



The Woodlands Township Future Governance
**Governance Strategy and Assessment
Report**

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The Woodlands Township, now the official governing body of The Woodlands, was created with the merger of the Community Associations of The Woodlands and Town Center Improvement District (TCID). The Woodlands Township collects an ad valorem property tax, as well as sales and use taxes and hotel occupancy taxes.

In 2007, voters overwhelmingly approved a change in governmental structure that allowed residents to ultimately determine their future and, if so desired, to release The Woodlands from the extraterritorial jurisdiction (ETJ) of and annexation by the cities of Houston and Conroe for a period of 50 years. The Woodlands Township entered into Regional Participation Agreements (RPAs) with both cities that allow residents of The Woodlands to decide their future governance. At that time, TCID changed its name to The Woodlands Township, and the Community Associations entered into an agreement that would transfer services and operations to the Township. The Woodlands Township assumed all responsibilities and services previously provided by the Community Associations on January 1, 2010, and the Community Associations were dissolved. These changes in governmental structure occurred after many years of dialogue and study.

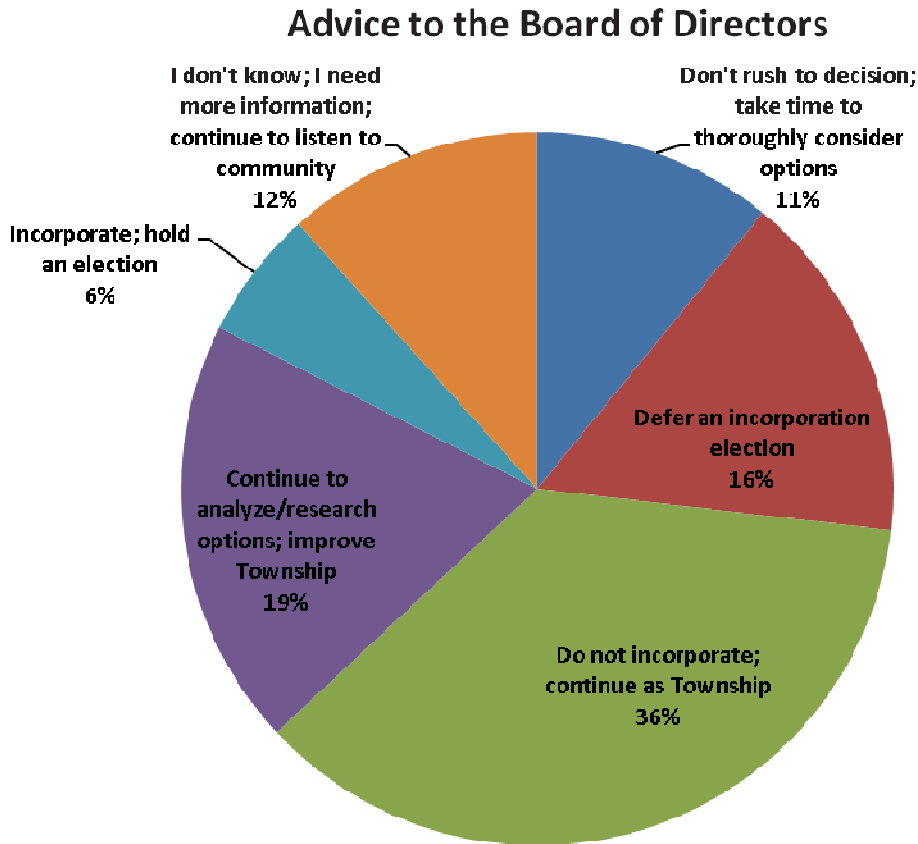
A key provision of the 2007 RPAs provides The Woodlands with the ability to determine its future governance, including the opportunity for a period of 50 years to be released from the ETJs of the cities and to incorporate as a city after May 29, 2014. As this date approaches, the Township's Board of Directors initiated a process to proactively determine if the current governance structure is best suited for the community now and into the future or whether changes need to be made. This process included a "gap analysis" that evaluated the effectiveness of existing service delivery and the potential future need for expanded and/or new services and governing tools as the community evolves, as well as a financial analysis to examine the costs of incorporation. The results of this research were utilized in dialogue held with citizens, businesses, and service providers about future governance for The Woodlands and provides the Board meaningful data to assist with determining what, if any, adjustments need to be made to the current governance structure to lead the community into the future. Partners for Strategic Action, Inc. (PSA) initiated outreach with stakeholders and residents to solicit feedback on the future governance of The Woodlands in March and April of 2012; the feedback received was compiled in a summary report and presented to the Board of Directors in August 2012.

Participants were asked: "If you could speak directly to the Board of Directors, what advice would you give them regarding what should be done next about The Woodlands' governance structure". Nearly 80% of the responses fit into one of the following general categories:

- Don't rush to a decision; take time to thoroughly consider options
- Defer an incorporation election
- Do not incorporate; continue as Township
- Continue to analyze and research options; improve the Township (through ordinance making authority, improved law enforcement, etc.)

- Incorporate; hold an election
- I don't know; I need more information; continue to listen to the community

Of these responses, only 6% recommended incorporating as a municipality or holding an incorporation election. The majority of responses recommended continuing as the present governance structure or deferring an incorporation election.



Based on the gap analysis, financial analysis, and feedback received by residents and business interests, PSA compiled a Governance Alternatives report and presented it to the Board of Directors on August 2, 2012. The report outlined three potential options:

1. Identify Triggers for Action: Retain current Township structure while monitoring various community indicators reflective of community values that could signal a need to fine-tune or consider a new form of governance.
2. Pursue Legislative Changes: Retain current Township structure and pursue legislative changes, either immediate or periodic, as significant needs for local governance changes are identified and supported by the community.
3. Hold Incorporation Vote on November 4, 2014: Hold an election so the community can vote on whether to incorporate and a city.

After consideration and discussion, the Board directed staff and PSA to prepare a resolution stating that the Township does not intend to call an incorporation election in 2014 or the foreseeable future, directing staff to develop a plan to report annually on any significant changes in community needs or potential financial consequences of incorporation so that the Board may consider future action, and directing that a communication strategy should be developed to educate the community on the Board's decision. On August 22, 2012, the Board approved the resolution.

Future Governance Strategy

Many participants of the spring outreach events recommended that the Township should continue in its current structure. Citizen satisfaction surveys conducted every two years also demonstrate that residents are highly satisfied with the services provided by the Township. Because of this feedback and the research conducted, the Board intends to retain the current Township structure as the local governance model while monitoring the Township's effectiveness and community desires that may signal a need to fine-tune the current governance structure or consider a new form of governance.

Based on current agreements, The Woodlands is free from the threat of annexation until November 16, 2057. At that time or at a point before, The Woodlands could also consider negotiating new agreements with the cities of Houston and Conroe, effectively continuing the provisions of the RPAs that allow The Woodlands the freedom to select its form of governance and protect the community from unilateral annexation well into the future. However, the ability to extend these portions of the RPAs is not guaranteed or supported by any current legal provision. It can be assumed that an extension of such agreements would likely require a continuation of or increase in the financial contribution from The Woodlands to regional improvement projects of mutual benefit to the community and to the cities of Houston and Conroe. The Woodlands current agreement provides funding to the cities of Houston and Conroe for an unlimited term, not to exceed the maximum term allowed by law, but for no less than 99 years.

While 70 percent of participants in the spring outreach activities believed that the Township model could address future challenges, the Township structure does not provide the broadest scope of local control. Residents must rely on the counties and MUDs to be responsive to providing services such as roadway maintenance, traffic control, water, wastewater, public health, and basic law enforcement. It should be noted that the Township currently has contracts with the counties to provide enhanced law enforcement services to augment those provided to unincorporated communities.

While the Township continues to receive high satisfaction rates from residents, regional pressures, community build out, community aging, increased desired service levels, and/or the diminished future role of The Woodlands Development Company could require additional governance tools and resources not currently provided in the current

governance model. In the event that an issue is identified, the Township would employ the following governance assessment.

Annual Governance Assessment

Annually, staff would evaluate the current governance model and would identify potential issues or items not currently in the direct control of the Township that may need to be addressed by Board policy or might otherwise trigger a reconsideration of governance structure. Potential issues or items could include but are not limited to:

- A change in crime rate or county law enforcement leadership and/or philosophy.
- A change in the condition of the road system.
- A change in traffic congestion.
- A change in covenant/deed restriction compliance through the existing means or processes.
- An emerging need for redevelopment tools as the community ages.
- The reduction of programs, services, or development initiatives by The Woodlands Development Company.

If an issue or item is identified, staff would utilize a four-level evaluation model to inform the Board on the best possible solution. This process would occur annually, prior to the start of the budget process, so that the Board can take action that would subsequently be reflected in its budgeting policy or provide sufficient time to prepare for pursuit of a legislative solution.

LEVEL 1: INTERNAL PROCEDURES AND BUDGETING

CAN THE ISSUE BE ADDRESSED THROUGH MAKING ADJUSTMENTS IN THE TOWNSHIP'S PROCEDURES, PROTOCOLS, OR THROUGH ALLOCATION OF ADDITIONAL RESOURCES?

The first step in the governance evaluation model would be to analyze whether the issue could be addressed through changes in the Township's policy. Examples of actions that might address the issue could include changes in staffing, levels of service, or how services are delivered to the community. Staff would outline the potential service adjustments for the Board to consider and act upon.

If the issue cannot be addressed through Township policy, the staff would move the issue to Level 2.

LEVEL 2: CONTRACTUAL/INTERGOVERNMENTAL AGREEMENTS

CAN THE ISSUE BE ADDRESSED THROUGH CONTRACT ADJUSTMENTS WITH THE CURRENT SERVICE PROVIDER

CAN THE ISSUE BE ADDRESSED WITH A NEW SERVICE PROVIDER?

CAN THE ISSUE BE ADDRESSED BY PROVIDING A NEW SERVICE THROUGH AN IDENTIFIED SERVICE PROVIDER?

The second step in the governance evaluation model would be to determine if contract adjustments, identifying a new service provider, or providing a new service through an identified service provider would resolve the issue at hand. Staff would review the potential options and present its analysis to the Board of Directors for their action.

If a solution cannot be addressed through contracting or intergovernmental agreements, staff would move the issue to Level 3.

LEVEL 3: LEGISLATIVE INITIATIVES

CAN THE ISSUE BE ADDRESSED THROUGH THE EXPANSION OF THE TOWNSHIP'S ABILITIES THROUGH SUCCESSFUL PURSUIT OF LEGISLATIVE CHANGES?

At this level, staff would evaluate whether the issue could be addressed through legislative changes. The Texas legislature meets every odd-numbered year, with the next legislative session beginning in 2013. If the issue can be addressed with a legislative solution, it would require finding supportive legislators to draft and introduce legislation that advances the identified needs and objectives of The Woodlands. It should be noted that just as The Woodlands may seek to broaden the powers in the Township's enabling legislation, undue attention may solicit other changes to the legislation that negatively impact or even dissolve the unique Township government structure.

A careful review of any potential legislative changes and the impact upon and feasibility throughout the whole Woodlands community would be necessary. If a legislative solution is desired, a vigorous review by the Township's legislative team along with a consultation with local legislators should occur before any subsequent action by the Board of Directors.

Any legislative solution would require the support of legislators and endorsement of the Texas legislature and governor. Successful passage of legislative solutions is not guaranteed, and as is noted earlier, the pursuit of such could result in adverse impacts to the existing Township enabling legislation. Additionally, successful passage of

legislative solutions will likely not occur in one session. Thus, The Woodlands should be prepared to be patient and persistent if a legislative remedy is not immediately achievable. In some cases, a legislative solution may not be feasible. Pursuit of any legislative remedy would likely necessitate additional costs related to legal and lobbyist services to thoroughly vet, track, and support legislative initiatives.

If legislative change would not resolve the issue, or pursuit of legislative change is not feasible, staff would move onto Level 4 evaluation.

LEVEL 4: GOVERNANCE CHANGES

IF ALL OTHER AVENUES HAVE BEEN DETERMINED INADEQUATE TO ADDRESS THE ISSUE, SHOULD A CHANGE IN THE TOWNSHIP'S GOVERNANCE STRUCTURE BE PURSUED TO PROVIDE MORE LOCAL CONTROL?

This final step in the evaluation model would determine whether a change in governance should be pursued. At this point, the governance process would be reopened for analysis to determine if incorporation or adopting an alternative form of local government should be pursued. The RPAs allow for the opportunity to incorporate or for an alternative form of local government to be employed on or after May 29, 2014.

At the present time, the only known form of governance The Woodlands could employ is the option to incorporate. The Woodlands could elect to incorporate and be released from the ETJs of Houston and Conroe upon request of the Township. Per the general election dates in the current Texas Election Code, the first time an incorporation vote could occur for The Woodlands would be in November 2014, while the last time an incorporation vote could occur under the existing RPAs would be May 2057.

An incorporation election can be initiated by the Board of Directors of the Township. The Township would assume the costs associated with any incorporation election. Upon passage of incorporation, The Woodlands would immediately become a general law city; however, because of the size and complexity of The Woodlands, becoming a home rule city would likely be desired. This would require the drafting of a city charter which the residents of the new city would have to approve at a subsequent election.

If The Woodlands elects to incorporate under current law, the MUDs would be dissolved and the responsibilities for water, wastewater, and drainage services would transition to the new city, as well as all assets and liabilities currently held by each MUD. The city would also be responsible for assuming the responsibility for law enforcement, road maintenance, animal control, traffic control, health and safety services (such as health inspection), planning and development services, building inspection and code enforcement. The Woodlands city would also have to establish other administrative agencies, such as a city secretary's office, municipal courts, a police department, a

public health agency, a public works department, and a city planning agency. Many of these services are currently provided by the counties; although the counties' responsibilities to The Woodlands would drastically decrease upon incorporation, the current county property tax rate would not be required to decrease under current law, and property owners in The Woodlands would continue to pay county property taxes at the rate set forth by commissioners.

This expansion of city services would require the acquisition of additional staffing and resources, including vehicles, equipment, and facilities. The fiscal impacts associated with incorporation were delineated in an analysis conducted by Economic & Planning Systems, Inc. in 2011; at that time, the financial impact was estimated to increase the Township property tax rate by 70.4 percent.

In addition to providing more local/direct control of services, incorporation of The Woodlands would permanently remove the threat of unilateral annexation and would extend new powers to The Woodlands government, particularly the ability to enact ordinances to the extent they are not inconsistent with state or federal law.