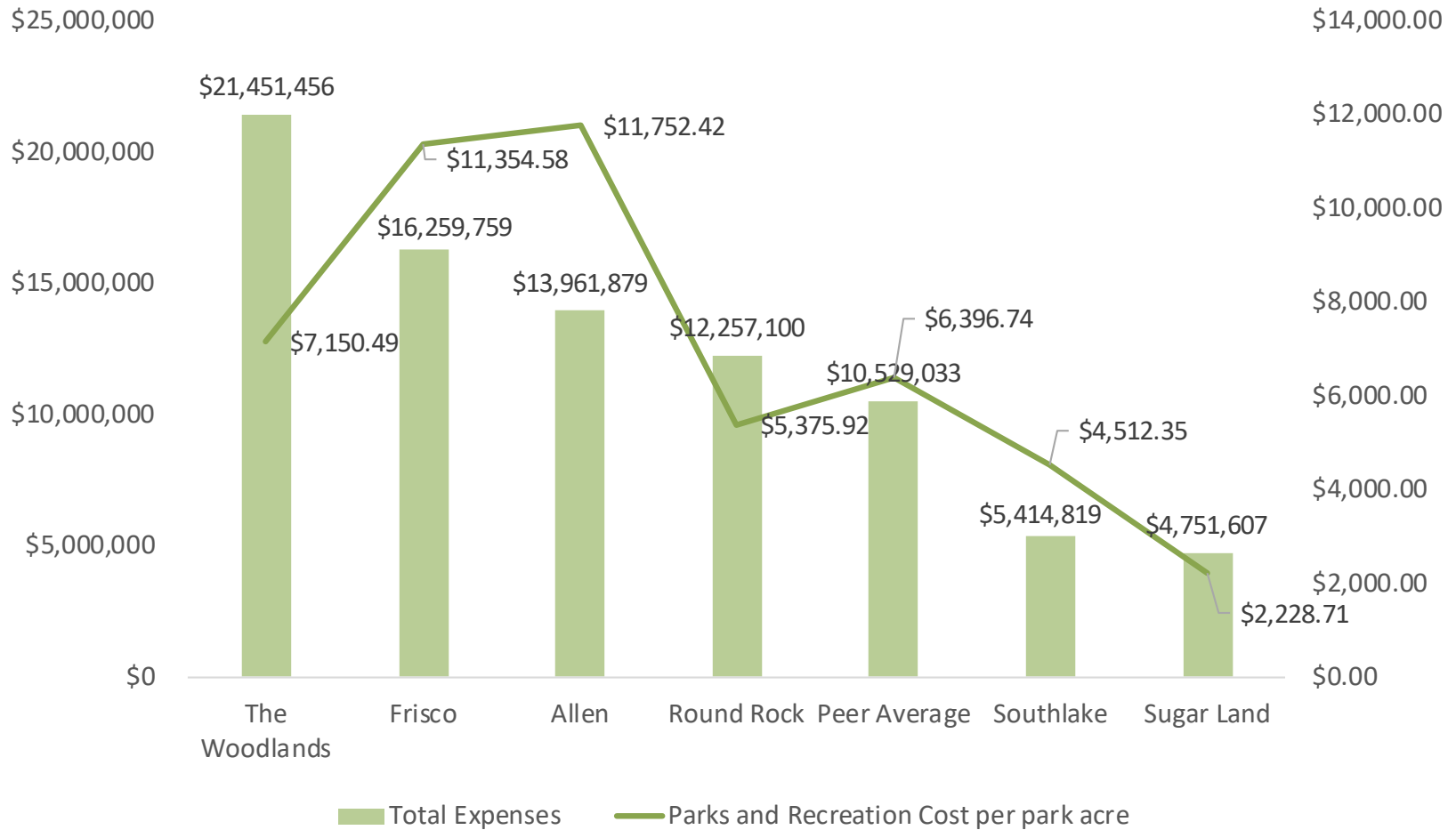


- The Woodlands residents enjoy high levels of service and extensive park amenities
 - Park acreage is nearly twice as large as benchmark communities
 - Trail/path mileage is nearly six times as large as benchmark communities

Parks and Recreation

Parks and Recreation FY2018	The Woodlands	Allen	Frisco	Round Rock	Southlake	Sugar Land	Benchmark Average
Park/Open Space Acreage	3,000	1,188	1,432	2,280	1,200	2,132	1,646
Trail/Path Miles	210	65.75	17.4	23.95	6	65	36
Parks and Recreation FTEs	202.45	143.20	194.05	105.39	114.78	39.80	119.44
Parks and Recreation FTEs per 1,000 population	1.70	1.42	1.09	0.85	3.61	0.45	1.49
Parks and Recreation FTEs per park acre	0.07	0.12	0.14	0.05	0.10	0.02	0.08
Parks and Recreation FTEs per trail mile	0.96	2.18	11.15	4.40	19.13	0.61	7.49

Parks and Recreation



Parks and Recreation

Cost Recovery Rates	Allen	Frisco	Southlake
Parks and Recreation Operations - Target	No formal target	46%	-
Parks and Recreation Operations - Actual	56.60%	46%	-
Facilities Target	125%-300% depending on facility	100%	58%
Facilities Actual	Low: 131%, High: 605%, Avg: 283%	101%	16%
Aquatics Programs Target	-	-	-
Aquatics Programs Actual	-	-	-
Athletics Programs Target	-	76%	-
Athletics Programs Actual	-	74%	-
Recreation Programs Target	115%	-	65%
Recreation Programs Actual	-	-	89%
Senior Programs Target	-	-	20%
Senior Programs Actual	-	-	11%

1. Should franchise fees be assumed as a revenue source in the financial model?
2. Should the financial model reflect a target cost recovery policy for sanitation revenue and permit fee revenue?
3. What assumptions should the model reflect regarding grant revenue?
4. Should service alternatives for MUDs/Utilities reflect a 100% user fee supported model or a combination user fee/property tax supported model?

- Incorporate policy guidance into the financial model assumptions
- Incorporate current five-year planning process into financial model development
- Execute best practice research agenda to coincide with topic area focused board meetings

Questions and Answers