

EXHIBIT B

City of Conroe Annexation Service Plan For Annexation Parcel 2014-02

I. TERRITORY

This service plan is applicable to 1,295 acres of land located in the A-0006 William C. Clark Survey, A-0003 William Atkins Survey, A-0037 James Smith Survey and A-0041 John T. Vince Survey in Montgomery County, Texas. The territory is located in the general vicinity north/northwest of the intersection of State Highway 105 West and Tejas Boulevard. A map of the area is attached hereto and incorporated herein by reference. The territory consists primarily of Montgomery County Utility Districts 3 & 4 (UD3 & UD4), which includes April Sound, April Villas, Lake View Village, Water Oak and Waterpoint.

II. GENERAL PROVISIONS

a. Effective Term. This service plan shall be in effect for a ten-year period commencing on the effective date of the annexation, but subject to renewal as provided below.

b. Amendment or Renewal. This service plan may be amended or renewed from time to time as provided by state law, *e.g.*, Local Government Code, Sec. 43.056(k) and (l).

c. Intent. It is the intent of the City of Conroe that this service plan shall provide for the delivery of full municipal services to the annexed area in accordance with State law. The failure of this plan to describe any particular service shall not be deemed to be an attempt to omit the provision of such services from the annexed area; see Section III.h. (regarding other services, POA's, etc.) below. The delivery of municipal services may be accomplished through any means permitted by law, including delivery by Montgomery County Utility District No. 3 (UD3) and Montgomery County Utility District No. 4 (UD4) functioning as "limited districts" after annexation under strategic partnership agreements (SPA's) authorized by state law, *e.g.*, Local Government Code, Sec. 43.0751. If the SPA is extended, it is the intent of the City to extend this service plan, too.

d. Level of Services to be Provided. The level of all services must comply with the express provisions of this service plan and with state law requirements, which are as follows:

(1) Where the level of services, infrastructure and infrastructure maintenance provided within the area prior to annexation is not greater than is provided in the City, the services, infrastructure and infrastructure maintenance provided under this plan must be comparable to that provided to other parts of the City with topography, land use, and population density reasonably similar to the annexed area.

(2) Where the existing level of services for operating and maintaining certain infrastructure in the annexed area (water, wastewater and storm drainage facilities) before annexation is superior to the level of such services provided within the corporate boundaries of the City before annexation, the level of such services provided under this plan must be equal or superior to that existing level of services in the annexed area.

e. Non-Reduction of Services. The City Council finds and determines that implementation of this plan in the manner proposed will not reduce the level of fire, police, and emergency medical services available within the City.

III. SERVICES TO BE PROVIDED AT ANNEXATION

These services will be provided within the annexed area immediately upon the effective date of the annexation. In the case of a gated subdivision, it will be the responsibility of the Property Owners Association (POA) to provide emergency personnel and City staff access, particularly in cases where the access mechanism changes on or after annexation.

a. Police Protection. Police services include criminal investigations, routine patrol, dispatched response to both emergency and non-emergency service calls and other police services. As a result of this annexation, patrol officers or patrol units are necessary to serve the area. It is anticipated that police services within the annexed area will be provided utilizing routine patrol units out of a new Police District. The overall level of police services will equal or exceed the level now provided by Montgomery County peace officers and will include:

- (1) assigning peace officer(s) to patrol the annexed area and nearby areas during each shift, with appropriate support from other units when needed; and
- (2) responding on site to calls for police services within these time periods: (i) under 15 minutes for at least 59% of calls, and (ii) over 30 minutes for no more than 12% of calls.

Currently, the nearest police station is Police Headquarters, which is

located at 700 Old Montgomery Road.

b. Fire Protection. The Conroe Fire Department will provide emergency fire suppression, routine fire prevention services and other fire department services within the annexed area. The overall level of fire department services will equal or exceed the level now provided by Montgomery County Emergency Services District (ESD) No. 3 and will include:

- (1) stationing at least 12 full-time firefighters (counting all shifts), together with apparatus equivalent to or better than that now in use, within the vicinity of the boundaries of UD 3 or UD4, with automatic back-up and support from other stations and other departments when needed;
- (2) providing on-site response times, under normal conditions, not exceeding:
(i) five minutes for the highest-priority calls or (ii) 20 minutes for the lowest-priority calls;
- (3) close communication with and assistance to the EMS service, as provided below;
- (4) assuring that at least 50% of the assigned firefighters, on each shift, are trained and certified emergency medical technicians; and
- (5) maintaining the current "ISO 2" rating throughout the annexed area for so long as there are no material changes to the ISO rating system.

The Conroe Fire Department does not provide primary EMS services. The Montgomery County Hospital District currently provides EMS services throughout the County. Fire fighters will respond when dispatched to the scene of accidents or other medical emergencies to assist Hospital District EMS personnel or to provide "first responder" services pending the arrival of EMS personnel.

The Fire Department currently operates five fire stations that are located on North Loop 336 East, East Foster Drive, Sergeant Ed Holcomb Boulevard, Carter Moore Drive (North FM 3083 West) and Walter Woodson Drive (FM 1488). Each station responds to service calls within a primary zone but may be called upon to provide support within other areas of the City as necessary. The annexed area will be incorporated in a new Fire Zone. The City of Conroe will either construct or acquire a fire station to serve the annexed area, as provided above and in Section IV, below. The station(s) assigned to the annexed area may be altered from time to time in response to service demands, shifts or growth in population, future annexations or other relevant considerations.

Montgomery County Emergency Services District (ESD) No. 3 currently provides fire protection services to the area out of Lake Conroe Fire Department (LCFD) Station 31. As described above, the City intends to provide emergency services to the annexed area by the use of municipal personnel, and the City will take all steps necessary to cause the annexed area to be disannexed from the ESD (effective on or before effective date of

annexation of the area by the City) so that there will not be overlapping taxation by the ESD and the City.

c. Solid Waste Collection. This service may be provided, in whole or in part, by UD3 and UD4 under SPA's, and, if so, only the last paragraph of this subsection (describing the overall level of services) shall apply to the SPA-provided services. The City provides fee based household garbage and recycling collection services to single family residences. The City does not collect garbage or recycle from most commercial establishments. Commercial garbage collection and disposal and/or recycling and is available from privately owned collection businesses that currently hold a franchise with the City. Apartments and other multifamily buildings are considered commercial and must obtain collection services from private business. The City may, at its discretion, agree to provide garbage and recycling service to small commercial establishments that generate waste collection demands similar to a single-family residence.

The City currently provides residential garbage and recycling collection for single-family residences at the street curb using a contract service provider. The City's current contract provider employs an automated collection system that requires the use of specific collection containers. In accordance with the currently established policy each household is provided, without charge, a collection container for waste disposal and a collection container for recycling. Additional containers for recycling are available at no charge, while additional containers for waste disposal are available for a fee.

Bailey Garbage Service, a privately owned solid waste management service is currently the exclusive provider of residential solid waste collection services within April Sound and may continue to provide such exclusive service until the second anniversary of the annexation. At any time after the second anniversary of the annexation the City may require Bailey Garbage Service to discontinue such service on six (6) months written notice, in which event City shall provide residential waste collection services on the same basis as provided to other residential customers of the City. The City shall promptly commence the provision of residential waste collection services if, at any time following annexation, Bailey Garbage Service fails or ceases to provide such service.

The collection services contracted by UD3 and UD4 from Bailey Garbage Service differ from the services provided by the City and are considered "non-standard" services. If petitioned to do so by a majority of the residents in UD3 and UD4 the City will provide non-standard service to all customers in the annexed area in accordance with the provisions of this paragraph, however, such services shall be competitively bid and the users of such services shall be required to pay the actual cost of the provision of the non-standard service.

If non-standard service is petitioned-for by residents and provided by the City in the annexed area (as described above), or if service is provided by UD3 and UD4 under SPA's, the overall level of solid waste collection services in the annexed area will equal or exceed the level now provided in that area by UD3 and UD4 and will include:

- (1) collection of waste at least two days per week: (i) either in bags or from containers (or bundles of tree limbs and hedge clippings), and (ii) from curbside or (if requested by the customer) from side or rear yard areas;
- (2) heavy trash collection from curbside at least once per month; and
- (3) call-back service to collect missed items.

d. Maintenance of Water and Wastewater Facilities. This service may be provided, in whole or in part, by UD3 and UD4 under SPA's. Unless otherwise agreed in a SPA as provided above, after the area is annexed to Conroe, the districts will be abolished pursuant to Texas Local Government Code Section 43.075 and the City will succeed to the powers, duties, assets and obligations of the districts. The City will thereafter be responsible for the operation and maintenance of all facilities previously owned or maintained by the districts, and the operations of the water utility systems shall become subject to the City's groundwater reduction plan.

The overall level of maintenance of water and wastewater facilities will equal or exceed the level now provided within the annexed areas and will include:

- (1) responding (on-site) to service calls: (i) within 1 hour, for the highest-priority calls and (ii) within 24 hours for the lowest-priority call;
- (2) when digging is required, promptly restoring the surface to its pre-existing condition (as nearly as practicable), including replacement and watering of grass and replacement of pavement (matching materials and finish as nearly as practicable);
- (3) maintaining, operating and testing emergency power supply systems in accordance with national standards, including NFPA 110;
- (4) keeping a portable auxiliary power supply system available, with sufficient capacity to run each lift station;
- (5) maintaining ready access to fuel supplies sufficient to run both emergency power supply systems and portable auxiliary power supply system for at least 10 days;
- (6) providing full preventive maintenance services (including full clean-out) for each lift station at least twice per year; and
- (7) inspecting and flow-testing each fire hydrant at least once every two years and repainting and repairing hydrants as necessary.

Privately-owned water wells, septic or aerobic wastewater systems are generally not affected by annexation, and the owners of such systems remain obligated to obtain

appropriate permits and approvals and to operate them in proper working order so that they do not present a threat to public health or safety.

e. Maintenance of Roads, Streets and Street Lighting. The City is not responsible for the maintenance of private streets or roads in the annexed area. April Sound is predominantly a private street gated community and most streets within the neighborhood are not dedicated to the public. The City will not maintain the private streets or provide street lighting services on the streets in the April Sound community. The April Sound POA will continue to provide maintenance of the subdivision streets and may continue to control access via the security gate. The City will work with the POA to coordinate access to the neighborhood by police, fire and other emergency services.

Marina Drive and other public streets or roads in the area that were previously accepted for maintenance by official action of the Commissioners Court of Montgomery County will be the City's responsibility for maintenance following annexation. Official acceptance may be demonstrated by an action reflected in the official minutes of the Commissioners Court or by the classification of a road as county maintained on the road log maintained by the County Engineer of Montgomery County. Any such streets or roads formerly maintained by Montgomery County that become subject to City maintenance will be maintained in a condition which is at least equal to the County maintenance standard; however, the City will not be required to reconstruct or upgrade such streets to a higher standard, unless necessary to maintain existing level of service.

It is the responsibility of the developer to construct or provide those streets or roads necessary to serve the demands of new development in the areas to be annexed. The City may accept the dedication of public streets constructed in accordance with applicable development regulations of the City and will thereafter be responsible for their maintenance.

f. Maintenance of Parks, Playgrounds and Swimming Pools. There are no public parks, playgrounds, or swimming pools within the area to be annexed. Private recreational facilities, open spaces and swimming pools are unaffected by the annexation.

g. Maintenance of Public Drainage Service and Facilities. This service may be provided, in whole or in part, by UD3 and UD4 under a SPA. Unless otherwise agreed in a SPA, after the area is annexed to Conroe the Districts will be abolished and the City shall thereafter own and be responsible for the maintenance of all drainage easements, storm sewers and other drainage facilities previously owned and maintained by UD3 and UD4.

Whether provided by the City or by UD3 and UD4 under SPA's, the overall level of maintenance of existing drainage facilities will equal or exceed the level now provided within the annexed area and will include:

- (1) responding (on-site) to service calls: (i) within 1 hour, for the highest-priority calls and (ii) within 24 hours for the lowest-priority calls;

- (2) when digging is required, promptly restoring the surface to its pre-existing condition (as nearly as practicable), including replacement and watering of grass and replacement of pavement (matching materials and finish as nearly as practicable); and
- (3) maintaining and inspecting outfalls and related bulkheads and performing necessary repairs at least once a year, subject to postponements caused by lake levels.

Privately owned drainage facilities, including privately owned and operated storm water detention facilities, are not affected by the annexation.

h. Other Public Buildings, Facilities or Services. Annexation does not transfer ownership of most public buildings, facilities or services, all of which should continue to be maintained or provided by the public entity that currently owns or provides them. Privately owned facilities, including those of the POA, are not affected by the annexation. An appropriate City Department will be assigned to assume responsibility for the maintenance or provision of any facilities or services that become the responsibility of City and are not covered by this service plan.

i. Coordination with POA. There will be close communication and coordination with the POA, not only for security-related functions but also for community-improvement functions, so that: (1) the POA's functions and programs are not hindered or displaced and (2) the combined level of public and POA services can be maintained at current levels. The POA functions and programs include, but are not limited to: (i) deed and covenant enforcement, (ii) security services for private property, (iii) traffic and motor vehicle enforcement on private roadways, (iv) escorts for emergency services on private property, (v) visual enhancements and beautification for private property, (vi) architectural control, (vii) street lights on private property, (viii) streets on private property, (ix) recycling, (x) maintenance of private parks and Reserves E and F, and (xi) maintaining and operating gatehouse.

IV. CAPITAL IMPROVEMENTS

Construction of these capital improvements will be substantially completed within 2 ½ years.

a. Police Protection. No additional capital improvements are needed at this time to provide police services.

b. Fire Protection. The City will construct or acquire a fire station and the necessary equipment to service the area. The City will negotiate with ESD 3 for the purchase of LCFD Station 31 and any equipment that is no longer required by ESD 3 as a result of the removal of the annexed area from the territory of the ESD. If the City is unable to acquire Station 31, it will establish a separate fire station within the vicinity of UD3 or UD4 in order to provide fire protection service to the territory after its removal from the territory of the ESD. In addition, the City will provide (or contract for) additional facilities

and equipment to the extent necessary to maintain the existing "ISO 2" throughout the annexed area, for so long as there are no material changes to the ISO rating system.

c. Solid Waste Collection. No capital improvements are needed at this time to provide solid waste collection services.

d. Water and Wastewater Facilities. UD3 and UD4 have concluded that certain capital improvements are appropriate and will be provided. These include the current project to expand the UD3-UD4 joint wastewater treatment plant, replacement of the UD3 well and the capital items identified by UD3 and UD4 in their five-year plans. However, capital items in the five-year plans may be postponed from year-to-year if postponement is not likely to cause: (i) substantial loss or damage to the affected facilities, (ii) substantial loss or impairment of service to be provided by the postponed items, or (iii) other losses to persons or property.

e. Roads, Streets and Streetlights. No new roads, streets or street lights are needed at this time. It will be the responsibility of the developer of the property to provide the roads and streets necessary to serve new development within the annexed area.

f. Parks, Playgrounds and Swimming Pools. No capital improvements are needed at this time to provide recreational services.

g. Other Public Buildings, Facilities or Services. No capital improvements are needed at this time to provide other public services, except for the storm sewer items identified by UD3 and UD4 in their five-year plans.

V. WATER AND WASTEWATER SERVICE EXTENSION POLICIES

(To the extent provided in an SPA, policies of UD3 and UD4 will apply to extensions of water and wastewater services in lieu of the policies described below.)

The City provides fee based water and wastewater services to the portions of the City which are not within an area served by another water or wastewater utility. Water and wastewater services are generally only provided to lots that have been properly subdivided or platted. The City may decline to provide service to any property that is not platted.

For lots that have water or wastewater lines in an abutting street or easement, the owner may receive water or wastewater service by applying for a City tap and paying any required fees. The provision of water and wastewater facilities for new development within the City is primarily governed by the City's building code and subdivision ordinances that are found in Chapters 14 and 94 of the City Code of Ordinances.

New development must be served by owner/developer provided public water and wastewater facilities that meet the City's standard requirements. Upon

construction and dedication by the owner/developer the City agrees to provide services via the facilities and thereafter to maintain them.

Facilities necessary to serve a new development are provided at the sole cost of the owner/developer. Such facilities include not only those which are located within the owner/developer's property, but also any exterior mains which must be extended to connect the property under development to the point of connection with the City's existing facilities. The City need not compensate the owner/developer for the ordinary costs of extending exterior mains. The owner/developer may be reimbursed for ordinary exterior main extension costs through the imposition of lot or acreage fees to be levied against other adjacent properties upon connection to the owner/developer constructed mains.

The City may require that the owner/developer provide oversized water or wastewater facilities. In such cases the City will pay the reasonable cost of such oversizing. Whether or not a particular line sizing constitutes "oversizing," is determined upon the basis of generally accepted sound engineering design practices.

In newly annexed areas, the City examines the need for line extensions to serve existing development that does not currently receive water or wastewater services. The City will determine the need for the construction of lines and facilities to serve existing development after giving due consideration to the topography, land use, population density, adequacy of existing private water wells and septic tanks and anticipated levels of demand. The City will not undertake line extensions to serve such existing development unless the new lines will be logical, reasonable and prudent extensions of the City's existing facilities.

From time to time, upon the request of an interested property owner the City will consider whether or not line extensions previously deemed unnecessary have become necessary as a result of changed conditions.

The City may recover the capital costs of extending water or wastewater facilities to serve existing development through the use of impact fees, assessments or any other method authorized by law.

Once sewer lines become available in an abutting street or easement the City may require that existing development connect to the City sewer system.