



Memorandum

Date: February 26, 2020

To: The Woodlands Township

From: The Novak Consulting Group

Re: Responses to Incorporation Questions from Mr. Steve Leakey

On January 29, 2020, The Woodlands Township received 18 written questions submitted by Mr. Steve Leakey, a Township resident, regarding incorporation. All emphasis in the questions was initially added by Mr. Leakey. The following memorandum contains preliminary responses to these questions.

Question 1.

The last statistically valid resident survey that asked resident opinion on incorporation resulted in a large majority saying they were opposed to incorporation. What is the Board's view on that result and why is the Board moving on such a rapid pace on incorporation despite that public survey result?

This referenced community survey was completed prior to the initiation of the recent incorporation study. The Board reviewed the survey response and decided to proceed with the incorporation study to gather factual information on incorporation for future consideration.

Question 2.

Why was the incorporation question omitted from the last statistically valid resident survey?

The Board determined that the development of incorporation factual information was necessary to present to the public prior to consideration of additional surveys or survey questions regarding incorporation.

Question 3.

The Board has indicated that before it takes a vote on whether/when to put incorporation on the ballot that another statistically valid survey would be taken including the incorporation question. How will the Board use the results of that survey and what is the scheduled date for that survey?

This matter will be discussed by the Township Board of Directors at one of the future Incorporation planning meetings.

Question 4.

The agreements with Houston and Conroe protect The Woodlands from annexation until 2057. Texas state law says that no entity can be annexed without voter approval. Annexation is not an issue. And yet senior Woodlands officials stated in a recent article in The Woodlands Villager that it was indeed still an issue. Why? And if there is additional legal information involved what is it?

A detailed response to this question is provided in the FAQ questions contained on the Incorporation web site. The specific question is available at:

<https://www.thewoodlandsincorporationstudy.com/about/faqs>

Please see the question under Regional Participation Agreements (RPAs) titled:

- “Legislation was authorized in 2017 and 2019 which provided that cities may not annex property without the consent of the voters in the proposed annexation area. Do these annexation law changes (2017 and 2019) impact the Township’s Regional Participation Agreements (RPAs) with the cities of Houston and Conroe?”

Question 5.

Will the Board please post all legal opinions concerning incorporation on the website for resident review? If not, why not?

The Incorporation web site contains numerous responses in the FAQ to legal questions raised throughout this process. The legal responses in the FAQ provide accurate legal analysis for the questions raised. The Township’s policy is not to release privileged and confidential legal opinions provided to the Board by legal counsel.

Question 6.

The formation of evolution from the community association structure to the current Township structure included active input at all stages for the effort from well over a thousand residents via public seminars/workshops/meetings. That was a very successful way of achieving resident buy in throughout the process and the final outcome taken to the voters. Would the Board consider including such an approach in its incorporation study? If not, why not?

The Township Board of Directors have established a public input and public forum process for the current incorporation study, which has included a large number of planning sessions that are open to the public and include opportunities for residents to address the Board and consultants. A change in the process is not anticipated at this time. The next phase of this study will be discussed at upcoming planning sessions.

Question 7.

Are the MUDs in or out of the current model under review and how certain are we of the legal and financial basis upon which this decision is made?

The MUDs are not included in the current incorporation planning model that is under review. This determination has been evaluated by legal counsel.

Question 8.

Given that a major function of the MUDs is drainage infrastructure management and maintenance, how can The Township truly pursue the whole effort of flood control without actual inclusion of the MUDs in the model?

The Township is presently involved in the flood control effort through the Township's Drainage Task Force. This is a cooperative effort with the MUDs and other agencies that have responsibility for storm water drainage systems in The Woodlands and adjacent areas.

Question 9.

What is the final resolution of the differing legal manifestations of street/road maintenance construction and control over Woodlands streets?

The Township had an extensive study of The Woodlands roadway system done by the HR Green group which is a nationally recognized infrastructure consulting firm. The results of the HR Green study have been included in the incorporation financial analysis. The Township's contracted municipal attorney provided an extensive review of legal authorities over roads at a Board meeting on August 22, 2019, and can be viewed here: <http://woodlandstx.new.swagit.com/videos/31019?ts=3085>.

Question 10.

How would planned street projects, like Kuykendahl four lane expansion from Lake Woodlands to FM 1488 be addressed and funded in the current incorporation model?

The HR Green Study recommends a level of capital improvement funding that has been included in the study. Future major roadway improvements will need to be evaluated for potential funding through federal, state and county funding and local share funding, which may come from allocated budget resources or future bonding.

Question 11.

What is the final impact to residents of utility franchise and access fees in the current incorporation model?

The current financial model includes a projected franchise fee in year two following incorporation of approximately \$7 million.

Question 12.

What sales tax or other tax ramifications are there for residents in the current incorporation model?

The incorporation financial analysis and the proposed maximum initial tax rate will be presented to the Township Board of Directors on February 20, 2020. This report is comprehensive and includes the costs and financial impacts associated with incorporation.

Question 13.

The Board has committed to providing taxpayers both the maximum tax rate for the first year of incorporation and the highest rate possible for the next five years. Given the current changes in Township revenue sources, how can the Board have sufficient information to define a maximum rate five years out?

The Township Board will be presented with a projected initial tax rate which will represent the projected city property tax rate that will be required in year four following incorporation. This projection will be based on the Township's 2020 budget and five year business plan.

Question 14.

The Board has committed to providing the residents with hard financial benefits of incorporation sufficient to at the very least offset the likely 50-75% increase in their property tax rate as a result of incorporation. What will subject areas will those hard (as in not soft, feel good...) benefits include?

The Board will present the incorporation analysis to the public and let the residents make their assessment of the pros and cons of incorporation.

Question 15.

Given the fact that The Township is currently going through a significant transition period (revenue sources, Hughes involvement, residential build out, Township general manager retirement and transition to yet identified replacement...) many suggest that the next year or two would be a very high risk period for a major change like incorporation – as in let's at least wait until we have reached a stable outlook status before even considering incorporation. What is the Board's response to this argument?

The Township Board of Directors will evaluate these issues as they determine if and when this matter will be presented to the voters.

Question 16.

What is the Board's assessment of the risks involved in incorporation (like building a police force from scratch...) and what contingencies are being built in to mitigate such risks?

The law enforcement plan approved by the Board of Directors anticipates a "transition" period for moving from contract law enforcement to a city police department. This plan includes operational and capital funding that will be needed for this transition.

Question 17.

It is unclear to many if not most residents which governmental entity in their community provides which particular services that affect their daily lives. Would the Board consider providing a simple matrix type chart listing who provides what currently, during a transition period to incorporation, and at full implementation of the proposed incorporation model, along with footnote clarifications where needed.

This information is being developed and will be presented as part of community engagement efforts regarding incorporation.

Question 18.

Please provide an updated peer city property tax review and comparison to both current Woodlands resident tax rates and projected post incorporation rates.

This information is being developed and will be presented as part of community engagement efforts regarding incorporation.