PRELIMINARY DRAFT

Draft Report

The Economics of Land Use

The Woodlands Incorporation Study: Working Paper #2 Financial Model and Results

Prepared for:

Partners for Strategic Action
The Woodlands Township

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January 17, 2012

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1. INTRODUCTION AND SUMMARY OF FINDINGS

Background

The Woodlands is a master-planned, privately-developed community in north-metro Houston. The Woodlands was initially conceived and developed under George Mitchell, a local energy businessman who envisioned a community that was designed with nature and offered a superior quality of life in a suburban setting. Approaching its buildout, The Woodlands now includes over 37,000 housing units across eight villages and features 26.5 million square feet of retail and office space.

Following a lengthy review and public discussion of future governance options for The Woodlands, a community consensus was developed in 2006 that The Woodlands should ultimately be released from the extraterritorial jurisdictions of both the City of Houston and the City of Conroe and no longer be subject to annexation by these municipalities; that The Woodlands should be afforded an opportunity for self-determination of its future form of local government; and that in consideration for the release by Houston and Conroe from their respective jurisdictions of the territory of The Woodlands in the future, regional participation agreements (RPAs) should be concluded between The Woodlands and the City of Houston and the City of Conroe providing for such release and requiring The Woodlands to financially contribute to regional improvement projects of mutual benefit to The Woodlands and to the City of Houston and the City of Conroe. The RPAs allow for the release of The Woodlands from the jurisdiction of each municipality, upon request of the Township on or after May 29, 2014, and for a period of fifty (50) years following the effective date of the RPAs, The Woodlands could not be annexed by either city without the consent and agreement of the Township.

Pursuant to amendments made to the Township's enabling legislation in 2007, the Township was authorized to call an election to be held on November 6, 2007, within the boundaries of the entire unincorporated area of The Woodlands to determine whether the boundaries should be expanded to include all of such territory, to establish the effective date of the RPAs as of November 16, 2007, to give effect to the change of name of the Town Center Improvement District to The Woodlands Township, to authorize the imposition of the Township's previously approved sales tax and hotel occupancy tax within the expanded boundaries of the District, and to authorize the imposition and collection of an ad valorem tax, without limit to rate or amount, throughout the expanded boundaries of the Township. On November 16, 2007, the results of the election were declared to have resulted overwhelmingly in favor of the propositions.

Until 2010, all public facilities and services not provided by the Township or other overlapping governmental entities were provided and funded by three community associations in The Woodlands through imposition and collection of ad valorem property assessments, as authorized in property covenants. As a result of the 2007 election, the Township entered into a Transition Agreement with all three community associations and their affiliated service companies to consolidate the assets, liabilities, functions, facilities and services into the Township. Since January 1, 2010, The Woodlands Township has served as a single community-wide governmental organization.

A key provision of the RPA allows The Woodlands to determine its future governance over the next 46 years, including the opportunity to incorporate as a city after May 29, 2014. Partners for Strategic Action (PSA), was selected to guide The Woodlands Township Board of Directors in evaluating the potential for incorporation. As part of this process, PSA has engaged Economic & Planning Systems (EPS) to determine the financial implications associated with potential incorporation, including the impact to service provision, necessary capital investments, and existing and new revenue sources. This report estimates the potential fiscal impacts associated with incorporation. This analysis is focused solely on the potential financial impacts of the Township becoming a City and does not estimate the potential impacts to other taxing entities, including the County and School Districts. As part of the incorporation process, existing Municipal Utility Districts (MUDS) that serve the Township will need to be consolidated. Thus, potential impacts to overlapping Township MUDs are also analyzed.

Methodology

The fiscal and financial impacts of incorporation are estimated by comparing the costs and revenues associated with governance under the current Township structure with the anticipated costs and revenues associated with governance as an incorporated city in the State of Texas. Existing costs are estimated based on the FY 2012 budget for the Township, Montgomery and Harris Counties, and for all applicable special districts. The staffing, operation costs, and revenue impacts under incorporation are estimated as of FY 2012, although incorporation could not take place until 2015. This eliminates an additional round of assumptions regarding the increase in costs and revenues associated with growth for the 2012 to 2015 time period. The net differences are expected to be approximately the same as if the existing budget data were projected forward.

This fiscal impact analysis is intended to estimate the approximate costs and revenues associated with the potential change in governance. It is not a tax rate study and the actual tax rates that would be imposed on the date of incorporation are not being calculated. EPS' assumptions regarding the services The Woodlands would be required to provide if the residents voted to incorporate as well as the additional services the new city would be allowed to optionally provide are based on information provided by the Township and on its own independent research. The assumptions should be reviewed by legal counsel knowledgeable in Texas municipal law as to their accuracy.

EPS established the fiscal impacts of incorporation assumptions in Working Paper #1, October 2011. EPS first evaluated the budgets of each service provider to identify current roles and levels of service. Once EPS gained an understanding of the current governance structure, EPS estimated the future roles and levels of service required and/or desired by the Township leadership. This process included an analysis of four peer communities to gain an understanding of comparable city roles and expected levels of service. EPS then assigned roles to each entity based on a future incorporation scenario. EPS also estimated potential revenue sources. Finally, EPS identified a set of capital requirement assumptions necessary to estimate the associated one-time or phased costs of incorporation.

Working Paper #2 takes the assumptions established by Working Paper #1, as confirmed by the Township Board, and estimates the projected revenue and expenditures under an incorporation scenario. Based on the projected costs of incorporation, EPS estimates the additional property taxes needed to cover costs assuming sales taxes remain at current rates.

Township Budget

The analysis was completed based on the FY 2012 Township Budget as summarized in **Table 1**. Township General Fund revenues are estimated to total $82.0 million in 2012. Township General Fund Operating Expenses are estimated to total $65.5 million. Including transfers, capital expenses and debt service, total 2012 General Fund Expenses sum to $81.5 million, resulting in a net balance of approximately $500,000.

Table 1
General Fund Budget Summary
The Woodlands Incorporation Study

General Fund
Statement of Revenues Expenditures & Changes in Fund Balance
(in whole dollars)

	2011 Budget	2011 Forecast	2012 Budget	$ Inc/(Dec)	% Inc/(Dec)
REVENUES					
Tax Revenue					
Property Tax	$ 39,649,133	$ 39,541,678	$ 40,498,958	$ 849,825	2.1%
Sales and Use Tax	15,596,344	16,263,978	16,849,482	1,253,138	8.0%
EDZ Sales and Use Tax	13,385,264	14,023,344	14,668,185	1,282,921	9.6%
Hotel Occupancy Tax	3,501,219	3,831,199	3,930,620	429,401	12.3%
Supplemental Hotel Occupany Tax	500,000	547,314	1,123,034	623,034	125%
Event Admissions Tax	75,000	50,000	50,000	(25,000)	-33%
	72,706,960	**74,257,513**	**77,120,279**	**4,413,319**	**6.1%**
Other Sources					
Program Revenues	2,973,300	2,794,950	2,940,050	(33,250)	-1.1%
Administrative Fees	346,100	347,100	347,100	1,000	0.3%
Grants and Contributions	194,400	32,000	32,000	(162,400)	-83.5%
Interest Income	965,662	596,839	589,334	(376,328)	-39.0%
Other Income*	1,104,665	1,082,501	920,453	(184,212)	-16.7%
TOTAL REVENUES	**78,291,087**	**79,110,903**	**81,949,216**	**3,658,129**	**4.7%**
OPERATING EXPENDITURES					
General Government					
Board of Directors	63,300	60,300	60,300	(3,000)	-4.7%
President's Office	609,740	605,515	632,148	22,408	3.7%
Intergovernmental Relations	268,642	171,795	252,311	(16,331)	-6.1%
Human Resources	644,432	623,135	674,534	30,102	4.7%
Finance	1,655,335	1,513,428	1,554,586	(100,749)	-6.1%
Information Technology	1,183,157	1,095,895	1,169,980	(13,177)	-1.1%
Records/Database Mgmt	612,264	618,072	657,433	45,169	7.4%
Non-Departmental	3,150,788	3,143,088	2,415,920	(734,868)	-23.3%
	8,187,658	**7,831,228**	**7,417,212**	**(770,446)**	**-9.4%**
Law Enforc/Neighborhood Svcs					
Law Enforcement Services	10,684,795	10,290,830	10,621,870	(62,925)	-0.6%
Neighborhood Services	464,468	438,957	462,319	(2,149)	-0.5%
	11,149,263	**10,729,787**	**11,084,189**	**(65,074)**	**-0.6%**
Parks and Recreation					
PARD Admin/Planning	1,713,234	1,740,052	1,742,134	28,900	1.7%
Park & Pathway Operations	5,480,707	5,235,241	5,808,207	327,500	6.0%
Town Center Facilities/Operations	1,677,594	1,650,358	1,652,219	(25,375)	-1.5%
Aquatics	1,949,450	1,867,227	1,948,329	(1,121)	-0.1%
Recreation	1,853,250	1,775,362	1,838,719	(14,531)	-0.8%
	12,674,235	**12,268,240**	**12,989,608**	**315,373**	**2.5%**

Note: Figures may vary based on rounding
Source: 2012 The Woodlands Township Budget; Economic & Planning Systems
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Table 1 (cont.)
General Fund Budget Summary
The Woodlands Incorporation Study

	2011 Budget	2011 Forecast	2012 Budget	$ Inc/(Dec)	% Inc/(Dec)
Community Services					
Covenant Administration	2,233,168	2,208,262	2,345,338	112,170	5.0%
Environmental Services	445,105	456,787	512,031	66,926	15.0%
Streetlighting	1,154,544	1,051,200	1,175,000	20,456	1.8%
Streetscape Maintenance	2,448,396	2,600,000	2,774,050	325,654	13.3%
Solid Waste Services	5,419,819	5,273,587	4,572,024	(847,795)	-15.6%
Other Community Services	456,555	466,402	522,366	65,811	14.4%
	12,157,587	**12,056,238**	**11,900,809**	**(256,778)**	**-2.1%**
Community Relations					
Community Relations	625,625	563,625	655,018	29,393	4.7%
CVB Staff Services	457,270	456,485	469,588	12,318	2.7%
	1,082,895	**1,020,110**	**1,124,606**	**41,711**	**3.9%**
Woodlands Fire Department					
Fire Department*	**15,219,937**	**15,527,508**	**17,964,297**	**2,744,360**	**18.0%**
Other Expenditures					
Transportation	548,620	303,400	308,400	(240,220)	-43.8%
Economic Development	381,300	239,500	319,100	(62,200)	-16.3%
Transition/Governance	200,000	200,000	150,000	(50,000)	-25.0%
Regional Participation	968,566	1,016,499	1,053,093	84,527	8.7%
Other Expenditures	1,090,668	1,200,308	1,167,989	77,321	7.1%
	3,189,154	**2,959,707**	**2,998,582**	**(190,572)**	**-6.0%**
TOTAL OPERATING EXPENSE	**63,660,729**	**62,392,818**	**65,479,303**	**1,818,574**	**2.9%**
TRANSFERS					
Convention & Visitors Bureau	2,399,837	2,399,837	1,932,337	(467,500)	-19.5%
Capital Outlay (non-financed)	3,927,486	3,966,933	3,880,525	(46,961)	-1.2%
Capital Reserves	609,563	2,652,923	1,284,229	674,666	110.7%
Debt Service	7,796,632	6,956,865	8,916,220	1,119,588	14.4%
	14,733,518	**15,976,558**	**16,013,311**	**1,279,793**	**8.7%**
TOTAL EXPENDITURES	**78,394,247**	**78,369,376**	**81,492,614**	**3,098,367**	**4.0%**
REV OVER/(UNDER) EXP	**(103,160)**	**741,527**	**456,602**	**559,762**	**542.6%**
BEGINNING FUND BALANCE	**23,705,070**	**23,705,070**	**24,446,597**	**741,527**	**3.1%**
ENDING FUND BALANCE	**$ 23,601,910**	**$ 24,446,597**	**$ 24,903,199**	**$ 1,301,289**	**5.5%**

* 2011 Budgeted and Forecasted Fire Department Revenues and Expenses have been included to provide a comparison to the 2012 Budget

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Summary of Findings

Based on the financial assumptions under incorporation, annual revenues generated to the City are estimated to total approximately $109.0 million, as shown in **Table 2**. Annual expenses to be incurred by the City will total $152.9 million, resulting in an annual shortfall of almost $44.0 million. This includes approximately $12.0 million of existing annual shortfalls that will be paid for out of existing Township bond proceeds. Thus, the potential financial shortfall as a result of incorporation is estimated to total approximately $32.0 million.

EPS estimates that the consolidated annual MUD property tax revenue under incorporation will total $33.1 million. This revenue will be collected in a newly-created Utilities Fund (water, wastewater, stormwater) in place of the existing MUD and will be offset by the estimated $33.1 million in annual expenses (debt service and operations). Thus, no shortfall or surplus is estimated for the Utilities Fund.

Table 2
Net Summary Results
The Woodlands Incorporation Study

Item	Total[1]	Utilities Fund
Revenue	**$109,007,166**	$33,075,137
Expenditure	**$152,919,038**	$33,075,137
Net	**($43,911,872)**	**$0**
Net from Incorporation[2]	**($31,948,152)**	**$0**
Current Property Tax (per $100)	$0.3250	varies
Additional Property Tax (per $100)	**$0.2564**	**---**
Potential Property Tax Rate (per $100)	**$0.5814**	**$0.2633**
% Change	**78.9%**	---

[1] Includes All Funds (General Fund + Other Funds)

[2] The Township is using existing bond proceeds to pay for approximately $12.0 million of 2012 expenditures in Other Funds. The shortfall as a result of incorporation that will be funded by new property tax is approximately $32.0 million.

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Working Paper #1:Financial Assumptions; Economic & Planning Systems

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Because the Township sales tax is already at the State-legislated maximum, the principle source of revenue to pay for the estimated shortfalls under incorporation would likely be a property tax increase. Based on the identified shortfall as a result of incorporation, or approximately $32.0 million, the City would need to add an additional property tax rate of $0.2564 per $100 of assessed value, as shown in **Table 2** and graphically in **Figure 1**. In total, the necessary property tax rate required to fund the expansion of services under incorporation is estimated to be $0.5814 per $100 of assessed valuation. This represents a rate increase of 78.9 percent above the existing tax rate of $0.3250.

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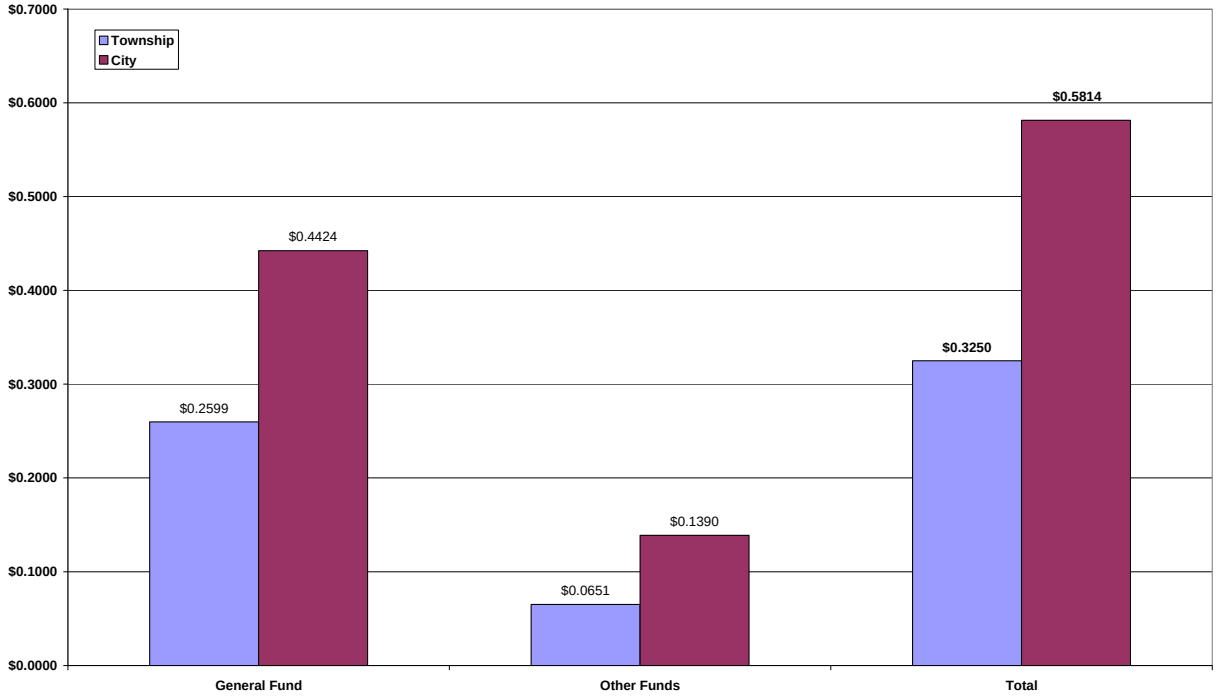
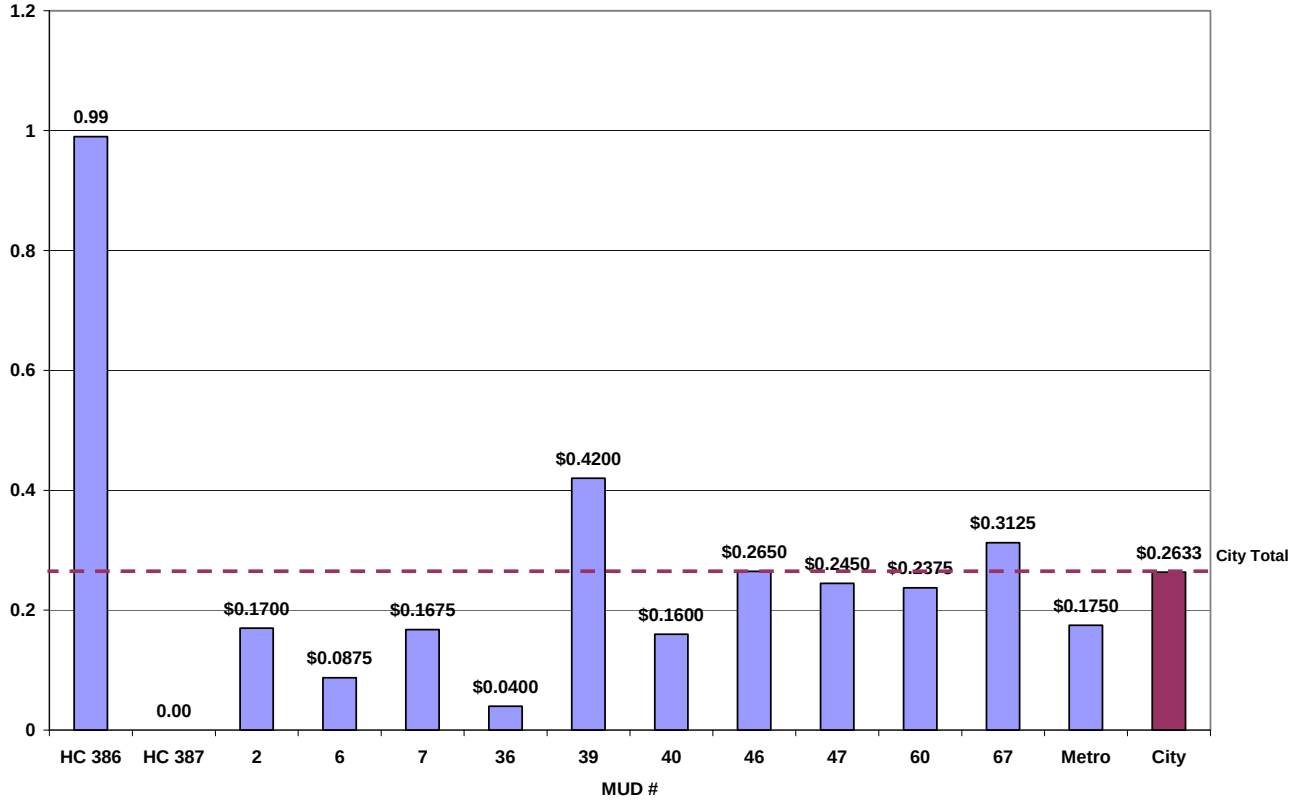
Figure 1
Property Tax Rate Comparison
The Woodlands Incorporation Study



Utility Fund expenses are frequently incorporated in user fees on City water bills. However, because the Township residents currently pay a portion of these fees out of property tax, EPS assumes property tax will continue to be used. Including both debt and operations (O & M), existing Township MUD property tax rates range from $0.0000 to $0.9900 per $100 of value. Consolidating outstanding debt and O & M payments, property tax rates for Utilities under incorporation would equal approximately $0.2633 per $100 of value. This rate would represent an increase in taxes for several of the MUDs that no longer have outstanding debt and a decrease for a number of MUDs that currently charge higher rates, as shown in **Figure 2**.

Figure 2
Utility Property Tax Rate Comparison
The Woodlands Incorporation Study



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2. EXPENDITURES

EPS estimated annual City expenditures based on the identified level of service assumptions established in Working Paper #1. Personnel costs were estimated utilizing staffing levels established in Working Paper #1 and existing Township and peer city salary and benefit levels from the FY 2012 budget. Non-personnel costs were estimated utilizing the assumptions established in Working Paper #1. Annual operating capital costs were estimated based on input from Township staff regarding major capital equipment with a useful life greater than one year. One-time costs were estimated using a case study approach. These case studies are provided in full detail in Chapter 3: Capital Expenditures.

General Government

Mayor and City Council

Under incorporation, The Woodlands would transition to a Mayor-City Council form of government. EPS assumed that the City Council would consist of seven members to closely replicate the current Board structure, as shown in **Table 3**. EPS assumes no personnel costs associated with the Council. However, some operating costs would exist for regular meetings, travel, and conferences etc. EPS estimates non-personnel operating costs of approximately $15,000 per council member. This excludes any significant consulting projects. No operating capital costs are anticipated. Total annual expenditures are estimated at $105,000. No one-time expenditures related to incorporation are estimated.

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Table 3
Mayor and City Council
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel		
City Council	7.0	$0
Subtotal	7.0	**$0**
Net New FTE	**0.0**	
Non-Personnel		
Meetings/Conferences/Travel per member		$15,000
Subtotal		**$105,000**
Operating Capital		
Per Net New FTE[1]	$1,000	$0
Subtotal		**$0**
Total		**$105,000**
One-Time		
None		$0
Total		**$0**

[1] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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City Manager's Office

Under incorporation, the City would establish a City Manager's Office. The City Manager's Office would include a City Manager and 3.0 FTE of supporting management and technical staff. The City Manager's Office would also include 7.5 additional administrative staff for a total of 11.5 FTE. Non-personnel costs are assumed to average 5.0 percent of the budget, or approximately $62,000 annually. The hiring of new employees will trigger new annual operating capital costs. Based on estimated total of $3,000 per new employee over a three-year period (average useful life of equipment), an annual operating capital factor of $1,000 is applied to net new employees. This results in annual total of $2,000 based on 2.0 new FTE. The total budget for the City Manager's Office is estimated to total approximately $1.3 million annually, as shown in **Table 4**. No one-time capital expenses associated with incorporation are anticipated.

Table 4
City Manager's Office
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Management/Technical		
City Manager	1.0	
Assistant City Manager	1.0	
Deputy City Manager	1.0	
Management Analyst	1.0	
Subtotal	**4.0**	**$741,000**
Administration		
Executive Assistant	3.0	
Sr. Administrative Assistant	1.0	
Receptionist	2.5	
Mail Clerk	1.0	
Subtotal	**7.5**	**$445,000**
Subtotal	**11.5**	**$1,186,000**
Net New FTE	**2.0**	
Non Personnel		
% of Operating Budget	5%	$62,421
Subtotal		**$62,421**
Operating Capital		
Per Net New FTE[2]	$1,000	$2,000
Subtotal		**$2,000**
Total		**$1,250,421**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Intergovernmental Relations

Upon incorporation, The Woodlands will continue to employ an Intergovernmental Relations Manager at an annual cost of $117,000, as shown in **Table 5**. Non-Personnel operating costs, including a contracted lobbyist at the State Capitol, are estimated to average 31 percent of the annual operating budget, or $52,000. This estimate excludes legal fees. No additional annual operating capital expenses are anticipated. Annual expenditures are estimated to total $169,000. No one-time capital expenses related to incorporation will be required.

Table 5
Intergovernmental Relations
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Intergovernmental Relations Manager	1.0	
Subtotal	**1.0**	**$117,081**
Net New FTE	**0.0**	
Non-Personnel[2]		
% of Operating Budget	31%	$51,730
Subtotal		**$51,730**
Operating Capital		
Per Net New FTE[3]	$1,000	$0
Subtotal		**$0**
Total		**$168,811**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs based on 2012 Township Budget

[2] Non-Personnel costs exclude legal fees

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Human Resources

Under incorporation, the City would need to expand personnel to provide additional services not currently provided in the Township, including increased administration and risk management responsibilities. EPS assumes a Human Resources Department of 9.3 FTE, including 7.0 FTE managerial and technical staff and 2.3 FTE in administration, as shown in **Table 6**. Non-personnel costs, excluding legal fees, are estimated at 22 percent of the operating budget, or $219,000 annually. EPS applied the annual operating capital cost factor of $1,000 per net new employee resulting in a total of $9,250 in new annual operating capital. Total Human Resources costs are estimated to be approximately $1.0 million annually. No one-time costs related to incorporation are anticipated.

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Table 6
Human Resources
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Management/Technical		
Director of Human Resources	1.0	
Risk Manager	1.0	
SR. HR Generalist	3.0	
HR Specialist-Benefits	2.0	
Subtotal	**7.0**	**$645,000**
Administration		
Admin Asst. II	2.0	
File Clerk	0.3	
Subtotal	**2.3**	**$133,000**
Subtotal	**9.3**	**$778,000**
Net New FTE	**3.5**	
Non-Personnel[2]		
% of Operating Budget	22%	$219,436
Subtotal		**$219,436**
Operating Capital		
Per Net New FTE[3]	$1,000	$9,250
Subtotal		**$9,250**
Total		**$1,006,686**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Non-Personnel costs exclude legal fees

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Tonwnship Budget; Economic & Planning Sytems

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Information Technology

Under incorporation, the City would need to expand its Information Technology services. EPS assumes a management and technical staff of 16.0 FTE and one administrative assistant, or a total of 17.0 FTE, as shown in **Table 7**. Non-personnel costs are estimated at 40 percent of the operating budget, or approximately $971,000 annually. EPS applied the annualized operating capital factor of $1,000 per net new employee, resulting in a total of $8,000 in new annual operating capital costs. Annual Information Technology costs are estimated to total approximately $2.4 million. No one-time expenditures associated with incorporation are anticipated.

Table 7
Information Technology
The Woodlands Incorporation Study

Position	FTE	Total
Annual		
Personnel[1]		
Management/Technical		
Director of IT	1.0	
Systems Administrator	2.0	
Network Administrator	2.0	
Database Administrator	2.0	
GIS Coordinator	1.0	
GIS Analyst	3.0	
Systems/Radio Technician	1.0	
SR. Help Desk Analyst	1.0	
Help Desk Analyst	3.0	
Subtotal	**16.0**	**$1,394,000**
Administration		
Administrative Assistant	1.0	
Subtotal	**1.0**	**$62,000**
Subtotal	**17.0**	**$1,456,000**
Net New FTE	**8.0**	
Non-Personnel[2]		
% of Operating Budget	40%	$970,667
Subtotal		**$970,667**
Operating Capital		
Per Net New FTE.[3]	$1,000	$8,000
Subtotal		**$8,000**
Total		**$2,434,667**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)
[2] Non-Personnel costs exclude legal fees
[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)
Note: Figures may vary based on rounding
Source: 2012 The Woodlands Tonwnship Budget; Economic & Planning Sytems
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City Secretary's Office

The Township currently employs eight full-time staff to manage its records database. Under incorporation, the City would need to establish a City Secretary's Office, with a City Secretary appointed by City Council. EPS assumes a management and technical staff of 9.0 FTE and one administrative assistant for a total of 10.0 FTE, as shown in **Table 8**. Non-personnel costs, excluding legal fees, are estimated to total 11 percent of the operating budget. Applying the

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annualized factor of $1,000 per net new employee, EPS estimates new annual operating capital costs of $2,000. Annual City Secretary Office expenditures are estimated to total approximately $867,000. No one-time expenditures related to incorporation are anticipated.

Table 8
City Secretary's Office
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Management/Technical		
City Secretary	1.0	
Records/Property Data Manager	1.0	
Real Estate Records Supervisor	1.0	
Corporate Records Supervisor	1.0	
Records Mgmt Analyst	1.0	
Real Estate Records Analyst	1.0	
Corporate Records Specialist	1.0	
Records Technician	2.0	
Subtotal	**9.0**	**$708,000**
Administration		
Administrative Asst.	1.0	
Subtotal	**1.0**	**$62,000**
Subtotal	**10.0**	**$770,000**
Net New FTE	**2.0**	
Non-Personnel[2]		
% of Operating Budget	11%	$95,169
Subtotal		**$95,169**
Operating Capital		
Per Net New FTE[3]	$1,000	$2,000
Subtotal		**$2,000**
Total		**$867,169**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Non-Personnel costs exclude legal fees

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Tonwnship Budget; Economic & Planning Sytems

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Legal Services / City Attorney's Office

The Township does not currently have a Legal Services Department, but rather contracts legal services to each department. Upon incorporation, the City would likely establish a City Attorney

and Legal Services Department to handle all general government legal services. The City would likely continue to contract out legal services for specialty departments, such as Covenant Administration. EPS assumes a City Attorney's Office would require a management and technical staff of 4.0 FTE and one additional Executive Assistant, or a total of 5.0 FTE, as shown in **Table 9**. Non-Personnel costs are estimated to average 35 percent of the operating budget, or approximately $300,000 annually. This figure includes anticipated contracted legal services. Applying the annualized factor of $1,000 per net new employee, EPS estimates new annual operating capital at $5,000. Annual Legal Services/City Attorney's Office expenditures are estimated to total approximately $870,000. No one-time expenditures related to incorporation are anticipated.

Table 9
Legal Services
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Management/Technical		
City Attorney	1.0	
Assistant City Attorney	1.0	
Deputy City Attorney	1.0	
Lawyer	1.0	
Subtotal	**4.0**	**$495,420**
Administration		
Executive Assistant	1.0	
Subtotal	**1.0**	**$69,000**
Subtotal	**5.0**	**$564,420**
Net New FTE	**5.0**	
Non-Personnel[2]		
% of Operating Budget	35%	$299,604
Subtotal		**$299,604**
Operating Capital		
Per Net New FTE[3]	$1,000	$5,000
Subtotal		**$5,000**
Total		**$869,024**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Non-Personnel costs include $200,000 of additional legal services over and above peer city non-personnel costs that will continue to contracted for covenant and specialty services

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Finance

Under incorporation, the City would need to expand its financial services from existing Township levels. EPS assumes a management and technical staff of 23.3 FTE and one administrative staff, or a total of 24.3 FTE, as shown in **Table 10**. Non-personnel costs are estimated to total approximately 20 percent of the operating budget, or $474,000 annually. Applying the annualized operating capital factor of $1,000 per net new employee, EPS estimates new annual operating capital expenditures of $10,000. Total annual Finance expenditures are estimated to average approximately $2.4 million. No one-time expenditures related to incorporation are anticipated.

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Table 10
Finance
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Management/Technical		
AGM-Finance & Admin	1.0	
Fiscal Services Manager	1.0	
Accounting Manager	1.0	
Financial Analyst	1.0	
Purchasing Managers	1.0	
Sr. Purchasing Specialist	2.0	
Accounting Supervisor	1.0	
Sr. Accountant	1.0	
Accountant II	2.0	
Accountant	2.0	
Payroll Analyst	3.0	
Sr. A/P Specialist	1.0	
A/P Specialist	2.0	
Budget Analyst	2.0	
Revenue Collection	2.0	
Intern	0.3	
Subtotal	**23.3**	**$1,835,000**
Administration		
Sr. Adminstrative Assistant	1.0	
Subtotal	**1.0**	**$62,000**
Subtotal	**24.3**	**$1,897,000**
Net New FTE	**10.0**	
Non-Personnel[2]		
% of Operating Budget	20%	$474,250
Subtotal		**$474,250**
Operating Capital		
Per Net New FTE.[3]	$1,000	$10,000
Subtotal		**$10,000**
Total		**$2,381,250**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Non-Personnel costs exclude legal fees

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Tonwnship Budget; Economic & Planning Sytems

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Communications and Marketing

The Township currently has a Community Relations Department that shares a Director with the Convention and Visitor's Bureau. Under incorporation, EPS assumes the establishment of a Communications and Marketing Department with its own Director. EPS estimates a management and technical staff of 5.0 FTE with an additional administrator, or a total of 6.0 FTE, as shown in **Table 11**. Non-personnel costs are estimated to average 41 percent of the operating budget, or approximately $403,000 annually. Applying an annualized factor of $1,000 per net new employee, EPS estimates new annual operating capital costs of $1,500. Annual Communications and Marketing expenditures are estimated to total approximately $985,000. No one-time expenditures as a result of incorporation are anticipated.

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Table 11
Communications and Marketing
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Management/Technical		
Director of Community Relations	1.0	
Community Relations Manager	1.0	
Community Relations Coordinator	1.0	
Sr. Community Relations Specialist	1.0	
Community Relations Specialist	1.0	
Subtotal	**5.0**	**$525,418**
Administration		
Administrator	1.0	
Subtotal	**1.0**	**$55,000**
Subtotal	**6.0**	**$580,418**
Net New FTE	**1.5**	
Non-Personnel[2]		
% of Operating Budget	41%	$403,341
Subtotal		**$403,341**
Operating Capital		
Per Net New FTE[3]	$1,000	$1,500
Subtotal		**$1,500**
Total		**$985,259**
One-Time		
None		$0
Total		**$0**

[1] Non-Director Personnel costs based on 2012 Township Budget. Director Personnel costs include salary + benefits (38% of salary)

[2] Non-Personnel costs exclude legal fees

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Tonwnship Budget; Economic & Planning Sytems

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Non-Departmental

The establishment of a City Attorney's Office and Public Works Department will significantly reduce Non-Departmental expenses, as these expenses would transfer to their respective departments. No staff is associated with the Non-Departmental expenses. EPS assumes annual Non-Departmental expenses of approximately 2.0 percent of total General Fund operating expenses, or $2.3 million annually. No one-time capital expenditures related to incorporation are anticipated.

Table 12
Non-Departmental
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]	0.0	
Subtotal	**0.0**	**$0**
Net New FTE	**0.0**	
Non-Personnel[2]		
% of Operating Expenses	2%	$2,095,817
Subtotal		**$2,095,817**
Operating Capital		
Per Net New FTE[3]	$1,000	$0
Subtotal		**$0**
Total		**$2,095,817**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Non-Personnel Operating Costs excludes Legal Fees; Facilities and Custodial Services. Rent consolidation already excluded

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Tonwship Budget; Economic & Planning Systems

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Public Safety

Police/Law Enforcement

The Township engaged The Novak Consulting Group to conduct a Public Safety Report and feasibility assessment of a stand-alone Police Department. Based on this analysis, EPS assumed *Option #2: Increased Staffing*. This option results in a uniformed Police staff of 125.0 FTE and 31.0 civilian FTE, as shown in **Table 13**. These services would be supplemented by 18.0 security FTE associated with other departments (personnel costs included in respective departments). Non-personnel costs are estimated to average 28 percent of the operating budget, or approximately $5.2 million annually. This includes the potential debt service estimated by the Novak Consulting Group for a new stand-alone department building, as well as the annualized purchase and replacement cost of the new police vehicle fleet (four-year replacement cycle). In addition to the building and vehicle fleet, a new Police Department will trigger a substantial upfront investment by the City, including a new uniforms, equipment, and training. Based on the Novak Consulting Group estimates, and assuming a replacement cycle of four years, new annual operating capital is estimated to total approximately $2.2 million. In addition to new operating capital, the City would need to acquire land to construct a new police facility. EPS assumed a land cost of $15.00 per square foot for five acres, or $3.3 million. This estimate is included in the anticipated one-time costs. A more detailed analysis of this estimate is provided in Chapter 3: Capital Expenditures.

Table 13
Police
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Officer		
Chief	1.0	
Operations Division	1.0	
Support Services Division	1.0	
Patrol Commander	1.0	
Investigations Commander	1.0	
Patrol Shift Commander	5.0	
Patrol Supervisor	9.0	
Patrol	71.0	
Investigations	6.0	
Special Operations Commander	1.0	
Community Liaison Supervisor	1.0	
Community Liaison Generalist (1 per Village)	9.0	
Traffic Unit Supervisor	1.0	
Traffic Unit Supervisor	6.0	
Special Enforcement Unit Supervisor	1.0	
Special Enforcement Unit	4.0	
Regional Task Forces Supervisor	1.0	
Regional Task Forces	4.0	
Professional Standards/HR Manager	1.0	
Subtotal	**125.0**	**$11,327,000**
Civilian		
Executive Assistant to Chief	1.0	
Human Resources Specialist	1.0	
Policy Standards Analyst	1.0	
Business Manger	1.0	
Budget Analyst	1.0	
Property Supervisor	1.0	
Evidence and Property Technician	2.0	
Technical Services	1.0	
Records/Office Manager	1.0	
Clerical Staff	8.0	
Crime Analyst	1.0	
Dispatch Shift Supervisor	3.0	
Dispatchers	9.0	
Subtotal	**31.0**	**$2,130,000**
Other Security		
Alpha and Omega (Contract)	14.0	
Waterway Security (Contract)	4.0	
Subtotal	**18.0**	**$0**
Subtotal	**174.0**	**$13,457,000**
Net New FTE[1]	**172.0**	
Non-Personnel		
% of Operating Budget	28%	$5,233,278
Subtotal		**$5,233,278**
Operating Capital		
Annualized Start-Up Costs[2]		$2,174,375
Subtotal		**$2,174,375**
Total		**$20,864,653**
One-Time		
Land[3]		$3,267,000
Total		**$3,267,000**

[1]Township employs 2.0 FTE. Additional 107.0 FTE are contracted. All Personnel costs estimated using Novak Consulting Report

[2]See Police Capital Costs; Annualized vehicle replacement costs (4-year replacement cycle) included in operating expenses per Novak Consulting Report

[3]Includes estimated land cost for police building. One-time Costs associated with debt service of new police building included in operating expenses. All other One-time Costs, including fleet, are represented in Annualized Start Up Costs

Note: Figures may vary based on rounding

Source: The Novak Consulting Group; Police Executive Research Forum; Economic & Planning Systems

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Neighborhood Services

The Woodlands currently practices a community-based approach to policing. This policy would likely continue under incorporation. Based on The Novak Consulting Group's Option #2, EPS assumed a Neighborhood Services staff of 3.5 FTE, as shown in **Table 14**. Township civilian Village Liaisons would no longer continue, as they would be replaced by Community Liaison Supervisors in the Police Department. Non-personnel costs are estimated to total average 21.0 percent of the operating budget, or approximately $81,000 annually. Potential new operating capital is included in the Police Department Start Up costs estimated by the Novak Consulting Group. Annual Neighborhood Services expenditures are estimated to total approximately $387,000. No one-time expenditures as a result of incorporation are anticipated.

Table 14
Neighborhood Services
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Neighborhood Services Manager	1.0	
Neighborhood Services Coordinator	1.0	
Program Specialist	1.5	
Village Liaisons	0.0	
Intern	0.0	
Subtotal	**3.5**	**$306,000**
Net New FTE	**(2.8)**	
Non-Personnel		
% of Operating Budget	21%	$81,342
Subtotal		**$81,342**
Operating Capital		
Per Net New FTE[2]	$0	$0
Subtotal		**$0**
Total		**$387,342**
One-Time		
None		$0
Total		**$0**

[1]Personnel Costs based on Novak Consulting Group Report

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Municipal Court

Upon the establishment of a stand-alone Police Department, a Municipal Court will need to be implemented to respond to all misdemeanor criminal charges, traffic violations, city code violations, and other minor civil charges. The Novak Consulting Group estimated the operating costs of a new Municipal Court to include a staff of 18.0 FTE, as shown in **Table 15**. EPS assumes additional non-personnel operating expenses of 15 percent, or approximately $432,000 annually. Applying the annual factor of $1,000 per new employee, new annual operating capital is estimated to total $18,000. Annual City Municipal Court costs are estimated to average $2.9 million. In addition to annual costs, a new municipal court facility would need to be constructed. EPS estimates the upfront development costs of the facility to total approximately $4.0 million. A more detailed analysis of the associated development costs is provided in the Capital Expenditures chapter of this report.

Table 15
Municipal Court
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Municipal Court Staff	18.0	
Subtotal	**18.0**	**$2,446,000**
Net New FTE	**18.0**	
Non-Personnel		
% of Operating Budget	15%	$431,647
Subtotal		**$431,647**
Operating Capital		
Per Net New FTE[2]	$1,000	$18,000
Subtotal		**$18,000**
Total		**$2,895,647**
One-Time		
New Municipal Court		$4,000,000
Total		**$4,000,000**

[1]Personnel Costs based on Novak Consulting Group Report

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: The Novak Consulting Group; Police Executive Research Forum; Economic & Planning Systems

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Fire Department

The Woodlands Fire Department provides fire protection and EMS services to The Woodlands Township. In accordance with the Transition Agreement, in 2012, The Woodlands Fire Department, Inc. will be dissolved and the Department's workforce will become Township employees. Under incorporation, the Fire Department, including the primary services of Fire and EMS, Fire Protection, and Dispatch, would continue to operate as a department in the City. EPS assumed the addition of a Fire Marshall (1.0 FTE) in Fire and EMS for a total staff of 159.0 FTE, as shown in **Table 16**. Non-personnel expenditures for Fire and EMS, Fire Protection, and Dispatch are expected to average 33.0, 10.0, and 3.0 percent of operating budgets, respectively. This results in total non-personnel expenses of $2.4 million. Applying an annualized factor of $1,000 per net new employees, EPS estimates new annual operating capital to total $4,000. Annual Fire Department expenditures are estimated to total approximately $18.4 million. No one-time expenditures associated with incorporation are anticipated.

Table 16
Fire Department
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Fire and EMS		
Chief	1.0	
Deputy Chief-Admin	1.0	
Deputy Chief-Operations	1.0	
Deputy Chief-Training	1.0	
Battalion Chief-Operations	3.0	
Battalion Chief-Training	1.0	
Fire Prevention Officer	1.0	
Adminstrative Analyst	1.0	
Customer Serive Rep	1.0	
Adminstrative Asst. II	1.0	
Fire Support Specialist	1.0	
Fire Marshall	1.0	
Fire Inspector/Investigator	1.0	
Plan Review	1.0	
Administrative Asst.	1.0	
Subtotal	**17.0**	**$1,799,695**
Fire Protection		
Captain	3.0	
Lieutenant	24.0	
Driver Operator	27.0	
Firefighter	75.0	
Subtotal	**129.0**	**$13,148,204**
Dispatch		
Dispatch Manager	1.0	
Shift Supervisor	3.0	
Dispatcher	12.0	
Subtotal	**16.0**	**$1,070,693**
Subtotal	**162.0**	**$16,018,592**
Net New FTE	**4.0**	
Non-Personnel		
Fire and EMS % of Op. Budget	33%	$877,964
Fire Protection % of Op. Budget	10%	$1,512,550
Dispatch % of Op. Budget	3%	$32,615
Subtotal		**$2,423,129**
Operating Capital		
Per Net New FTE[2]	$1,000	$4,000
Subtotal		**$4,000**
Total		**$18,445,721**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs based on 2012 Township Budget + salary + benefits (38% of salary) for new employees

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Public Works

Upon incorporation, The Woodlands would need to establish a Public Works Department. This department would likely include a limited number of existing functions of the Township, including transportation, streetscape and street lighting maintenance, and facilities maintenance. New services would include traffic control, street and road maintenance, and fleet maintenance.

Administration

Under incorporation, the Township would require a new Director of Public Works. The Director of Public Works would also require an Executive Assistant for ongoing administrative duties, resulting in a total of 2.0 FTE, as shown in **Table 17**. No non-personnel costs are estimated. Applying an annualized factor $1,000 per net new employees, EPS estimates new annual operating capital of $1,000. Annual Administration costs under incorporation are estimated to total $257,000. No one-time expenditures are anticipated as a result of incorporation.

Table 17
Administration
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Director of Public Works	1.0	
Executive Assistant	1.0	
Subtotal	**2.0**	**$256,000**
Net New FTE[2]	**1.0**	
Non-Personnel		
% of Operating Budget	0%	$0
Subtotal		**$0**
Operating Capital		
Per Net New FTE[3]	$1,000	$1,000
Subtotal		**$1,000**
Total		**$257,000**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Includes existing Community Services Engineering Tech from President's Office

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Transportation

Upon incorporation, The Woodlands would continue to co-operate the Trolley system with the Houston-Galveston Area Council (H-GAC), depending on available funding. EPS has assumed Park & Ride and Waterway functions would remain externally funded but could be moved to the Transportation division in the future. No new annual operating capital expenditures are anticipated. Annual Transportation expenses are estimated to total approximately $308,000, as shown in **Table 18**. No one-time expenditures associated with incorporation are anticipated.

Table 18
Transportation
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
None	0.0	$0
Subtotal	**0.0**	**$0**
Net New FTE	**0.0**	
Non-Personnel Operating Costs		
Trolleys		$208,400
Park and Ride		$0
Waterway Cruisers		$0
Other		$100,000
Subtotal		**$308,400**
Operating Capital		
Per Net New FTE[2]	$1,000	$0
Subtotal		**$0**
Total		**$308,400**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Traffic Control

Based on discussions with Montgomery County, the County is unlikely to sell its existing NorthStar traffic signalization system to the City. A more likely scenario is that the City would contract with the County to provide ongoing operations and maintenance of The Woodlands share of County-owned NorthStar traffic signals and infrastructure. The County is not able to estimate these costs at this time. However, EPS estimated the annual cost of the City providing its own operations and maintenance. This estimate includes Traffic Control costs covering both Montgomery and Harris County. Traffic Control will also be responsible for sign maintenance. EPS assumes a Traffic Control staff of 10.0 FTE, as shown in **Table 19**. Non-personnel costs are estimated at 50 percent of operating costs, or $673,000 annually. Applying an annualized factor of $1,000 per net new employee, EPS estimates new annual operating capital expenditures of $10,000. Annual Traffic Control expenses are estimated to total approximately $1.4 million. Because EPS assumed the City will contract with the County for operating maintenance and will not have to purchase the NorthStar system itself, no one-time capital expenditures are included.

Table 19
Traffic Control
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Traffic Manager	1.0	
Traffic Signal Operator	1.0	
Traffic Signal Technician	4.0	
Signs & Markings	4.0	
Subtotal	**10.0**	**$673,000**
Net New FTE	**10.0**	
Non-Personnel		
% of Operating Budget	50%	$673,000
Subtotal		**$673,000**
Operating Capital		
Per Net New FTE[2]	$1,000	$10,000
Subtotal		**$10,000**
Total		**$1,356,000**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Streets and Roads

Road Maintenance

Upon incorporation, a Road Maintenance division of Public Works is assumed to be established for the maintenance and operation of the 894 lane miles that will transfer to the City from Montgomery County. EPS estimates a staff of 28.0 FTE, as shown in **Table 20**. Non-personnel costs, including road maintenance materials, are estimated to average $1,600 per lane mile plus a 20 percent premium for higher maintenance standards established by the Township. This results in annual Non-Personnel costs of $1.7 million. Applying the annualized factor of $1,000 per net new employee, EPS estimates annual operating capital costs of $28,000. Annual Road Maintenance expenses are estimated to total $3.4 million.

Road Maintenance would also require a substantial upfront investment in equipment, as well as any deferred and/or scheduled capital projects. Potential fleet costs are included in the Fleet Maintenance Department. Based on a list compiled by Montgomery County, necessary and/or desired one-time road repair costs are estimated to total $132.4 million. Road maintenance projects are typically funded through periodic bond issues every 8 to 10 years. However, the majority of the project list represents deferred maintenance projects that require immediate attention. Thus, the Township desires to include all $132.4 million in road maintenance capital projects. A more detailed list of specific projects is included in the Capital Expenditures chapter of this report.

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Table 20
Road Maintenance
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Operations Manager	1.0	
Street Superintendent	1.0	
Street Supervisor	3.0	
Crew Chief	6.0	
Equipment Operator	8.0	
General Maintenance Worker	7.0	
Admin. and Customer Service	2.0	
Total	**28.0**	**$1,637,000**
Net New FTE	**28.0**	
Non-Personnel		
O & M per Lane Mile	$1,600	$1,430,400
O & M Premium	20%	$286,080
Subtotal		**$1,716,480**
Operating Capital		
Per Net New FTE[2]	$1,000	$28,000
Subtotal		**$28,000**
Total		**$3,381,480**
One-Time		
Concrete Repairs		$79,134,849
Asphalt Repairs		$52,987,490
Curb Repairs		$243,984
Total		**$132,366,323**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Streetscape Maintenance

Upon incorporation, streetscape maintenance will likely continue be contracted to a landscaping company, such as The Brickman Group. The existing Brickman Group contract is for approximately $3,100 per lane mile annually, or a total of $2.8 million, as shown in **Table 21**. The Woodlands Development Company has contributed an additional $850,000 per year for streetscape maintenance, but will likely discontinue this service regardless of governance structure. These revenues are therefore not included in this analysis. No new annual operating capital or one-time expenditures are anticipated.

Table 21
Streetscape Maintenance
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
None	0.0	$0
Total	**0.0**	**$0**
Net New FTE	**0.0**	
Non-Personnel		
Contracted Services per Lane Mile	$3,103	$2,774,050
Subtotal		**$2,774,050**
Operating Capital		
Per Net New FTE[2]	$1,000	$0
Subtotal		**$0**
Total		**$2,774,050**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Street Lighting

Under incorporation, The Woodlands would continue the regular payment of street lighting utilities. There are 5,870 street lights to maintain in The Woodlands. Annual utility bills average around $200 per light, or a total of approximately $1.2 million, as shown in **Table 22**. No new annual operating capital or one-time expenditures are anticipated.

Table 22
Street Lighting
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
None	0.0	$0
Subtotal	**0.0**	**$0**
Net New FTE	**0.0**	
Non-Personnel		
Operating Costs per Light	$200	$1,175,000
Subtotal		**$1,175,000**
Operating Capital		
Per Net New FTE[2]	$1,000	$0
Subtotal		**$0**
Total		**$1,175,000**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY DRAFT

Facilities Maintenance

The Township recently purchased the 2801 Technology Forest Boulevard Building in The Woodlands to house all administrative staff. In addition to this facility, the City would be responsible for maintaining a new Police Department building, Municipal Court building, and Public Works maintenance yard. These facilities would require regular maintenance that is assumed to be provided by a Facilities Maintenance division of Public Works. EPS estimates a Facilities staff of 12.0 FTE, as shown in **Table 23**. Non-personnel costs are estimated to average 33.0 percent of the operating budget, or $337,000 annually. Annual Facilities costs are estimated to total approximately $1.0 million. As mentioned, the Public Works Department will require a new Public Works facility and maintenance yard the cost of which is listed herein. EPS estimates the development costs of this facility to total approximately $4.3 million. More detail of the development costs of this facility is provided in Chapter 3: Capital Expenditures.

Table 23
Facilities Maintenance
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Facilities Manager	1.0	
Facilities Superintendent	1.0	
Maintenance Worker	3.0	
Facilites Maintenance Engineer	1.0	
Facilities Specialist	1.0	
Custodian	4.0	
Admin.	1.0	
Subtotal	**12.0**	**$675,000**
Net New FTE	**10.0**	
Non-Personnel		
% of Operating Budget	33%	$337,126
Subtotal		**$337,126**
Operating Capital		
Per Net New FTE[2]	$1,000	$10,000
Subtotal		**$10,000**
Total		**$1,022,126**
One-Time		
Public Works Facility		$4,342,058
Total		**$4,342,058**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY
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Fleet Maintenance

Under incorporation, The Woodlands would need to provide fleet vehicles to various departments, including Public Works, the Fire Department, and the Police Department. These vehicles will require a regular maintenance staff and garage facility. EPS estimates a Fleet Maintenance staff of 7.0 FTE, as shown in **Table 24**. Non-Personnel costs are estimated to average 15.0 percent of the operating budget, or $72,000 annually. Potential annual operating capital includes both the purchases of new technology equipment for new employees, as well as the annualized cost of fleet purchases. Based on discussions with Montgomery County Precinct #3 and various peer city public works departments, EPS estimates the one-time fleet purchase to total approximately $4.0 million. (This excludes the purchase of new police vehicles included in the Police one-time expenditures.) One-time costs are annualized by dividing the total cost by the estimated replacement cycle of each vehicle. For the purposes of this analysis, non-Public Works vehicles are estimated to be replaced every five years. All Public Works vehicles and equipment will have a replacement cycle of seven years. Thus, annualized fleet costs are estimated to total approximately $634,000. Annual operating capital is estimated to total $641,000, resulting in total annual Fleet Maintenance costs of approximately $1.1 million. A more detailed analysis of the specific vehicles is included in Chapter 3: Capital Expenditures.

PRELIMINARY DRAFT

Table 24
Fleet Maintenance
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Fleet Operations Manager	1.0	
Fleet Technician	2.0	
Maintenance Technician/Mechanic	3.0	
Admin. Asst./Cust. Service	1.0	
Total	**7.0**	**$408,000**
Net New FTE	**7.0**	
Non-Personnel		
% of Operating Budget	15%	$72,000
Subtotal		**$72,000**
Operating Capital		
Per Net New FTE[2]	$1,000	$7,000
Annualized Fleet Cost[3]		$633,700
Subtotal		**$640,700**
Total		**$1,120,700**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

[3] Based on estimated fleet purchases divided by replacement cycle of 5 years for automobiles and 7 years for Public Works vehicles and equipment

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY
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Parks and Recreation

Parks and Recreation operates 2,750 acres of parks and is therefore one of the largest departments in the Township. Parks and Recreation provides Operations and Maintenance (36.5 FTE), Administrative Services (9.0 FTE), Planning (10.0 FTE), Aquatics (67.0 FTE, mostly lifeguards), and Recreation (18.0 FTE), as well as operates and manages the Town Center Facilities (8.0 FTE). Under incorporation, all services would continue as provided by the Township, as shown in **Table 25**. Annual Parks and Recreation costs are estimated to total $12.9 million.

To date, new park development has been the joint responsibility of The Woodlands Township and The Woodlands Development Company. Since early 2010, park development costs have been funded by the Township through bond issues and by the Development Company through access fee proceeds. As the Township gets closer to build out, funding for new park development will decrease and the costs associated with park redevelopment, major pathway maintenance, and pool renovations will increases as community facilities age and require replacement or renovation. The Woodlands expects that the access fee or franchise fee would be available in the future upon incorporation. Thus, new annual operating capital costs are assumed to be $5.3 million, or equal to the amount of estimated Franchise Fee revenue projected in the Revenue Sources chapter of this report.

Table 25
Parks and Recreation
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Operations		
Superintendent	1.0	
Park Rangers	10.5	
Other	25.0	
Subtotal	**36.5**	**$2,011,037**
Administration		
Director	1.0	
Asst. Director	1.0	
Development Manager	1.0	
Special Events Coordinator	1.0	
Admin Asst. II	2.0	
Admin Asst. III	1.0	
Special Events Specialist	1.0	
Customer Service Rep	1.0	
Subtotal	**9.0**	**$691,614**
Planning		
Project Manager	1.0	
Other	9.0	
Subtotal	**10.0**	**$578,820**
Aquatics		
Aquatics Superintendent	1.0	
Lifeguards	58.5	
Other	7.5	
Subtotal	**67.0**	**$1,393,629**
Recreation		
Recreation Superintendent	1.0	
Other	17.0	
Subtotal	**18.0**	**$701,219**
Town Center Facilities		
Town Center Superintendent	1.0	
Town Center Rangers	5.0	
Other	2.0	
Subtotal	**8.0**	**$453,719**
Total	**148.5**	**$5,830,038**
Net New FTE[2]	**0.0**	
Non-Personnel		
Operations % of Op. Budget	65%	$3,725,250
Administration % of Op. Budget	41%	$471,700
Planning % of Op. Budget	0%	$0
Aquatics % of Op. Budget	28%	$554,700
Recreation % of Op. Budget	62%	$1,137,500
Town Center Facilities % of Op. Budget	73%	$1,198,500
Subtotal		**$7,087,650**
Operating Capital		
Per Net New FTE[3]	$1,000	$0
Subtotal		**$0**
Total		**$12,917,688**
Annual Capital Projects[4]		**$5,349,000**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs based on 2012 Township Budget

[2] Excludes two facilities maintenance FTEs included in Facilities Maintenance

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

[4] Based on earmarked revenue available from Franchise Fees for capital projects

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY DRAFT

Planning and Development

The Township does not currently have a Planning and Development Department. However, it does perform a number of services, such as Covenant Administration that would most likely be included in a Planning and Development Department. Upon incorporation, the City would also be required to provide additional Planning and Development services, including Long-Range Planning, Development Review, Building Inspection and Code Enforcement, Animal Control, and Health and Safety.

Long-Range Planning

Under incorporation, the City will need both long-range land-use and transportation planning staff to guide future land use and transportation decisions once The Woodlands Development Company completes development. While The Woodlands residential neighborhoods are largely built-out at this time, there remains additional commercial development potential as well as opportunities for future redevelopment and/or annexations, as well the need for new transportation infrastructure and upgrades. Additional Community Development Services are anticipated including administration of CDBG and other Federal grants and entitlements. EPS estimates an initial Long-Range Planning staff of 6.0 FTE, as shown in **Table 26**. Non-personnel costs are estimated to average 10.0 percent of the operating budget, or $58,000 annually. Annualized operating capital costs are estimated at $6,000 based on a net increase of 6.0 FTE. No one-time capital expenditures associated with incorporation are anticipated.

PRELIMINARY DRAFT

Table 26
Long-Range Planning
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Planning Director	1.0	
Land Use Planner	2.0	
Transportation Planner	1.0	
Transporation Engineer	1.0	
Administrative Asst.	1.0	
Subtotal	**6.0**	**$523,000**
Net New FTE	**6.0**	
Non-Personnel		
% of Operating Budget	10%	$58,111
Subtotal		**$58,111**
Operating Capital		
Per Net New FTE[3]	$1,000	$6,000
Subtotal		**$6,000**
Total		**$587,111**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Development Services

The Development Services Division would handle all development review and compliance services for the City, including Development Review, Building Inspection, Covenant Administration, Animal Control, and Health and Safety. EPS estimates necessary personnel of 6.0 FTE for Development Review, 4.0 FTE for Building Inspection, 33.0 FTE for Covenant Administration, 4.0 FTE for Animal Control, and 4.0 FTE for Health and Safety as shown in **Table 27**. Based on estimates from the peer cities, non-personnel costs are estimated to average 10, 10, 14, 50, and 10 percent, respectively, or a total of approximately $674,000. Applying an annualized factor of $1,000 per new employee, EPS estimates new annual operating capital costs of $18,000. Annual City Development Services expenditures are estimated to total approximately $3.9 million. No one-time capital expenditures as a result of incorporation are anticipated.

Table 27
Development/Compliance Services
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Development Review		
Development Review Coordinator	1.0	
Planner	2.0	
Engineer	1.0	
Planning Technician	2.0	
Subtotal	**6.0**	**$436,080**
Building Inspection		
Building Inspector	1.0	
Building Official	1.0	
Permit Clerk	2.0	
Subtotal	**4.0**	**$309,120**
Covenant Administration		
Director	1.0	
Property Compliance Manager	2.0	
Village Property Comp. Supervisor	6.0	
Commercial Property Comp. Supervisor	1.0	
Admin Services Supervisor	1.0	
Revitalization Specialist	1.0	
Applications Specialist	2.5	
Property Compliance Specialist	7.0	
Administrative Asst. I	1.5	
Compliance Specialist	2.0	
Property Compliance Technician	8.0	
Subtotal	**33.0**	**$2,018,238**
Animal Control		
Animal Control Manager	1.0	
Animal Control Officer	3.0	
Subtotal	**4.0**	**$234,600**
Health and Safety		
Environmental Health Manager	1.0	
Health Inspector	3.0	
Subtotal	**4.0**	**$253,920**
Subtotal	**51.0**	**$3,251,958**
Net New FTE	**18.0**	
Non-Personnel		
Development Review % of Op. Budget	10%	$48,453
Building Inspection % of Op. Budget	10%	$34,347
Covenant Administration % of Op. Budget	14%	$327,100
Animal Control % of Op. Budget[2]	50%	$234,600
Health and Safety % of Op. Budget	10%	$28,213
Subtotal		**$672,713**
Operating Capital		
Per Net New FTE[3]	$1,000	$18,000
Subtotal		**$18,000**
Total		**$3,942,671**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs include salary + benefits (38% of salary); Covenant Administration Personnel Costs based on 2012 Township Budget

[2] Non Personnel Operating Costs include contract with County Animal Shelter

[3] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: All developer-related commercial development costs will continue to be paid by the developer under either scenario

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY DRAFT

Economic Development

Convention and Visitors Bureau

Upon incorporation, the Township's Convention & Visitors Bureau will continue operations as a stand-alone entity. The CVB staff will continue to be funded by the General Fund and operations will be funded through the CVB fund. EPS assumes a staff of 5.3 FTE, including a full-time CVB President, as shown in **Table 28**. Non-personnel expenses are estimated to average $31 per capita, or approximately $2.9 million annually. Applying an annualized factor $1,000 per 0.5 net new employees, EPS estimates new operating capital costs of $500 per year. Annual Convention and Visitors Bureau expenses are estimated to total $3.4 million. No one-time expenditures associated with incorporation are anticipated.

Table 28
Convention & Visitors Bureau
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
CVB President	1.0	
Marketing Specialist	1.0	
Business Development Specialist	1.0	
Event Specialist	1.0	
Admin Asst. II	1.0	
Intern	0.3	
Subtotal	**5.3**	**$469,588**
Net New FTE	**0.5**	
Non-Personnel		
Expenditure per Capita	$31	$2,884,457
Subtotal		**$2,884,457**
Operating Capital		
Per Net New FTE[2]	$1,000	$500
Subtotal		**$500**
Total		**$3,354,545**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs from 2012 Township Budget

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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Economic Development Services/Programs

Economic Development services are provided by the Township utilizing contracted services with the Economic Development Partnership and CVB staff. Under incorporation, EPS assumes CVB staff will continue to provide Economic Development services. Thus, no direct employment will be associated with Economic Development. Non-personnel costs are estimated to average $6.00 per capita, or approximately $563,000, as shown in **Table 29**. No new annual operating capital costs are anticipated. Thus, annual Economic Development expenses are estimated to total $563,000. No one-time capital expenditures are anticipated.

Table 29
Economic Development
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
None	0.0	$0
Subtotal	**0.0**	**$0**
Net New FTE	**0.0**	
Non-Personnel		
Expenditure per Capita	$6	$563,082
Subtotal		**$563,082**
Operating Capital		
Per Net New FTE[2]	$1,000	$0
Subtotal		**$0**
Total		**$563,082**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs from 2012 Township Budget

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY DRAFT

Solid Waste Collection

The Township provides Solid Waste Collection services via a contract to a private waste collection company. Many cities charge an additional user fee for solid waste collection. However, it is assumed that The Woodlands would provide Solid Waste Collection through property tax collection, as it currently does in the Township. EPS also assumes all collection services will continue to be provided via a contract with a private waste collection company. Thus, no personnel costs are associated with Solid Waste. However, it is assumed the City would also continue to provide Environmental Services to manage the contract and provide public outreach and education. EPS estimates an Environmental Services staff of 4.3 FTE, as shown in **Table 30**. Non-personnel Solid Waste costs are estimated to average $131 per household, or $4.6 million. Non-personnel Environmental Services are estimated to average 43 percent of the operating budget, or approximately $223,000 annually. No new annual operating capital costs are anticipated. Annual Solid Waste Collection expenses are estimated to total approximately $5.1 million. No one-time capital expenditures are anticipated.

PRELIMINARY
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Table 30
Solid Waste Collection
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
Solid Waste	0.0	$0
Subtotal	**0.0**	**$0**
Environmental Services		
Env. Services Manager	1.0	
Env. Education Coordinator	2.0	
Env. Education Specialist	0.5	
Intern	0.8	
Subtotal	**4.3**	**$289,421**
Subtotal	**4.3**	**$289,421**
Net New FTE	**0.0**	
Non-Personnel		
Expenditure per HH	$131	$4,572,024
Environmental Services % of Op. Budget	43%	$222,610
Subtotal		**$4,794,634**
Operating Capital		
Per Net New FTE[2]	$1,000	$0
Subtotal		**$0**
Total		**$5,084,055**
One-Time		
None		$0
Total		**$0**

[1] Personnel costs from 2012 Township Budget

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY DRAFT

Water, Wastewater, and Stormwater

Montgomery and Harris County Municipal Utility Districts (MUDs) currently provide water distribution, wastewater collection and treatment, and stormwater management. Montgomery County MUDs are operated by the Joint Powers Agency (JPA) which acts as a consolidated administrative agency. The JPA contracts water and wastewater to the San Jacinto River Authority that owns the majority of the system. Two Harris County MUDs in the Township operate independently. Upon incorporation, the Montgomery and Harris County MUDs and the JPA would be dissolved, and a new joint enterprise fund for water distribution, wastewater collection, and stormwater management would be established in a new enterprise fund, otherwise known the Utilities Fund.

The Utilities Fund would collect water bills, as well as property tax mills to fund the associated operations, administration, debt service, and partial water purchases from the River Authority. Based on discussions with the JPA and Harris County, a total of $7.3 million is collected annually from the MUDs to cover associated operating expenses not included in the water bill. EPS estimates a necessary staff of 27.0 FTE, as shown in **Table 31**. Holding operations constant, non-personnel costs are estimated to average 74 percent of the operating budget, or $5.4 million annually.

In addition to operations, approximately $25.7 million is collected from the Harris County and Montgomery County MUDs to cover debt service associated with the initial construction of water, wastewater, and stormwater infrastructure. Assuming the outstanding debt of each MUD is consolidated, the total consolidated debt service expenses are estimated to remain the same, or $25.7 million annually. Thus, total costs for annual water, wastewater, and stormwater costs are estimated at approximately $33.1 million. Additional costs for monthly water usage and water bill collections are assumed to be offset by user charges and are not included in this analysis.

Approximately 27 homes in the Township are located in WC&ID MUD No. 1. Upon incorporation, the allocated debt balance of these homes will need to be paid off so that these homes can operate under the City's Utility Fund. This one-time cost is estimated at approximately $1.7 million.

Table 31
Water and Wastewater
The Woodlands Incorporation Study

Item	FTE	Total
Annual		
Personnel[1]		
General Manager	1.0	
Deputy General Manager	1.0	
Administrative Assistant	1.0	
Board Secretary/HR Rep	1.0	
Accounting Manager	1.0	
Assistant Accounting/Customer Accou	1.0	
Accounting Assistant	1.0	
Tax Assessor/Collector	0.0	
Tax Rep	0.0	
Customer Service Supervisor	1.0	
Lead Customer Service Rep	1.0	
Customer Accounts Supervisor	1.0	
New Accounts Coordinator	1.0	
Customer Accounts Rep	2.0	
Customer Service Rep	5.0	
Field Foreman - Tap Crew	1.0	
Field Foreman -Ditch Crew	1.0	
Field Inventory Controller	1.0	
Field Superintendent	1.0	
Inspector	1.0	
Laborer	3.0	
Operator	1.0	
Total	**27.0**	**$1,902,300**
Net New FTE	**(2.0)**	
Non-Personnel		
Operations (% of Op. Budget)	74%	$5,434,948
Debt Service		$25,737,889
Subtotal		**$31,172,837**
Operating Capital		
Per Net New FTE[2]	$1,000	$0
Subtotal		**$0**
Total		**$33,075,137**
One-Time		
MUD No. 1 Balance Payment[3]		$1,683,385
Total		**$1,683,385**

[1] Personnel costs from 2012 JPA Budget Salaires + Benefits (38.0 percent of salary)

[2] Represents purchase of technology equipment for new employees; $1,000= ($3,000 per employee annualized over 3 years)

[3] Represents allocated debt balance to homes in Township. See Capital Expenditures

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Economic & Planning Systems

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PRELIMINARY DRAFT

Other General Fund Expenditures

Other Expenditures include Governance, Regional Participation agreement, funding requests from local organizations, village associations, uncollected taxes, and contingency. Under incorporation, all of these expenses would likely continue except for Governance. Thus, EPS has assumed $2.2 million in annual Other Expenditures under incorporation.

Total Expenditures

Based on the stated assumptions, EPS estimates annual General Fund expenditures to total $112.7 million, as shown in **Table 32**. This includes $16.0 million in transfers to Other Funds that exist in the 2012 Township budget. The 2012 Township budget totals $81.5 million in General Fund expenditures. Including Other Funds (Debt Service, Capital Outlay, Capital Reserves, CVB, Special Revenue) and the Utility Fund, annual expenditures are estimated to total $176.8 million versus $145.6 million in the 2012 Township budget. EPS estimates one-time expenditures related to incorporation to total $145.7 million.

PRELIMINARY DRAFT

Table 32
Total Annual City Expenditures
The Woodlands Incorporation Study

Description	Township Annual $	Source	City Annual $	One-Time $
General Government				
City Council	$60,300	See Table 3	$105,000	$0
City Manager	$1,018,878	See Table 4	$1,250,421	$0
Intergovernmental	$252,311	See Table 5	$168,811	$0
Human Resources	$674,534	See Table 6	$1,006,686	$0
Information Technology	$1,169,980	See Table 7	$2,434,667	$0
City Secretary	$657,433	See Table 8	$867,169	$0
City Attorney/Legal Services	$0	See Table 9	$869,024	$0
Finance	$1,554,586	See Table 10	$2,381,250	$0
Communications and Marketing	$655,018	See Table 11	$985,259	$0
Non Departmental	$2,415,920	See Table 12	$2,096,240	$0
Subtotal	**$8,458,960**		**$12,164,526**	**$0**
Public Safety				
Police	$10,621,870	See Table 13	$20,864,653	$3,267,000
Neighborhood Services	$462,319	See Table 14	$387,342	$0
Municipal Court	$0	See Table 15	$2,895,647	$4,000,000
Fire Department	$17,964,297	See Table 16	$18,444,411	$0
Subtotal	**$29,048,486**		**$42,592,053**	**$7,267,000**
Public Works				
Administration	$135,636	See Table 17	$257,000	$0
Transportation	$308,400	See Table 18	$308,400	$0
Traffic Control	$0	See Table 19	$1,356,000	$0
Road Maintenance	$0	See Table 20	$3,381,480	$132,366,323
Streetscape	$2,774,050	See Table 21	$2,774,050	$0
Street Lighting	$1,175,000	See Table 22	$1,175,000	$0
Facilities Maintenance	$71,920	See Table 23	$1,022,126	$4,342,058
Fleet Maintenance	$0	See Table 24	$480,000	$0
Subtotal	**$4,465,006**		**$10,754,056**	**$136,708,381**
Parks and Recreation				
Operations	$5,736,287	See Table 25	$5,736,287	$0
Administration	$1,163,314	See Table 25	$1,163,314	$0
Planning	$578,820	See Table 25	$578,820	$0
Aquatics	$1,948,329	See Table 25	$1,948,329	$0
Recreation	$1,838,719	See Table 25	$1,838,719	$0
Town Center Facilities	$1,652,219	See Table 25	$1,652,219	$0
Subtotal	**$12,917,688**		**$12,917,688**	**$0**
Parks and Recreation Capital Projects	**$0**	See Table 25	**$5,349,000**	**$0**

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Working Paper #1:Financial Assumptions; Economic & Planning Systems

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PRELIMINARY DRAFT

Table 32 (cont.)
Total Annual City Expenditures
The Woodlands Incorporation Study

Description	Township Annual $	Source	City Annual $	One-Time $
Planning and Development Services				
Long Range Planning	$0	See Table 26	$587,111	$0
Development Review	$0	See Table 27	$490,533	$0
Building Inspection	$0	See Table 27	$347,467	$0
Covenant Administration	$2,345,338	See Table 27	$2,345,338	$0
Animal Control	$0	See Table 27	$473,200	$0
Health and Safety	$0	See Table 27	$286,133	$0
Subtotal	**$2,345,338**		**$4,529,782**	**$0**
Economic Development				
Convention and Visitors Bureau	$469,588	See Table 28	$469,588	$0
Economic Development Services/Programs	$319,100	See Table 29	$563,082	$0
Subtotal	**$788,688**		**$1,032,670**	**$0**
Solid Waste				
Solid Waste Disposal	$4,572,024	See Table 30	$4,572,024	$0
Environmental Services	$512,031	See Table 30	$512,031	$0
Subtotal	**$5,084,055**		**$5,084,055**	**$0**
Other[1]	**$2,371,082**		**$2,221,082**	**$0**
Transfers Out	**$16,013,311**		**$16,013,311**	**$0**
Total General Fund	**$81,492,614**		**$112,658,223**	**$0**
Other Funds				
CVB	$2,884,457	See Table 28	$2,884,457	$0
Debt Service	$8,916,220		$8,916,220	$0
Capital Projects	$15,123,127		$15,123,127	$0
Capital Reserves	$4,130,000		$4,130,000	$0
Total Other Funds	**$31,053,804**		**$31,053,804**	**$0**
Utilities Fund	**$33,075,137**	See Table 31	**$33,075,137**	**$1,683,385**
Total Expenses	**$145,621,555**		**$176,787,164**	**$145,658,766**

[1]City excludes $150,000 governance

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Working Paper #1:Financial Assumptions; Economic & Planning Systems

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3. CAPITAL EXPENDITURES

The transition from a Township to an incorporated City would require the City to invest in a number of items that were previously provided through the capital assets of other entities, including the counties and the Development Company. Upon incorporation, the City will be required to provide these services through its own capital assets. Where new significant new capital expenses are projected, EPS assumes the City would fund these improvements through general obligation or revenue bonds. Based on the Township's guidance, bond terms are assumed for a 30-year term at a 4.75 percent interest rate. The primary capital expenses to be considered include a new vehicle fleet, Public Works facility, Road Capital Projects, Police Department, Municipal Court, MUD No. 1 debt balance payment, and the MUD Consolidation. Some of these capital items are annualized and included as new annual operating capital in each departments. These include vehicle and equipment purchases and police start-up costs. Items that will require bond issuance are included in whole as one-time capital expenditures and will be funded out of a Capital Fund (Other Funds). These items include the land for the new police facility, the new Municipal Court facility, the new Public Works facility, major Road Maintenance capital projects, and a MUD No. 1 debt balance payment.

Vehicle Fleet

As mentioned, the City would need to establish a Public Works Department under incorporation. This will require a substantial investment in road maintenance vehicles and equipment, as well as vehicles necessary for other departments that will be maintained by Public Works. EPS spoke with Public Works professionals at both Montgomery County Precinct #3 and several of the peer city communities to estimate an inventory of vehicles and equipment. This inventory includes not only Public Works, but also the addition of any new vehicles necessary for other City departments. EPS estimates a total fleet of 215 vehicles, as shown in **Table 33**. Of this 218, 125 represent the required police fleet. The cost of the new police fleet is included in the Police Department Start Up Costs estimated by the Novak Consulting Group. Thus, the cost of these vehicles is not included in the analysis. Assuming a five-year replacement cycle for non-Public Works vehicles and a seven-year cycle for Public Works vehicles and equipment, the total annual operating fleet capital costs associated with incorporation are estimated at approximately $634,000.

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Table 33
Vehicle Fleet
The Woodlands Incorporation Study

#	Associated Department	Township	# of New Items	City Total Cost	Annualized Cost[2]
1	City Council		0	$0	$0
2	City Manager		0	$0	$0
3	Intergovernmental Relations		0	$0	$0
4	Human Resources		1	$20,000	$4,000
5	Information Technology	1	0	$0	$0
6	City Secretary		0	$0	$0
7	City Attorney/Legal		0	$0	$0
8	Finance		0	$0	$0
9	Communications and Marketing		0	$0	$0
10	Non-Departmental		0	$0	$0
11	Police		125	$0	$0
12	Neighborhood Services		0	$0	$0
13	Municipal Court		0	$0	$0
14	Fire Department	30	3	$48,000	$9,600
15	Public Works-Admin.		0	$0	$0
16	Public Works-Transportation		0	$0	$0
17	Public Works-Traffic Control		0	$0	$0
18	Public Works-Roads		37	$3,403,000	$414,714
19	Pubic Works-Streetscape		0	$0	$0
20	Public Works Facilities[1]	7	11	$175,000	$32,886
21	Public Works Fleet		20	$531,000	$106,200
22	Parks and Recreation	30	0	$0	$0
23	Planning		2	$36,000	$7,200
24	Development Services-Review		0	$0	$0
25	Development Services-Building Inspection		13	$193,500	$38,700
26	Development Services-Covenant Administration		0	$0	$0
27	Development Services-Animal Control		4	$70,000	$14,000
28	Development Services-Health Inspection		2	$32,000	$6,400
29	CVB		0	$0	$0
30	Economic Development		0	$0	$0
31	Solid Waste	Contract	0	$0	$0
32	Water-Waste Water-Stormwater	Contract	0	$0	$0
Total		**68**	**218**	**$4,508,500**	**$633,700**

[1]Public Works facilities vehicles are under the management of Parks and Recreation in the Township

[2]Annualized Costs represent total cost divided by estimated replacement cycle (5 years for automobiles; 7 years for Public Works vehicles and equipment

Note: Figures may vary based on rounding

Source: Montgomery County Precinct #3, City of Round Rock Public Works; Economic & Planning Systems

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PRELIMINARY DRAFT

Public Works Facility

The new Public Works Department would need a maintenance yard and facility to store the vehicle fleet and road and building maintenance equipment. This facility would include a vehicle storage canopy, a sign shop and storage, and a garage to perform regular maintenance on fleet vehicles and equipment. Based on discussions with peer city public works professionals, EPS estimates a required facility of approximately 52,500 square feet, requiring about 4.5 acres of land, as shown in **Table 34**. The maintenance facility would likely be built in a peripheral location in the City. Thus, land costs are estimated to be approximately $6 per square foot, or $1.2 million. Building costs are estimated to total $2.5 million with an additional $633,000 in development soft costs (architect, legal, insurance, etc.). Based on the above, one-time development costs for a new Public Works facility are estimated to total approximately $4.3 million.

Table 34
Public Works Facility
The Woodlands Incorporation Study

Item	Size		Total
Facility Description			
Vehicle Storage Canopy	36,000		
Sign Shop and Storage	1,500		
Vehicle Maintenance	15,000		
Total Building (Sq. Ft.)	**52,500**		
Total Size (Sq. Ft.)	196,020		
Total Size (Acres)	4.5		
# of Vehicles housed			
# of Maintenance Bays	6		
Land Cost ($)	**196,020**	$6	**$1,176,120**
Building Costs			
Hard Costs			
Vehicle Storage Canopy	36,000	$25	$900,000
Sign Shop and Storage	1,500	$85	$127,500
Vehicle Maintenance	15,000	$85	$1,275,000
Subtotal	**52,500**		**$2,302,500**
Systems[1]		10%	$230,250
Total Building Costs			**$2,532,750**
Soft Costs		25%	**$633,188**
Total Cost ($)			**$4,342,058**
All in Cost w/o Land (per building sq. ft.)			**$60**
All in Cost w/ Land (per building sq. ft.)			**$83**

[1]Lifts, Security/Card Readers

Note: Figures may vary based on rounding

Source: City of Sugar Land; Economic & Planning Systems

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PRELIMINARY DRAFT

Public Works Road Improvements

The initial road network in parts of The Woodlands developed in the 1960s and 1970s is beginning to deteriorate and reaching the end of its useful life. Some of these roads will need to be overlayed or rebuilt. Currently a County's responsibility, this infrastructure would become the responsibility of The Woodlands under incorporation. Montgomery County Precinct #3 compiled a list of necessary and/or scheduled road improvement projects for a potential bond issue in 2009. This list included up to four options for each project, ranging from complete rebuild to widening to simple overlays. The proposed bond measure did not pass. As a result, only one project has been initiated: the stabilization of Research Forrest Road from I-45 to Shadowbend. Based on discussions with the Precinct and the existing community expectations of high levels of service in The Woodlands, EPS has assumed the most substantial (highest cost) improvements for each project shown in **Table 35**.

Table 35
Public Works Road Improvements
The Woodlands Incorporation Study

Description	Option #1	Option #2	Option #3	Option #4	Estimate
Concrete Road Repairs	**Rebuild** $79,134,553	**Stabilize** $60,415,556	**PFC Overlay** $18,281,213	**Asphalt Overlay** $9,150,987	**$79,134,849**
Asphalt Road Repairs	**Full Depth, 4 ft. Widening w/PFC** $4,310,755	**Full Depth, 4 ft. Widening** $3,402,242	**Full Depth w/PFC** $50,315,229	**Full depth** $37,074,816	**$52,987,490**
Concrete Curb Repairs	**New Curb** $243,984	$0	$0	$0	**$243,984**
Total	**$83,689,292**	**$63,817,797**	**$68,596,442**	**$46,225,803**	**$132,366,323**

Note: Research Forrest road repair already completed
Note: Figures may vary based on rounding
Source: Montgomery County Precinct 3; Economic & Planning Systems
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Based on this assumption, potential one-time road capital projects are estimated to total $132.4 million. A more complete inventory of the specific road projects is included in the Financial Model. Most cities issue capital improvement bonds for new facilities and capital maintenance periodically averaging every 8 to 10 years. However, the majority of the project list represents deferred maintenance projects that require immediate attention. Thus, the Township desires to include all $132.4 million in road maintenance capital projects as one-time capital expenditures.

Police Department

Under incorporation, the City would need to purchase or build a new Police Department facility, as well as purchase or supply substantial upfront equipment and training costs. The Novak Consulting Group's Public Safety Report assumes the construction of a new facility for approximately $18.0 million, as shown in **Table 36**. This estimate did not include land. Based on discussions with local real estate professionals, a new police department would likely require a central location at an estimated cost of $15.00 per square foot of land. This results in additional land costs of $3.3 million, or a total Police Station estimate of $21.3 million. Additional equipment and upfront costs include patrol car fleet, station equipment, and various training and personnel investments. The total cost to establish a new police department is estimated to total approximately $35.0 million. The debt service on the $18.0 million building and the annual cost of vehicle purchase and replacement are already included in the annual operating costs of the new Police Department per the Novak Consulting Group report. Thus, only the land for the new Police Department facility is included as a one-time capital expenditure. Assuming a replacement cycle of four-years for all other capital equipment, EPS estimates new annual operating capital costs to total approximately $2.2 million.

Table 36
Police Department
The Woodlands Incorporation Study

Item	Unit	Cost	Total	One-Time[2]	Annual[3]
Police Station					
Building	75,000	$240	$18,000,000	$0	
Land[1]	217,800	$15	$3,267,000	$3,267,000	
Subtotal			**$21,267,000**	**$3,267,000**	
Patrol Cars[4]	125	$40,000	$5,000,000		$0
Uniformed and Office Equipment	125	$5,000	$625,000		$156,250
Information Technology	1	$1,200,000	$1,200,000		$300,000
Expansion of Fire Dispatch System	1	$2,000,000	$2,000,000		$500,000
Addditional Equipment	1	$250,000	$250,000		$62,500
Recruitment/Selection/Background	159.5	$5,000	$797,500		$199,375
Training	125	$28,600	$3,575,000		$893,750
Transition	1	$250,000	$250,000		$62,500
Total			**$34,964,500**	**$3,267,000**	**$2,174,375**

[1]Assumes required land for Police Station is 5 acres
[2]One-Time costs of Police Buildng included in annual operating expenses
[3]Annual represents Total Cost divided by estimated replacement cycle (4 years)
[4]Annual operating capital cost estimated on a 4-year replacement cycle and included in annual operating costs per Novak Consulting Report
Note: Figures may vary based on rounding
Source: The Novak Consulting Group; Economic & Planning Systems
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Municipal Court

Land use restrictions prohibit the inclusion of a municipal court in the new administration building. As a result, EPS assumes a new facility will need to be constructed. Based on consultation with peer cities and a municipal architect, a new facility is estimated at approximately 10,000 square feet and 1.5 acres of land, as shown in **Table 37**. The facility is assumed to be located with the new police facility, and land costs would likely be similar. Building costs are estimated to total $2.4 million with another $600,000 for various development soft costs (architect, legal, insurance, etc.). Based on the above, one-time development costs for a new Municipal Court are estimated to total approximately $4.0 million.

Table 37
Municipal Court
The Woodlands Incorporation Study

Item	Size		Total
Building Size			
Large Courtroom	2,500		
Small Courtroom	1,000		
Collection Desk/Admin Offices	3,000		
Judge Office	500		
Jury Room	500		
Holding/Detention Cell	500		
Security Room	500		
Wating/Vending	750		
Restrooms	750		
Total (Sq. Ft.)	**10,000**		
FAR	0.15		
Land Size (Sq. Ft.)	**65,000**		
Land Size (Acres)	**1.49**		
Development Costs ($)			
Land Cost	**65,000**	$15	**$975,000**
Building Costs			
Hard Costs	10,000	$220	$2,200,000
Systems[1]		10%	$220,000
Total Building Costs			**$2,420,000**
Soft Costs		25%	**$605,000**
Total Cost ($)			**$4,000,000**
All in Cost w/o Land (per building sq. ft.)			**$303**
All in Cost w/ Land (per building sq. ft.)			**$400**

[1]Security/Card Readers, CCTV, PA System

Note: Figures may vary based on rounding

Source: City of Sugar Land; Edwards & Associates Architecture; RS Means; Economic & Planning Systems

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MUD Consolidation

Water, wastewater, and stormwater management are currently delivered to Township residents via 14 separate Municipal Utility Districts (MUDS). Of these MUDs, 12 are located in Montgomery County (11 are managed by the JPA) and two are located in Harris County. Each MUD assesses residents a property tax for both outstanding debt service associated with the upfront capital investments in water and sewer systems and a portion of ongoing operations costs. The costs of debt service and operations are specific to each MUD; thus, each MUD has a different property tax rate. Upon incorporation, all MUDs in the Township will need to be dissolved and consolidated.

A small portion of homes in Grogan's Point are located within the Township boundaries but in a MUD (WCID/MUD No. 1) that is predominately outside the Township boundaries and not managed by JPA. The portion of debt associated with these homes will need to paid off before these homes can be consolidated under the City's Utility Fund There are almost 1,100 homes in MUD No. 1 with a total assessed value of $101.8 million, as shown in **Table 38**. Of these homes, 27 are located inside the Township boundaries, representing 12 percent of the district assessed values. MUD No. 1 has an outstanding debt of $14.4 million. Based on the allocation of assessed values, $1.7 million of this outstanding debt can be assigned to the 27 homes. Thus under incorporation, the City would need to pay off the remaining balance of $1.7 million as a one-time capital cost.

Table 38
Grogan's Point WCID/MUD No. 1 Consolidation
The Woodlands Incorporation Study

Item	Total
# of Homes	1,096
Total Assessed Value	$101,829,410
# of homes inside of Township	27
Assessed Value of homes inside Township	$11,874,930
	12%
MUD No. 1 Outstanding Debt	$14,435,298
	12%
Required Balance Payment	**$1,683,385**

Note: Figures may vary based on rounding
Source: JPA; Economic & Planning Systems
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The combined outstanding debt balance of both Harris County and Montgomery MUDs is estimated at $297.9 million, as shown in **Table 39**. MUD debt property tax rates range from $0.00 to $0.75 per $100 of assessed value, totaling $25.7 million in annual revenue. The MUD Operations (O & M) property tax rates range from $0.00 to $0.24 per $100 of assessed value, totaling $7.3 million in annual revenue. Thus, total annual MUD expenses are approximately $33.1 million.

Under consolidation, the capital debt from all MUDs is assumed to remain at the same terms. Thus, annual debt payments under incorporation are estimated to total $25.7 million. The consolidated payment from operations and can either continue to be funded with property tax or can be incorporated into user fees on the water and wastewater utility bill. This analysis assumes the continued use of property tax to pay for a portion of operations. Thus, O & M costs would likely to continue to average $7.3 million, resulting in a total of $33.1 million in annual MUD expenses under incorporation. Based on a taxable value of $12.6 billion, a newly established City Utilities Fund would need to levy $0.2633 per $100 of assessed value. Thus, this rate would represent an increase in taxes for several of the MUDs that no longer have outstanding debt and a decrease for a number of MUDs that currently charge higher rates, as shown in **Figure 3**.

Table 39
MUD Consolidation
The Woodlands Incorporation Study

Item	Debt Balance	Debt Payment	Operations	Total	Taxable Value	Debt Rate	Operations	Total Rate
Harris County MUDs								
386	$71,405,000	$4,707,856	$1,506,514	$6,214,369	$627,714,077	0.75	0.24	**0.99**
387	$0	$0	$0	$0	$672,311	0.00	0.00	**0.00**
Total	**$71,405,000**	**$4,707,856**	**$1,506,514**	**$6,214,369**	**$628,386,388**			
Montgomery County								
1 [1]	$0	$0	$0	$0	$11,281,184	0.00		**0.00**
2	$710,000	$189,662	$79,026	$268,688	$158,051,537	0.12	0.05	**0.17**
6	$0	$0	$512,130	$512,130	$585,291,890	0.00	0.09	**0.09**
7	$6,545,000	$1,100,310	$193,037	$1,293,346	$772,147,140	0.14	0.03	**0.17**
36	$0	$0	$169,482	$169,482	$423,705,559	0.00	0.04	**0.04**
39	$16,360,000	$1,590,909	$122,378	$1,713,286	$407,925,257	0.39	0.03	**0.42**
40	$2,875,000	$551,647	$551,647	$1,103,294	$689,558,983	0.08	0.08	**0.16**
46	$106,480,000	$7,179,351	$1,092,510	$8,271,860	$3,121,456,781	0.23	0.04	**0.27**
47	$34,635,000	$3,716,047	$1,205,204	$4,921,251	$2,008,674,024	0.19	0.06	**0.25**
60	$22,350,000	$2,673,303	$758,640	$3,431,943	$1,445,028,548	0.19	0.05	**0.24**
67	$19,185,000	$1,878,091	$701,704	$2,579,795	$825,534,395	0.23	0.09	**0.31**
Metro	$17,320,000	$2,150,715	$444,976	$2,595,691	$1,483,251,996	0.15	0.03	**0.18**
Total	**$226,460,000**	**$21,030,034**	**$5,830,734**	**$26,860,768**	**$11,931,907,294**			
Consolidated Total	**$297,865,000**	**$25,737,889**	**$7,337,248**	**$33,075,137**	**$12,560,293,682**	0.20	0.06	**0.26**

[1]District 1 includes only 27 homes of district. See MUD PMT Case Study.

Note: Figures may vary based on rounding

Source: JPA; Economic & Planning Systems

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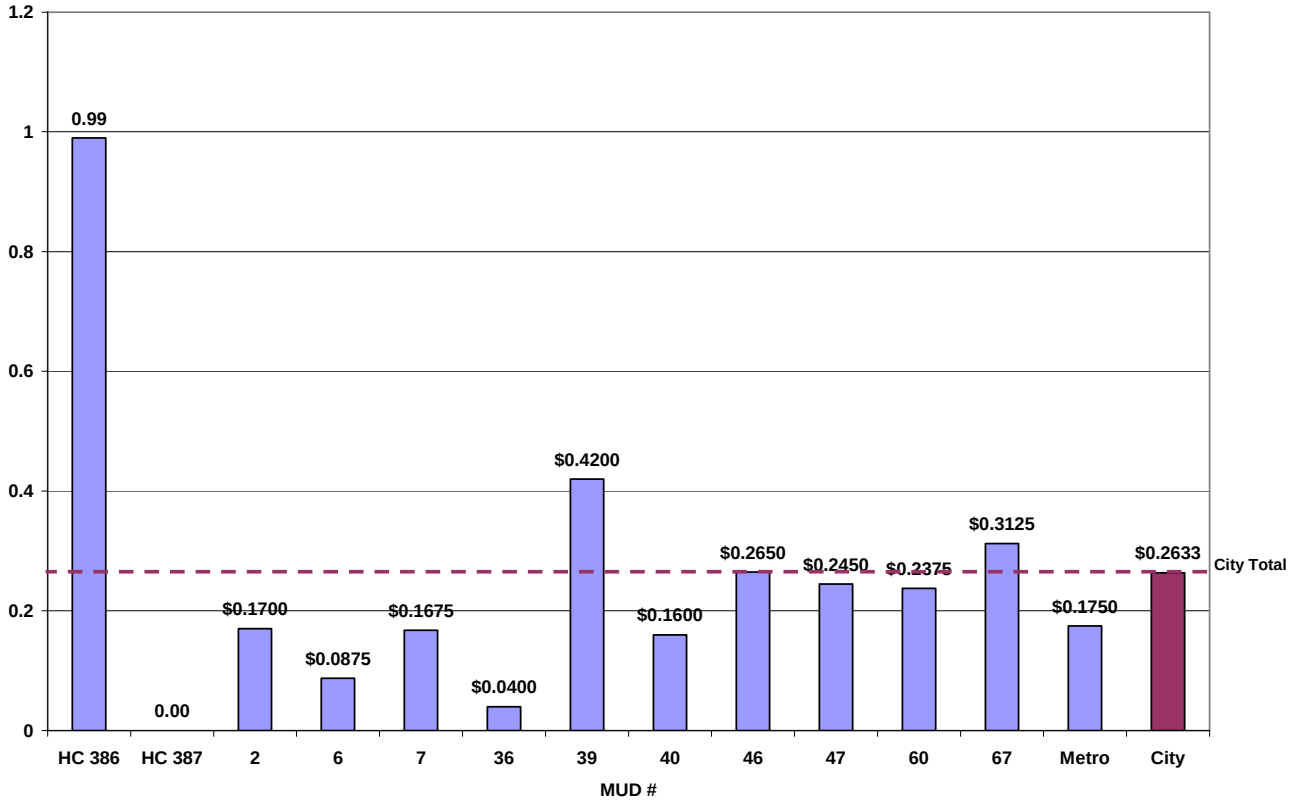
Figure 3
Utility Property Tax Rate Comparison
The Woodlands Incorporation Study



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4. REVENUE SOURCES

This chapter of the report estimates expected revenues by major revenue sources under the incorporation scenario based on current tax rates or other assumptions as noted. These revenue levels are compared to the estimated costs of incorporation to determine the need for tax increases in Chapter 5.

Revenues by Source

These revenue sources include Property Tax, Sales and Use Tax, Other Taxes (Hotel Occupancy Tax, Event Tax, Mixed Beverage Tax), Utility Access and Franchise Fees, Other/User Fees, Permits and Licenses, Fines and Forfeitures, Grant/Contributions, Interest Income, Other Income, and Transfers In. Revenues are either estimated using existing 2012 Township budget projections or using average revenue factors derived from the peer cities. Expected Annual Revenues under the incorporation scenario total $142.1 million as shown in **Table 40** and explained by source below.

Property Taxes

The Township's current property tax rate for FY 2012 is $0.3250 per $100 of assessed valuation, which is slightly lower than last year's rate of $0.3274. The total assessed valuation is $12.5 billion which is expected to generate $40.5 million in annual property taxes to the General Fund. Under incorporation, this revenue is assumed to be constant. Provided other financing sources do not make up the difference, the working assumption for the incorporation scenarios is that the property tax rate may need to be increased in order to fund the additional required City staffing and services and debt service of one-time capital expenditures.

The Township MUDs (Harris and Montgomery County) currently levy property taxes ranging from $0.00 to $0.99 per $100 of valuation generating a total of $33.1 million in revenue. Under incorporation, EPS assumes the existing outstanding MUD debt and operating and maintenance (O & M) costs will be consolidated. Based on total assessed value, the new City Utility Fund rate is anticipated to total $0.2600 per $100 of assessed valuation, resulting in collections of $33.1 million in property taxes between Harris and Montgomery County.

Sales and Use Taxes

The Woodlands Township levies a base sales and use tax of 1.0 percent. The Township also levies an incremental 1.0 percent Economic Development Zone sales tax that at this point in time is used for EDZ project debt service (convention center) and public safety. The combined 2.0 percent local sales taxes in addition to the State tax rate of 6.25 percent is equal to the 8.25 percent maximum allowable combined tax rate under Texas State Statutes. The Township's combined 2.0 percent sales tax rate is expected to generate $33.6 million in revenues in 2012. Under incorporation, these revenues are estimated to remain unchanged. The new city would be expected to levy either a 2.0 percent general purpose sales tax or a 1.5 percent general purpose sales tax and a 0.5 percent Option 4B Economic Development Corporation sales tax. In either case, the City would be able to generate the same total of 2.0 percent sales taxes as currently

collected. Thus, EPS estimates total sales tax revenue of $33.6 million annually. This revenue is split between the General Fund ($31.5 million) and Other Funds ($2.1 million).

Other Taxes

Hotel Occupancy Tax

The Township levies a 9.0 percent tax on the price paid for a hotel room in the Township. This is in addition to the 6.0 percent rate paid to the State for a total combined rate of 15.0 percent. Under incorporation, the City would lose the ability to levy the supplemental Hotel and Occupancy Tax of 2.0 percent. Thus, the total Hotel and Occupancy Tax rate for the City would be 7.0 percent or approximately $3.9 million annually.

Event Tax

The Township levies a tax on event ticket sales at the Cynthia Woods Mitchell Pavilion. Upon incorporation, the City would lose the ability to levy this tax. Thus, no revenue for Event Tax is estimated.

Mixed Beverage Tax

The State of Texas charges restaurant and bar establishments a 14 percent tax on liquor for mixed drinks, not including beer and wine. The Township does not receive an allocation of this revenue. However as an incorporated city, The Woodlands would receive 8.365 percent of this tax or 1.13 percent. Based on an analysis of peer cities, a city collects an average of approximately $1.35 per capita. Applying this factor to the Woodlands, annual Mixed Beverage Tax collections are estimated to total $127,000.

Franchise Fees

The Woodlands Development Company currently charges utility access fees for the use of developer owned property for utility lines. Municipalities typically charge franchise fees for the use of publicly owned rights of way for that same function.

Upon buildout, EPS assumes the Developer will relinquish its responsibilities for utility easements when its residential development is complete and will sell or convey these properties to the City. Thus, under incorporation, the City would be able to charge the utility providers an appropriate franchise fee. This assumption will require further legal review and confirmation, but at this time it is anticipated that any potential Franchise Fee revenue would be dedicated toward future parks and recreation capital expenditures. Based on an analysis of peer cities, a city collects an average of $57 per capita. Applying this factor to The Woodlands, annual franchise fee collections are estimated to total $5.3 million.

User Fees

Township User Fees include program revenues from Recreation, Aquatics, and CVB programs. Under incorporation, these fees would continue to be collected. Thus, based on the 2012 Township budget projections, a total of approximately $3.8 million is estimated to be collected. Of this $3.8 million, $2.9 million will be collected in the General Fund and $818,000 will be collected in Other Funds.

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Permits and Licenses

Permit Fees and Licenses include administrative fees for interest and rebilling, covenant administration, and recreational vehicle storage. Under incorporation, a city can charge permit fees for development plan review, building permits, and building inspections. These fees are generally calibrated to recover the costs of the services provided. Based on an analysis of peer cities, annual permit fees and licenses are estimated to average $26 per capita under incorporation. Applying this factor to populating of The Woodlands, EPS estimates annual permit and license fees to average $2.4 million.

Fines and Forfeitures

A city with an established Municipal Court can collect fines and forfeitures, including traffic and non-traffic fines, warrants, arrest fees, watering restriction violation charges, and other potential fines. Based on an analysis of peer cities, annual fines revenue averages approximately $16.00 per capita. Applying this factor to The Woodlands, EPS estimates annual fines revenue to average $1.5 million.

Grants/Contributions

The Township receives grants and contributions from outside governments (federal, state) and organizations. Under incorporation, a city would also expect to receive grant revenue. Based on an analysis of peer cities, annual grant contributions average approximately $0.60 per capita. Applying this factor to The Woodlands, EPS estimates annual grant contributions of $56,000.

Interest Income

The Township receives a total of $720,00 in interest income on its reserve balances and deposits. Of this $720,000, $589,334 is collected in the General Fund and $131,00 is collected in Other Funds. Under incorporation, the City will continue to collect this income, or a total of $720,000.

Other Income

The Township collects approximately $920,000 from a number of other revenues classified as "Other Income." These revenues include dispatch agreements, sale of property, convention center leases, environmental services, fees in lieu of taxes, and contracted services. These revenues will continue under incorporation. Thus, EPS estimates annual Other Income of approximately $920,000.

Transfers In

A portion of revenue collected by the General Fund is transferred to Other Funds. Thus in 2012, the Township anticipates transferring approximately $16.0 million to various Other Funds. This will not change as a result of incorporation. Thus, approximately $16.1 million of transfer revenue is anticipated into Other Funds.

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Total Revenues

Specific revenue is collected in specific funds based on earmarked costs. The General Fund is the primary account for governmental services. Other Funds include debt service, special revenue, capital outlay, capital reserves, and the CVB. Based on estimated collections and transfers established in The Woodlands 2012 Budget, annual City revenue generated to the General Fund under incorporation is estimated to total approximately $89.9 million. Annual revenue generated to the Other Funds is estimated to total $19.1 million. Annual revenue generated to the newly established Utilities Fund is estimated to total $33.1 million. Annual City revenue, including all funds, is estimated to total $142.1 million.

Table 40
Total Revenue
The Woodlands Incorporation Study

Item	Township			Methodology			City				
	General Fund	Other Funds	Total	Method	Factor	Unit	General Fund	Other Funds	Total	Utilities Fund	Total
Property Tax	$40,498,958	$0	$40,498,958	Existing	---	---	$40,498,958	$0	$40,498,958	$33,075,137	$73,574,096
Sales Tax											
General Sales and Use Tax	$16,849,482	$0	$16,849,482	Existing	---	---	$16,849,482	$0	$16,849,482		$16,849,482
EDZ Sales and Use tax	$14,668,185	$2,128,268	$16,796,453	Existing	---	---	$14,668,185	$2,128,268	$16,796,453		$16,796,453
Subtotal	**$31,517,667**	**$2,128,268**	**$33,645,935**	Existing	---	---	**$31,517,667**	**$2,128,268**	**$33,645,935**	**$0**	**$33,645,935**
Hotel Occupancy Tax					---	---					
Hotel Occupancy	$3,930,620	$0	$3,930,620	Existing	---	---	$3,930,620	$0	$3,930,620		$3,930,620
Supplemental Hotel Occupancy	$1,123,034	$0	$1,123,034	---	---	---	$0	$0	$0		$0
Subtotal	**$5,053,654**	**$0**	**$5,053,654**	Existing	---	---	**$3,930,620**	**$0**	**$3,930,620**	**$0**	**$3,930,620**
Event Tax	$50,000	$0	$50,000	---	---	---	$0	$0	$0		$0
Mixed-Beverage Tax	$0	$0	$0	Peer City	$1.35	Per Capita	$127,000	$0	$127,000		$127,000
Utility Access/Franchise Fees	$0	$0	$0	Peer City	$57.00	Per Capita	$5,349,000	$0	$5,349,000		$5,349,000
User Fees	$2,940,050	$817,680	$3,757,730	Existing	---	---	$2,940,050	$817,680	$3,757,730		$3,757,730
Impact Fees	$0	$0	$0	---	---	---	0		$0		$0
Permit Fees and Licenses	$347,100	$0	$347,100	Peer City	$26.00	Per Capita	$2,440,000	$0	$2,440,000		$2,440,000
Fines	$0	$0	$0	Peer City	$16.50	Per Capita	$1,548,000	$0	$1,548,000		$1,548,000
Grants/Contributions	$32,000	$0	$32,000	Peer City	$0.60	Per Capita	$56,000	$0	$56,000		$56,000
Interest Income	$589,334	$130,825	$720,159	Existing	---	---	$589,334	$130,825	$720,159		$720,159
Other Income	$920,453	$0	$920,453	Existing	---	---	$920,453	$0	$920,453		$920,453
Transfers In	$0	$16,013,311	$16,013,311				$0	$16,013,311	$16,013,311		$16,013,311
Total	**$81,949,216**	**$19,090,084**	**$101,039,300**				**$89,917,082**	**$19,090,084**	**$109,007,166**	**$33,075,137**	**$142,082,304**

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Working Paper #1:Financial Assumptions; Economic & Planning Systems

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5. NET FISCAL IMPACTS

To understand the fiscal implications of incorporation, projected City expenses must be netted against projected City revenue. The majority of revenue and expenses will be collected and spent in the City General Fund. However, the Township currently has a number of other funds that it uses to collect certain revenues earmarked for specific expenses. These include debt service, special revenue, capital outlay, capital reserves, and the CVB. These are collectively categorized as Other Funds for the purpose of this analysis. In addition, EPS assumes that the City will manage the water, wastewater, and stormwater services in a separate Utilities Funds.

Model Results

Based on the projected revenues and expenses, as well as existing revenue and expenses in the 2012 Township budget, annual operating revenues generated to the City General Fund under incorporation are estimated to total approximately $89.9 million, as shown in **Table 41**. Annual operating expenses generated to the City General Fund are estimated to total approximately $112.7 million, resulting in an annual shortfall of $22.7 million. This shortfall will need to be paid for through tax increases or alternative revenue sources.

Based on the Township 2012 Budget, annual revenue generated to Other Funds is estimated to total $19.1 million. Annual Other Fund expenses under incorporation are estimated to total $31.1 million, resulting in a shortfall of nearly $12.0 million. Based on the 2012 Township Budget, this shortfall will be paid for out of existing bond proceeds and does not require an expansion of revenue.

In addition to annual Other Fund expenses, EPS estimates one-time capital expenditures generated as a result of incorporation to total $145.7 million. These one-time costs will need to be borrowed. Assuming the new city chooses to refinance 100 percent of these costs in the initial year, the annual debt service required as a result of these one-time costs is estimated to total $9.2 million. This $9.2 million also represents a shortfall that will need to be paid for out of an increase in revenue sources.

Netting combined estimated annual revenue and expenditures, EPS estimates a total annual shortfall of $34.7 million and an additional $9.2 million in annualized debt service from projected one-time expenditures.

Finally, EPS estimates annual revenue of $33.1 million in property taxes to the Utilities Fund. This revenue is offset by the estimated $33.1 million in annual expenses (debt service and operations).

Table 41
Revenue and Expense Net Results
The Woodlands Incorporation Study

Item	General Fund Annual	General Fund One-Time	Other Funds Annual	Other Funds One-Time	Total Annual	Total One-Time	Utilities Fund Annual	Utilities Fund One-Time
Revenue								
Property Tax	$40,498,958		$0		$40,498,958	$0	$33,075,137	
Sales Tax	$31,517,667		$2,128,268		$33,645,935	$0		
Other Tax	$4,057,620		$0		$4,057,620	$0		
Franchise Fees	$5,349,000		$0		$5,349,000	$0		
Other Fees	$2,940,050		$817,680		$3,757,730	$0	$0	
Permits/Licenses	$2,440,000		$0		$2,440,000	$0		
Fines	$1,548,000		$0		$1,548,000	$0		
Grants/Contributions	$56,000		$0		$56,000	$0		
Other	$1,509,787		$130,825		$1,640,612	$0		
Transfers In			$16,013,311		$16,013,311	$0		
Total	**$89,917,082**	**$0**	**$19,090,084**	**$0**	**$109,007,166**	**$0**	**$33,075,137**	**$0**
Expenditures								
General Government	$12,164,103			$0	$12,164,103	$0		
Public Safety	$42,592,053			$7,267,000	$42,592,053	$7,267,000		
Public Works	$10,754,056			$136,708,381	$10,754,056	$136,708,381		
Parks and Recreation	$12,917,688			$0	$12,917,688	$0		
Parks and Recreation Capital Projects	$5,349,000			$0	$5,349,000	$0		
Planning and Development Services	$4,511,782			$0	$4,511,782	$0		
Economic Development	$1,032,670			$0	$1,032,670	$0		
Solid Waste	$5,084,055			$0	$5,084,055	$0		
Other Expenditures	$2,221,082			$0	$2,221,082	$0		
Transfers Out	$16,013,311			$0	$16,013,311			
CVB			$2,884,457		$2,884,457	$0		
Debt Service			$8,916,220		$8,916,220	$0		
Capital Projects			$15,123,127		$15,123,127	$0		
Capital Reserves			$4,130,000		$4,130,000	$0		
Utilities Fund			$0	$1,683,385	$0	$1,683,385	$33,075,137	$0
Total	**$112,639,800**	**$0**	**$31,053,804**	**$145,658,766**	**$143,693,604**	**$145,658,766**	**$33,075,137**	**$0**
Ann. One-Time/Debt Service[1]		**$0**		**$9,207,011**		**$9,207,011**		**$0**
Adjusted Total	**$112,639,800**	**$0**	**$31,053,804**	**$9,207,011**	**$143,693,604**	**$9,207,011**	**$33,075,137**	**$0**
Net[1]	**($22,722,717)**	**$0**	**($11,963,720)**	**($9,207,011)**	**($34,686,437)**	**($9,207,011)**	**$0**	**$0**

Note: Debt Assumptions: Interest Rate 4.75%
Term (Years) 30

[1] The Township is using existing bond proceeds to pay for approximately $12.0 million of 2012 annual expenditures in Other Funds. The shortfall as a result of incorporation that will be funded by new property tax is approximately $32.0 million.

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Working Paper #1:Financial Assumptions; Economic & Planning Systems

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Additional Revenue Requirements

Because the City's 2.0 percent combined sales tax rate is already at the state legislated maximum, the most likely source of additional revenue is property tax. Based on the identified General Fund operating shortfall of $22.7 million, the City would need to add an additional property tax rate of $0.1825 per $100 of assessed value. Because the shortfall in annual Other Funds will be funded out of existing bond proceeds, no impact to property taxes is estimated. The $9.2 million in annual debt service from one-time costs requires an additional property tax rate $0.0739. In total, the necessary property tax rate required to fund the expansion of services under incorporation is estimated to be $0.5814 per $100 of assessed valuation. This represents a rate increase of $0.2564, or 78.9 percent above the existing tax rate of 0.3250.

Because of the consolidation of MUD debt and O & M, total revenue and expenditures under incorporation remain the same. However, the consolidation results in a new city-wide rate of $0.2633. This rate would represent an increase in taxes for several of the MUDs that no longer have outstanding debt and a decrease for a number of MUDs that currently charge higher rates.

Table 42
Net Summary and Property Tax Impact
The Woodlands Incorporation Study

Item	General Fund		Other Funds		Total	Utilities Fund
	Annual	One-Time	Annual[1]	One-Time		
Revenue	$89,917,082	$0	$19,090,084	$0	**$109,007,166**	$33,075,137
Expenditure	$112,658,223	$0	$31,053,804	$9,207,011	**$152,919,038**	$33,075,137
Net	**($22,741,140)**	**$0**	**($11,963,720)**	**($9,207,011)**	**($43,911,872)**	**$0**
Net from Incorporation	**($22,741,140)**	**$0**	**$0**	**($9,207,011)**	**($31,948,152)**	**$0**
Current Property Tax (per $100)	$0.2599	$0.0000	$0.0651	$0.0000	$0.3250	varies
Additional Property Tax (per $100)	**$0.1825**	**$0.0000**	**$0.0000**	**$0.0739**	**$0.2564**	**---**
Potential Property Tax Rate (per $100)	**$0.4424**	**$0.0000**	**$0.0651**	**$0.0739**	**$0.5814**	$0.2633
% Change	**70.2%**				**78.9%**	**---**

[1]The Township is drawing from existing bond proceeds to fund the 2012 Other Funds $12.0 millino annual shortfall. Thus, new property tax would be used to fund this shortfall and the existing rate will remain the same

Note: Figures may vary based on rounding

Source: 2012 The Woodlands Township Budget; Working Paper #1:Financial Assumptions; Economic & Planning Systems

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