



AGENDA INFORMATION SHEET

DEPARTMENT: Development Services

CM/DCM/ACM: Cassey Ogden

DATE: April 15, 2025

SUBJECT

Conduct the first of two public hearings of the City of Denton, Texas regarding the adoption of a Strategic Partnership Agreement between the City of Denton and Sanctuary Municipal Utility District No. 2 of Denton County.

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Enhance Infrastructure and Mobility.

BACKGROUND

A MUD is a special-purpose district created to provide essential services such as water, wastewater, and drainage to areas outside city limits. Governed by an elected board, MUDs fund infrastructure and operations through bonds repaid by property taxes and user fees. MUDs are required to seek City consent when the MUD is within the extraterritorial jurisdiction (ETJ) of the City.

Sanctuary Municipal Utility District No. 1 and No. 2 of Denton County (Sanctuary) is located near FM 156 and US 380. Sanctuary is a 836 acre development with 3,154 planned residential lots and 5.9 acres of commercial property.

The City was approached by the developers in 2022 and the City received an initial petition for the creation of the Sanctuary Municipal Utility Districts No. 1 and No. 2 of Denton County (MUDs) but did not provide consent. Following that, a petition was submitted to the TCEQ for the creation of the MUDs by the developer in March 2023 and the MUD was created by TCEQ in August 2023. The City staff and developer have continued discussions over this time regarding the potential of the City of Denton to provide services to the MUDs.

Staff and the Developer negotiated the terms of the Development Agreement which included limited development regulations, gas well setbacks, roadway standards and offsite roadway improvements, the option for solid waste service, City of Denton permitting, and other regulations, and including a Strategic Partnership Agreement (SPA). City Council approved the Development Agreement on February 4, 2025.

The SPA allows for the City to annex a portion or all of the district for limited purpose of collecting sales tax on the commercial portions of the property and includes the option, at the City's discretion, to annex the entire property into the city limits after the bonds issued by the MUD have been repaid.

City staff is now beginning the process of notifying and holding public hearings for the SPA. The Sanctuary Municipal Utility District No. 2 of Denton County Board held two public hearings on February

13, 2025 and February 21, 2025, and the SPA requires the City to hold two public hearings. This is the first public hearing and requires no action on the part of City Council. The second public hearing is scheduled for May 6, 2025.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

May 2020– The City adopted an Interim MUD Policy

August 2022– City received Petition for water and wastewater service for the MUDs

May 2022– The City adopted the current MUD Policy

March 2023– Developer submitted Petition for Creation of the MUDs to TCEQ

August 2023– TCEQ Ordered Creation of the MUDs

February 4, 2025- City Council approved a Development Agreement including the SPA

EXHIBITS

1. Agenda Information Sheet
2. Strategic Partnership Agreement
3. Presentation

Respectfully submitted:

Charlie Rosendahl

Deputy Director of Business Services & Operations