



Thursday, June 25, 6:00 p.m.
Castle Hills Quarterly Update
Annexation of Castle Hills



Direction from 2020 Retreat Related to Methodology for Annexation

- Authorized City Manager to appoint a Castle Hills Annexation Advisory Committee
 - Education Period March – June 2020
 - Staff to hire Third Party Facilitator to work with Advisory Committee on education on various issues
- Move forward with Annexation under SPA agreement to be effective July 2021
 - Work with District Boards to revise SPA agreements in July 2020
 - Revised SPA agreement would set date of annexation for July 2021
- Resolution to Denton County Appraisal District (DCAD) by March 2021 concerning date of annexation
 - Requirement by DCAD so that FY 21-22 budget would include Castle Hills property values

Changes Since 2020 Retreat

- COVID-19 situation disrupted appointment of Advisory Committee and staff work on various projects related to annexation
- New concerns related to financial revenue losses
 - Will future property values support assumption of Castle Hills debt (\$142.915M) without a debt rate increase?
- DCAD provided new legal opinion that states that Castle Hills TAV could not be added to City TAV roll if annexation occurred after January 1
 - July 2021 annexation would mean that the Denton County Fresh Water Supply (DCFWS) Districts would still set the tax rates for the FY 2021-2022 fiscal year
 - Per State law, City assumes all revenues and liabilities effective at date of annexation
 - Calculation of City tax rate would not include Castle Hills TAV until the FY 22-23 budget

Financial Impacts Related to Debt Assumption

- Uncertainty related to Appraised Values for the FY 2021-2022 fiscal year makes an “early revision” of SPA agreement to set date for annexation risky
 - Financial Advisor, Hilltop Securities, revised financial analysis to look at a change in the TAV assumption
 - Based on specified assumptions, City of Lewisville will assume outstanding debt of \$142.915M in 2022

Proposed Annexation Schedule

September – October 2021 DCFWSD boards consider amendment of SPA agreement to set date of annexation to December 2021

November 2021 If DCFWSD boards approve the SPA revision, City Council approves SPA amendment setting date of annexation to December 6, 2021 (FY 21-22)

*December 6, 2021 Annexation Effective

January 1, 2022 DCAD requirement met so that tax rate calculation for FY 22-23 includes Castle Hills valuation

*Delay in date of annexation will provide for more time to understand impact of economic downturn on property values and ensure that each district sets an appropriate tax rate for FY 21-22 to cover both Debt and Operation and Maintenance costs

Education/Annexation Plan

June 2020	Appoint Committee
July 2020	Survey Committee members related to questions and concerns
September 24, 2020 6:00 p.m.	Hold kickoff meeting to describe responsibilities of committee and City Council direction related to methodology for annexation; discuss Parks issue
October 2020 – January 2021	City staff will research and develop white papers in response to list of issues and concerns
January 2021	Distribute White Paper #1 two weeks prior to meeting; each future meeting will include same process
February – August 2021	Hold up to seven (7) monthly sessions with committee members
August 2021	Report to City Council concerning DCFWSD board support related to annexation under SPA Agreement
September – October 2021	DCFWSDs hold required public hearings to consider approving Amended SPA Agreement, which sets date for annexation
November 2021	If all Boards approve SPA, then City Council holds required public meetings and approves Amended SPA Agreement
December 6, 2021	City Council approves annexation ordinance and Annexation Effective