

**Steering Committee Meeting
8 September 2007
Minutes**

Agenda

- I. Welcome and Opening Remarks
- II. Overview of Vizcaya Development and Other Developments --Ms. Joni Langle
- III. Discussion of the Threat Analysis
- IV. Report from Legal Subcommittee
- V. Report from Operations Subcommittee
- VI. Discussion of Plans for Filing for Incorporation, and Funding
- VII. Path Forward
- VIII. A.O.B.
- IX. Adjourn

Details

- I. Welcome and Opening Remarks

The Chairman opened the meeting and welcomed Mrs. Joni Langle of Bee Creek Realty who had been invited to present details of the Vizcaya Development as well as the status of various planned and current developments in our area. The Committee also thanked Mr. Waylan Johnson for again providing meeting facilities for the group.

- II. Overview of Vizcaya and Other Developments

Mrs. Langle presented a map of the area which included color coded plats of the various developments. She is a long-time resident of the area in Spicewood, and deals extensively in real estate in our area, thus has an extensive knowledge base.

The Covert Ranch property was sold, after an extensive bidding process in which each bidder was both qualified and interviewed. The winner was the Hass and Haney (H&H) development company, a private company from San Francisco, CA. Mrs. Langle consults with H&H and noted that the owner of H&H, Mr. Paul Fay, is widely known and respected. She assured the group that H&H was selected on the basis of Mr. Fay's personal commitment to develop the Covert Ranch in a manner consistent and compatible with the area.

H&H also has purchased the 160 acres of the Holmes tract which was along Thurman Bend on the side of the Covert tract, so the total acreage to be developed is 1,050 acres. The plan is to have 450-470 total home-sites of between 1.5-3 acres per site. Additionally, a Rees-Jones golf course will be developed, as will approximately 240 acres alongside the lake in the Covert tract. There is discussion of the golf course having one or two holes along the lakeside, which would be very attractive. The development will include a yacht club, with a "marina" and a dry-storage

facility. There are no plans or intent to build a hotel, although the H&H firm had been contacted by Ritz Carlton to explore this possibility, but turned them down.

The main entrance to Vizcaya will be from Thurman Bend, with the access recessed into the property. H&H is in discussions with Travis County to see what improvements may be necessary for Thurman Bend Road.

Mrs. Langle said that H&H will establish a separate MUD for Vizcaya, and it will provide water but the home-sites are planned to be individual septic facilities.

A brief description of comments on other developments in our area by Mrs. Langle were:

1. The Bee Cave Mall is scheduled to open in October
2. Falconhead West, will have a new road from Target across to Hamilton Pool Road on TX 71
3. Sweetwater (off Tx 71 across from Bee Creek @ TX 71) will ultimately have high density homes, and there will be a traffic light there. They could not use the existing light at Bee Creek due to the topography on the land south of TX 71 which would require a larger bridge.
4. Hurd Ranch on Tx 71 adjacent to Bee Creek petitioned Lakeway to be annexed so Lakeway could allow "big-box" development like Walmart or HEB on their land. She questioned the economics of such a development due to the extreme topography of the land.
5. Pearce Ranch along Tx 71 will have 1,900 homes on 1,400 acres and are planning "The Hill Country Bypass" to go from Tx. 71 to Hamilton Pool Road to provide alternate access.
6. The Kozmetsky tract has been platted for 1,400 homes on 1,500 acres, but is reportedly "not for sale" ---at least not now.
7. West Cypress Ranch is under development now, high density
8. Rancho San Miguel is a 6,000 acre development north of Spicewood in Burnet County
9. Willie Nelson has platted 41 lots on 63 acres near Briarcliff

Mrs. Langle discussed the potential of annexation or ETJ expansion by Lakeway as perceived by H&H. With regard to the threat of annexation or envelopment in the ETJ by Lakeway, H&H said that they do not consider this an imminent threat. She further pointed out that Lakeway has had the property on Bee Creek down to Crosswind for several years (15?), and that this was not a sign that they were moving toward our area. She also, in discussion, was quick to point out that this is not a guarantee that they might move, since development is booming in our area.

She noted that Briarcliff had a difficult experience with their water system plans, and they were thought to be content within their own boundaries. Again, she stressed this was her opinion, and that events may change in the future.

Mrs. Langle said that H&H was going to make a public presentation of their plans and status of Vizcaya on Wednesday 12 September 2007 at the City of Bee Cave City Hall at 7:00 pm. The public is invited to this meeting.

III. Discussion of Threat Analysis

The group discussed the need to obtain additional information regarding the potential of annexation or ETJ expansion by Lakeway that might impact our area. Although the formation of a Village would offer complete protection, it was the consensus of the group that we need to analyze the risks of such a move by Lakeway in order to report back to the citizens on the potential impact. **It is expressly understood by the Committee that we are dealing in risk analysis, which in and of itself is imperfect and not precise, but required to make progress.**

In that regard, the Chairman noted that Mr. Tomlinson had been invited to attend the SC meeting to present the results and information that he had developed concerning this subject. Although Mr. Tomlinson declined to attend, he had also been asked to give us a written description of his

results so the SC could have the benefit of this information in its deliberations. Unfortunately, as of the time of the meeting, we had not received this document, although we hope it will be forthcoming.

IV. Report of the Legal Subcommittee

Donna Snyder updated the SC on the status of the work of the Legal Subcommittee. The Subcommittee has completed a significant amount of legal research; however there are important questions which are not covered by statute or legal precedent. Therefore, the Legal Subcommittee recommends that we engage lawyers with experience in municipal law and operations. The Legal Subcommittee will prepare specific legal questions to minimize the time and costs to the SC.

The Legal Subcommittee is working to determine answers to the following issues among others:

-What are the minimum services required of an incorporated entity?

-Is it permissible to subcontract all of the required services?

-If Lakeway does annex us, what does the law require Lakeway to provide to our area; and in what time period must such services be provided?

-What powers do cities have to negotiate agreements on annexation or the forbearance from annexation?

-Under what circumstances, and what is the likelihood, that pre-existing deed restrictions can be superseded by city zoning ordinances or other laws?

-If a group of property owners petition to be a part of a city's ETJ, is there a legally enforceable way for them to negotiate a no-annexation agreement by that city?

-Is it possible to incorporate a Village with limitations on its legal authority which are not found in Texas statutes? For example, is it possible to require a "super majority" vote of the governing body in order to pass certain ordinances relating to budgets or other expense matters?

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The Legal Subcommittee recommended that the request for \$500 of funds which had been approved at a previous meeting be amended to reduce the amount to \$300 from each of the 8 entities represented by our SC. Further, the SC agreed to specify that the funds will only be used to complete the legal research and no expenditures would be made for any effort toward filing a petition for election. Should such funds for filing be agreed subsequent to public meetings with the community and consensus that the election is in the community's best interest, an additional amount for polling, communication etc. will be submitted to the HOA's.

The Legal Subcommittee will work to minimize the costs and any money not spent on legal research will be returned to the entities, unless further approval is obtained for other uses. The SC approved this request. Donna Snyder has set up a bank account for the SC and the money should be sent to her at 20012 Thurman Bend Rd. By copy of these minutes, each of the 8 "burroughs" is requested to fund the \$300 each to the above address and Mrs. Snyder will refund the overage for those HOA's that have previously remitted the full \$500.

The SC reconsidered the importance of our previously stated goal of filing a petition in September for a proposed election in May. The Legal Subcommittee reported that there is legal precedent which supports the fact that as soon as a petition is filed, we would be protected from becoming a part of Lakeway's extra-territorial jurisdiction and/or being annexed, so long as an election is eventually held and the community votes to

incorporate. The SC discussed the fact that the quick filing had created distrust and concern among certain members of our community. Even though such a filing may provide important protection, the SC decided that it is more important to complete the legal research and present it to the community before any further efforts toward filing a petition is made. Further, it is expressly acknowledged that there is not clear precedence for the first in line benefit, and if we are engaged in a battle with Lakeway (or other) we may have to defend this protection and it will be expensive. If we win, we would recover the expenses from the opponent.

V. Report from Operations Committee

The Chairman reported that the Operations Subcommittee had developed a set of standardized questions for use in meetings with other incorporated entities that may be similar to ours. A meeting had already been held with The Village of the Hills, and a second meeting has been scheduled for Thursday 13 September with The Village of Briarcliff.

Dwight Reck gave the following report from the meeting with The Village of the Hills.

Meeting with Village of the Hills

Sept. 6th, Ken Watts and Dwight Reck met with Dan Roark (City Administrator) and Virginia “Ginger” Jones (Mayor) to discuss the details and issues related to their village government. They were very open with us and strongly encouraged formation of a village to ensure local control and protect against annexation (especially by Lakeway). Their website www.villageofthehills.org is an excellent reference source.

Background Information

The village has been incorporated for the last ten (10) years. They were in Austin’s ETJ and petitioned for a release to incorporate as an independent Class B village contingent on an election by residents. Vote was 10:1 in favor of forming an independent village. At the time, Lakeway was not interested in annexing a Gated Community.

The village operates an independent MUD (Municipal Utility District) which supplies treated water, waste water treatment, and drainage. The large debt associated with this MUD made them unattractive as an annexation candidate by Lakeway.

Our Questions and Answers

Form of Incorporation and Relative Size, Governance

1. What form of incorporated city --- “B” with Aldermen elected at-large
2. What is the size of the city
 - a. area extent – 700 acres
 - b. population – 2500 (1492 in 2000 census)
 - c. number of households – 900 houses

- d. Parks – 1 given to the Village by the POA (Property Owners Association) to limit liability, but there may be issues related to a public park within a gated community
 - e. Miles of streets maintained - ~0.1 mile by village (about 15 miles maintained by the POA. Last year, it cost approx. \$700,000 to resurface with an 1 ½” overlay)
3. If Mayor/Alderman system, how many representatives – Mayor & 5 Aldermen
- a. How are districts drawn—general population
 - b. How often elections? – Every year for mayor and 3 of the Aldermen
 - c. Other considerations – for a village make-up like ours, they would recommend aldermen from districts.

Services Provided and Costs

1. What services does your city provide?
 - a. Contract for trash removal. \$10.80/mo includes recycling. It was noted that administration was significant work, but service generated some revenue.
 - b. Deer management program \$10,000/yr for trapper services.
 - c. Fence Maintenance & Improvement \$10,000. The village maintains a seven (7) foot high fence for security and deer control.
 - d. Park maintenance & improvement ~\$28,000/yr (residents raised \$30,000 for additional improvements)
 - e. Flood plan Administration which significantly reduces cost of resident flood insurance.
 - f. Wild/sick animal control (contractor, if “rabid” county handles)
 - g. Emergency Management coordination – FEMA & State requirements, on-line training for
 - h. Other required – annual financial audit, insurance, US Census, town and boundary disputes.
2. Details on police protection, coverage, coordination w. Sheriff
 - a. Village hires a constable from county to work 40 hrs/week to enforce state laws. (\$69,228/yr wages and transportation)
 - b. When constable is off-duty, sheriff handles calls.
 - c. The POA handles gate security and code enforcement.
 - d. Use JP Court #3 for traffic tickets and other law violations. Village does not receive revenue from tickets (no conflict of interests)
 - e. Lakeway can provide emergency back-up, but there is no formal agreement.
 - f. If we incorporate, they suggest an Interlocal Agreement with Briarcliff for police protection.
3. Do you have city employees or contractors?
 - a. Village contracts with the MUD to provide City administrator (Dan Roark), secretary services, and office space (\$55,000/yr)
 - b. Independent auditor for annual audit.
 - c. No lawyer maintained on retainer, to date not much legal work required. They know Barney Knight and have considered using him.

4. Benefits of chosen method – low cost
5. Do you have administrative staff? How many? Duties?
 - a. Mayor & City administrator handle most issues.
 - b. Mayor writes new ordinances to save legal expenses.

Tax Assessment and Collection

1. What is your tax assessment per \$100 valuation - **\$0.04** The POA annual dues are \$650/yr
2. What is overall tax revenue from property taxes - \$120,000
3. Do you collect franchise tax, sales tax etc—breakdown
 - a. PEC – \$26,000
 - b. SBC – \$18,000
 - c. Time Warner – \$6000
 - d. Beverage tax - \$3,300
 - e. The Hills is roughly 10 times a large as our village would be.
4. How do you collect the taxes, via TCAD? Cost to collect? - \$2500/yr

Liability Insurance, Errors and Omissions, Legal

1. Do you maintain Insurance on assets, and for liability? How much and cost?
2. Insurance for Mayor, Aldermen to serve? How much, and cost?
 - a. Liability insurance is required and obtained through the TML risk pool for ~\$2000/yr
3. How provide legal advice to city officials, and cost
 - a. Originally had a city attorney during start-up, but is not now needed

General Advice & Other Information

1. Given that we are considering incorporation, what would you recommend as Best practices. What should we be particularly alert to avoid, or to obtain. What resources do you recommend we consider as we contemplate incorporation?
 - a. Both Dan and Ginger recommend that we do anything possible to avoid annexation by Lakeway. Take a look at Lakeway city ordinances and their use of “Code Enforcement Officers” and see why we (especially Lakewood Estates & Edgewater Beach) do not ever want to be governed by Lakeway.
 - b. Their second recommendation for a new village was to start with the minimum required services and keep village government as small as possible.
 - c. Dan told us that the LCRA was planning a new water intake and pumping station (treatment plant?) in a location near the Coves. Bill Leisering, LCRA Engineer, would be a good contact for information and future plans.
 - d. Dan also said that the Dept of Homeland Security was planning a new 2300 employee facility on HW71 west of Bee Cave.
 - e. Also, Ginger was going to a planning meeting for a major (52 acre) Medical Center planned on 620 North of the High School.

- f. Both Dan and Ginger invited us to contact them with additional questions (Dan 261-6281) Ginger (261-5371)

VI. Discussion of Plans for Filing for Incorporation and Funding

Given the Legal Subcommittee request, the SC agreed to defer consideration of filing a petition for incorporation pending completion of our legal research, the completion of due diligence with regard to operational discussions with other villages, and the development of a consensus of the SC on the path forward to present to our citizens.

VII. Path Forward

- The SC agreed and asks each of our 8 "burroughs" to fund \$300 for legal research
- The Legal Subcommittee will continue research and prep a report to the SC on findings
- The Operations Subcommittee will complete due diligence interviews and report to the SC
- Once these reports are concluded and in hand, the SC will meet to deliberate the path forward regarding the alternatives under consideration, the costs, budget preparation etc.
- These results will then be presented to the citizens in a public meeting, outlining our recommendations of future actions

VIII. Any Other Business

None

IX. Adjourn

The meeting was adjourned at approximately 12:30 pm.