



THE WOODLANDS TOWNSHIP

The Woodlands, TX

Incorporation Fact Sheet – August 11, 2017

Overview of The Woodlands Township

Prior to 2007, government in The Woodlands was fragmented, with the majority of municipal-types of services being provided through three major non-profit community associations and a number of governmental entities. Through a series of agreements, legislation and voter approval, the three community associations merged with the Town Center Improvement District to create The Woodlands Township.

Prior to 2007, the Community Associations of The Woodlands provided services such as parks, community maintenance, deed restriction enforcement, fire department, trash and recycling services through the management of property covenants and collection of annual ad valorem property assessment fees. These property covenants and deed restrictions were placed on all residential and commercial properties as the properties were developed within The Woodlands master-planned community.

The Town Center Improvement District (TCID) was a special purpose governmental entity that included an area of less than 2 square miles in The Woodlands Town Center. TCID was created by state enabling legislation in 1994 for the purpose of economic development. During its early years, TCID used sales tax receipts and room tax collections to stimulate economic development within the District and to fund The Woodlands Convention and Visitors Bureau.

Other governmental entities providing major services to the community include Municipal Utility Districts (MUDs) for water, sewer and drainage management, and Montgomery County and Harris County for base level services such as law enforcement, road construction and maintenance.

The property within the Township is also within the extraterritorial jurisdictions (ETJs) or annexation area of the City of Houston and the City of Conroe. Prior to 2007, The Woodlands MUDs had an agreement with the City of Houston that deferred any annexation consideration until 2014.

In the 2007 session of the Texas Legislature, legislation was approved that provided the ability to enter into Regional Partnership Agreements with the City of Houston and the City of Conroe to allow The Woodlands to control its future. The RPA provided that the Township would contribute funding throughout the term of the RPA and the cities would agree to allow the

Township to determine its future form of governance, including incorporating as a municipality through 2057.

The legislation also led to the creation of The Woodlands Township as it currently exists, which was a consolidation of the Community Associations of The Woodlands and the Town Center Improvement District as a single special purpose district serving the entire community. This change in structure required a majority vote of Woodlands residents to affirm expanded boundaries of TCID to encompass the entire community, restructuring of the Board of Directors to seven community elected at-large Director positions and to authorize the implementation of a property tax levy to replace the Community Association assessments. The voters of The Woodlands voted overwhelmingly to approve the ballot measure creating The Woodlands Township. This change was the first step in consolidating the community's government and services.

What type of local government is The Woodlands Township?

The Woodlands Township is a governmental unit called a special purpose district. The authority and responsibilities of The Woodlands Township are specifically authorized through its enabling legislation, as defined by the State of Texas.

Is The Woodlands Township considered a city government?

No. The Woodlands Township is a special purpose district created by the state legislation. The purposes, authority and responsibility provided through the Township's special district enabling legislation allows the Township to provide certain community services and fund these services primarily through a property tax levy, sales tax and room tax. The Township's services and responsibilities are similar to city government responsibilities, but also contains some very substantial differences.

The County governments are responsible for providing basic services such as roads, law enforcement, traffic management, traffic regulation and traffic enforcement services to Woodlands residents. Township funding is used to enhance the county basic services and to provide additional services to Township residents.

How is the authority and responsibility of the Township (a special purpose district) different than a city government?

The Township (as a special purpose district) relies on County government to provide basic services within The Woodlands such as roads, law enforcement, traffic management, traffic regulation, traffic enforcement and court services. Basic land use planning and plat approval in The Woodlands is provided through the overlapping county governments and city governments with overlapping extraterritorial jurisdictions (ETJs).

Utility service and drainage system management in The Woodlands is provided through the Municipal Utility Districts.

Per its enabling legislation, the Township can only enhance (not supplant) these basic services provided by others. The Township is allowed to make and enforce rules on property that it owns such as parks and pathways but cannot pass ordinances or regulations to regulate or restrict activity within its boundaries on property not owned by the Township.

A city government does not rely on the county government to provide most basic local government services. A city government is responsible for providing law enforcement services, roads, traffic management, traffic regulation, traffic enforcement, municipal court, land use regulation, development approval, and develops community regulations (ordinances). These services can be provided by the city government or the city can contract with others (such as the county government) to provide the services. A city government can also pass ordinances and regulations as allowed by state statute or by their charter (if home rule).

What services are currently provided by The Woodlands Township?

- Contract law enforcement (enhanced)
- The Woodlands Fire Department
- Community maintenance – right-of-way mowing, neighborhood entry maintenance, street lights, annual cul-de-sac island maintenance
- Covenant Administration
- Park and Pathway – operation and maintenance
- Recreational programming
- Swimming pool operation and maintenance
- Park Ranger / Town Center Ranger programs
- Town Center public facilities – operation and maintenance
- Recreational programming
- Environmental services – educational programs
- Residential waste and recycling – weekly pick up
- Streetlights
- Emergency management
- Funding for the Regional Participation Agreements
- Capital facility replacements
- Debt service – facilities

What are the current services provided by other entities to Woodlands residents where financial responsibility would be shifted to the “new” city at incorporation?

The primary list of services that require consideration at incorporation are:

- law enforcement services
- roadway maintenance: road construction and reconstruction
- traffic signals and traffic management

- planning and development services
- municipal court services

There are options that can be considered when determining how best to provide these services including contracting out to third parties or other governmental entities.

What are the current services provided by other entities to Woodlands residents that would be optional to continue under the current structure or could become a responsibility of the “new” city at incorporation?

- water, sewer and storm drainage services (optional / could allow MUDs to continue)
- zoning (optional / new city could continue to enforce Covenants and Deed Restrictions to serve this purpose)

If incorporated, what additional services would be provided through a City of The Woodlands?

The new city would have certain financial responsibilities whether directly by hiring personnel or contracting with others for the following:

- The new city would have ordinance making authority.
- The new city will have the responsibility for municipal court operations or these services may be contracted out.
- The new city would assume responsibility for maintenance of most roadways and right-of-way within the Township.
- The new city would have responsibility for traffic signal operation and management.
- The new city would have responsibility for roadway planning and design.
- The new city would have responsibility for roadway construction and reconstruction.
- The new city would have responsibility for roadway signage.
- The new city would have responsibility for providing basic local law enforcement services; this could be done through a city law enforcement department or through contract services
- The new city will have responsibility for the issuance and management of building permits.
- The new city would have responsibility for planning and zoning, if zoning is implemented.
- The new city would have responsibility for providing water, sanitary sewer and drainage, if the existing MUD’s are incorporated into the new city operations.

Will the Regional Participation Agreement (RPA) with the City of Houston remain in place if the Township incorporates?

Yes. The RPA has a term of 99 years and was executed in 2007. The RPA includes funding provisions for regional projects and also includes a provision that allows the Township to implement self-governance any time prior to 2057. Incorporation by The

Woodlands would not impact the term of the RPA agreement, which would continue for its 99-year term.

How long can the Township government continue to operate as a special purpose district without being annexed by the City of Houston?

Per the RPA, the Township has until 2057 to determine its future form of governance.

What is the Township's incorporation process as established by legislative changes in the 2017 State Legislative session?

The 2017 legislation provides the Township Board of Directors with the sole authority to call an incorporation election.

The legislation allows the Township to consider incorporating as a Type A, Type B or Type C General Law Municipality (as determined by the Township Board) when an incorporation election is called.

As provided by statute, the incorporation ballot initiative placed before voters must state the maximum property tax rate that can be imposed at time of incorporation and this maximum tax rate must be approved by a majority of the voters as part of the incorporation election.

The legislation provides that when the incorporation of the territory of the Township is approved by a majority of Township voters in an incorporation election that:

- The dissolution of the Township occurs when the new city is created.
- The new city government will assume all assets, liabilities, obligations, rights, powers, duties, purposes, bond and tax authorizations, functions and responsibilities of the Township as the successor entity.
- The governing body of the Township will serve as the temporary governing body of the new city government.
- The temporary governing body (Township Board of Directors) shall order the election to elect the permanent governing body.

What existing Township revenue sources cannot be continued or transferred to the new city at time of incorporation?

No revenue will be lost at incorporation; however, the current unrestricted hotel occupancy (HOT) tax of 7% would become restricted at time of incorporation and can only be used in the manner authorized for cities of similar size. The Township is currently able to issue revenue debt with debt service secured by sales tax and room tax collections. After incorporation, the new city will not be allowed to pledge sales tax and room tax for the repayment of new revenue debt. However, pledged debt at the time of incorporation can continue to be paid through the revenue sources utilized prior to incorporation.

What “new” revenue sources may be available to The Woodlands at time of incorporation?

- Franchise fees
- Building permit fees
- Municipal court fees
- Traffic fines / ordinance violation penalties
- Any Federal or state grant funding specified for cities (that is not available to special districts)
- Any Federal or state grant funding specified for services or capital for which the Township is not currently responsible, but for which the new city would become directly responsible

What will the projected tax rate be at time of incorporation?

The projected tax rate at incorporation is unknown at this time. It is anticipated that a tax rate study will be done prior to developing a ballot initiative for consideration by the voters. As stated earlier, the ballot question required by state law must include the maximum property tax rate that can be imposed at time of incorporation.

Who would call the general election for incorporation and place the question on the ballot?

The Woodlands Township Board of Directors can call the incorporation by a majority vote of the Board.

Will incorporation increase the cost of local government operations in The Woodlands?

The net local government cost associated with incorporation is unknown at this time. As stated earlier, it is anticipated that a tax rate study will need to be completed prior to developing a ballot initiative for consideration by the voters. The ballot question is required by state statute to include the maximum tax rate that can be imposed at time of incorporation.

What is the suggested factual information to be developed prior to presenting an incorporation option to voters?

- Incorporation – increased abilities / restrictions / gap analysis
- Costs / benefits
- Financial analysis / Tax rate study
- Street condition analysis and projection of costs
- Public forums for community feedback
- Legal review

Will the existing Municipal Utility Districts (MUDs) be merged into the new city at incorporation?

This determination will need to be made prior to an incorporation election. If not merged into the new city, the MUDs would continue as separate governmental entities with elected boards/officials and the new city would have no authority over these entities.

Will the county property tax rate decrease if the Township incorporates?

The County Commissioners establish the property tax rate to support county-wide services provided through the county government. Most of the county taxes are used to support general county services and outstanding debt. The property owners within the new city of The Woodlands would continue to be required to pay the county property tax even though residents would receive a reduced level of services from the county government after incorporation. It is unknown if the County Commissioners would reduce the county tax levy as a result of Township incorporation; however, any reduction in the county tax rate would be countywide, not limited to properties located within the Township boundaries.

What is the projected timing for consideration of incorporation by Woodlands voters?

No current timeline has been established. The RPA and current statutory provisions allow the Township Board of Directors to call for an incorporation election at a general/uniform election (May or November). This process could move forward at any future general/uniform election date, provided that the statutory time provisions for calling the election are met. At the current time, that would require calling an election a minimum of 78 days prior to the uniform election date.

The determination of when an incorporation election is called will be determined by the Township Board of Directors, and may depend on the timing required to develop an initial tax rate to support city services to be adopted as part of the incorporation election.

If a ballot question regarding incorporation were placed on a future election ballot, what would voters be deciding in that general election?

The ballot question as required by statute, must be printed to permit voters to vote for or against the proposition to authorize incorporation *and* to adopt an initial maximum property tax rate to be set at incorporation (both of which must be stated on the ballot and approved by voters in order for incorporation to occur).

If the voters approve an incorporation ballot initiative, when would the new elected officials for the City government be elected?

It is anticipated that the election of the new city officials would occur at a special election called following a favorable incorporation vote. The Township Board of Directors would assume responsibility as temporary elected officials for new city until an election can be held for the new city council. The election of city officials could be called at any time after the Township Board completes the canvassing of the votes from the balloting initiative, but must be completed no later than the next uniform election date. If a special

election is desired, current statutory provisions require that the election must be called a minimum of 62 days in advance of the election date.

If The Woodlands votes to incorporate, would the new “city” of The Woodlands become a General Law City or a Home Rule City?

Per state constitution and statute, The Woodlands must first incorporate as a General Law City. The Woodlands may become a Home Rule City at some point in the future (after initial approval of incorporation by the voters as a General Law City). The Woodlands already meets the population requirements for a Home Rule City; however, under existing statutes, voters would have to first incorporate as a General Law City and then approve a charter at a future election in order to become Home Rule.

What are the characteristics of a General Law City?

There are three types of General Law City incorporations that can be considered by The Woodlands at initial incorporation.

- *Type A General Law City* typically has a City Council with a Mayor and five Councilmembers (can be elected by district or at large)
- *Type B General Law City* typically has a Mayor and five aldermen elected at large.
- *Type C General Law City* typically has a Board of Commissioners and consists of a Mayor and two commissioners.

As a matter of reference, most General Law cities have populations under 5,000.

The legislation allows the Township to consider incorporating as a Type A, Type B or Type C General Law Municipality and the Township Board would designate the type of city when ordering the incorporation election.

What are the characteristics of a Home Rule city?

Home rule is the right of citizens at the grassroots level to manage their own affairs with minimum interference from the state.

- Home Rule Cities must have populations in excess of 5,000.
- The citizens of a Home Rule City can
 - decide on their form of municipal government (mayor – council form or council – city manager form)
 - Choose between a large or small city council
 - Provide for election at large or by single member district
 - Fix the terms of office for councilmembers
 - Choose if mayor is elected by residents or chosen by city council
 - Provide for election or appointment of major administrative officials
 - Determine creation of boards or commissions

What is the difference in authority for a General Law City versus a Home Rule City?

A General Law city has no authority to act unless the State legislature gives them the specific authority to do so.

A Home Rule City derives its authority via a charter approved by the voters and has authority to act on any matters unless specifically restricted by state constitution or state statute.

How can the Township become a Home Rule City?

At the time of incorporation, the first step in the process is to become a General Law City. Once incorporated as a General Law City, the voters can then separately vote to become a Home rule city and in so doing adopt a Charter. The Local Government Code dictates the process that must be followed in developing the initial city charter as well as amending it once approved by the voters. Developing a charter requires establishing a charter commission.