

City of Horseshoe Bay – Annexation Plan
Three Year – Five Year – Seven Year

INTRODUCTION

Because of the City's history of providing a high level of service to its property owners and a national reputation for quality lifestyle, there is an inevitability that developers, both residential and commercial, will continue to seek annexation by the City of their projects. In most instances, the City is the only practical resource for water and wastewater treatment for new developments in the area.

Though the City does not share the "growth at all costs" philosophy of most municipalities, annexation of certain areas in the City's present ETJ will be necessary and beneficial to the City, and must be planned for in formulating both its long term strategic plan and its capital improvement plans.

The City is unique in that it does not have to push for an increased tax base to meet the requirements of its residents. Nonetheless, it should not allow development to occur near or adjacent to its borders that will allow non-residents to use the City's infrastructure without paying City taxes.

The natural boundaries of Hwy 71 to the south and west, Lake LBJ to the north, the cities of Cottonwood Shores and Marble Falls to the east, and Ranch Road 2831 and the communities of Deerhaven and Blue Lake to the west, provide a relatively easily defined area of what should, in the long term, be the Horseshoe Bay City community.

Upon completion of the annexation of the Skywater development by the end of 2007, the City of Horseshoe Bay will encompass approximately 6,500 acres of incorporated areas. Unincorporated areas within the boundaries of the natural community described above comprise approximately 6,000 acres.

Annexation of the unincorporated areas can be accomplished at a relatively low cost to the City when compared to the additional tax base for two reasons. First, the undeveloped areas by applying current City strategies will not be annexed or provided City services without the developer furnishing all necessary infrastructures. Secondly, areas already developed generally have their infrastructure in place, and the City is already, in most instances, through contractual arrangements, providing water and/or wastewater treatment and fire protection. Before proceeding with annexation, however, a cost benefit analysis should be conducted.

At this time, the City cannot impose annexation on any area without the consent of the affected property owner(s). It is not unreasonable to assume, however, that the City will convert to a home rule city, perhaps as early as calendar year 2009. Preparation for a change in the City's annexation power should begin now.

It is also worthwhile to note that home rule cities are required to have three year annexation plans if they intend to annex any area that is built out, which is defined as property having 100 or more separate tracts of land on which one or more residential dwellings are located on each tract. Although we currently have no such areas targeted for annexation, it is conceivable that one or more will come into existence that should be included in the City's plan.

POTENTIAL AREAS FOR ANNEXATION

Following is a list of the areas that should be eventually annexed by the City in order of their priority:

Group I

- A-1 The areas fronting Hwy 2147 and/or surrounded by the city and currently being provided with city services, but not currently incorporated into the City, listed on Schedule 1.
- A-2 The approximate 66 acres located at the corner of Hwy 2147 and Hwy 71.
- A-3 Properties south of the City's boundaries, north of Hwy 71 and east of the airport, not in the Marble Falls' or Cottonwood Shores' ETJ's, listed on Schedule 2.
- A-4 Ram Rock and Applerock golf courses.
- A-5 LCRA property including that adjoining Ferguson Road, the Ferguson Power Plant, and LCRA lake front properties located between Island Drive and the Oak Ridge community.

Group II

- A-6 Areas west of Hwy 2147 and Bay Country, north of Hwy 71 and south of Golden Nugget, including Golf View Estates.
- A-7 The Oak Ridge subdivision.
- A-8 The Hills subdivisions.

Group III

- A-9 The property fronting on Ranch Road 2831 across from the reclamation center including the corner of Hwy 71 and Ranch Road 2831 (Quail Ridge commercial).
- A-10 Quail Ridge subdivision (Quail Ridge residential).

The map attached hereto and made a part hereof for all purposes identifies the above properties and their respective boundaries.

THREE YEAR PLAN

Those properties in Group I not annexed during the period 2008 – 2010 would be incorporated into the City through annexation proceedings beginning in 2011.

FIVE YEAR PLAN

Those properties in Group I and Group II not already annexed by 2013 would be incorporated into the City through annexation proceedings beginning in 2013.

SEVEN YEAR PLAN

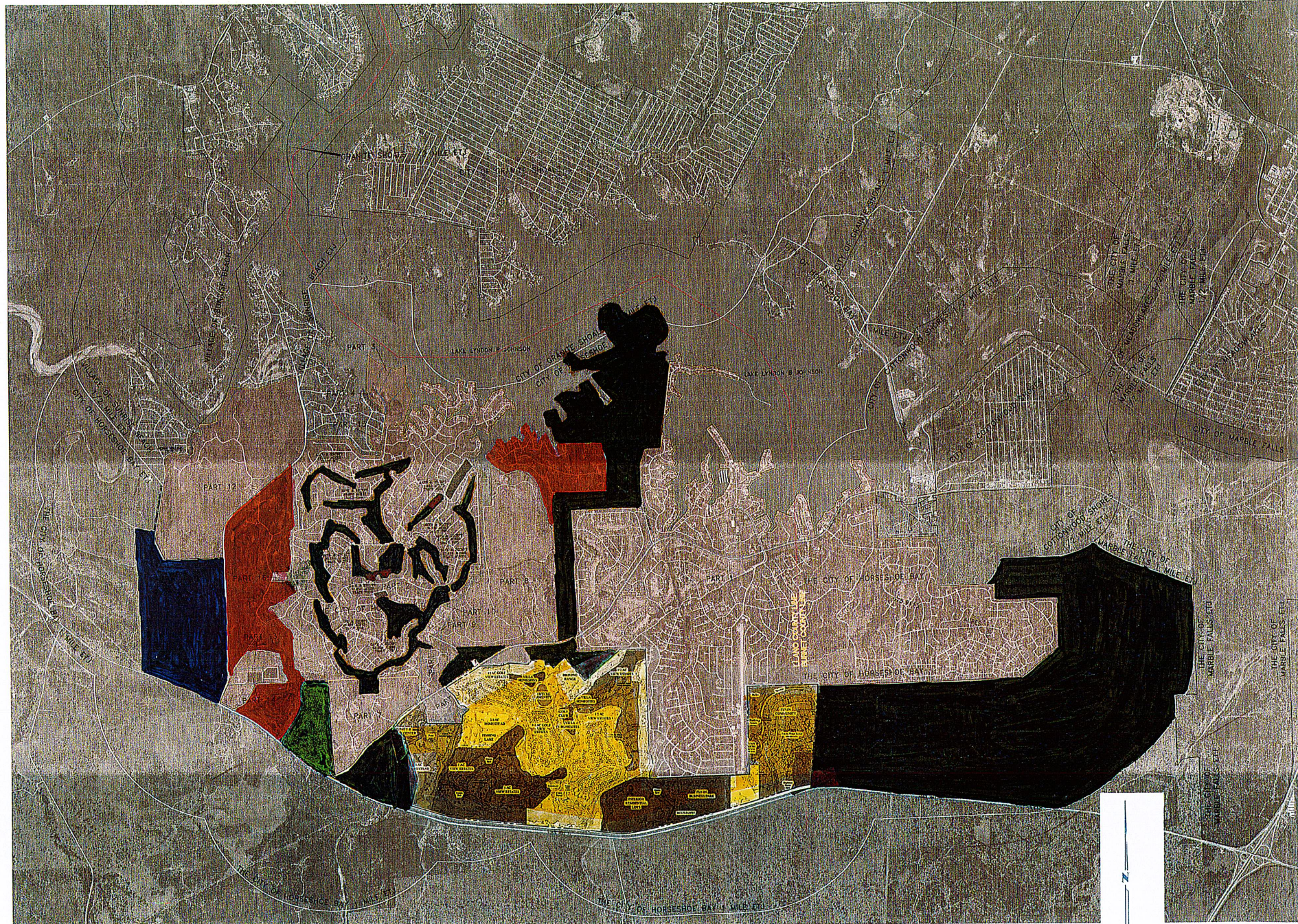
Those properties in Group I, II and III not already annexed by 2015 would be incorporated into the City through annexation proceedings beginning in 2015.

CONCLUSION

The City should include in its long range capital plans, the provision of services to the areas to be annexed according to the three, five and ten year plans to insure its ability to complete such annexations.

Before any annexation is contemplated, a cost benefit analysis should be prepared that insures that potential tax revenues will offset any capital cost and cost for providing services that will be incurred.

This plan may be amended from time to time to reflect changes in circumstances or philosophy.

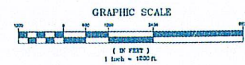


- 2007 SKYWATER ANNEXATION
- 3 YEAR PLAN
- 5 YEAR PLAN
- 7 YEAR PLAN

CITY OF HORSESHOE BAY MAP

AND ONE MILE E.T.J.
SEPTEMBER 20, 2006

Wills - Sherman Associates, Inc.
LAND SURVEYORS AND PLANNERS
1100 W. MARBLE FALLS, TEXAS 75844
(817) 891-1281 FAX (817) 891-5182



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