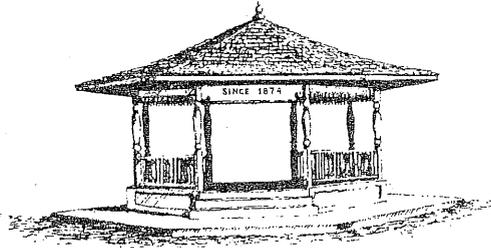


City of Ferris



March 21, 2006

"A Texas Main Street City"

Ms. LaDonna Castanuela, Chief Clerk
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

MAR 24 2006

OPA

BY

CHIEF CLERKS OFFICE

MAR 24 10 02

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Subject: City of Ferris – Ellis County Municipal Utility District No. 1
(TCEQ Internal Control No. 02212006-D04)

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Dear Ms. LaDonna Castanuela,

On the evening of the 20th of March this year, the City Council of the City of Ferris, Texas approved an ordinance which repealed both an earlier ordinance and a resolution that was requested by the principles involved in the creation of what they refer to as the "Ellis County Municipal Utility District No. 1" (TCEQ internal control number 02212006-D04). The City Council found this action necessary when it was recently informed by the administrative processes of the Texas Commission on Environmental Quality that the process of creating the district was ongoing. The City of Ferris wishes it to be understood by all interested parties and regulatory agencies that the City of Ferris DOES NOT support, encourage, condone or desire that a new single purpose political subdivision be created in its extraterritorial jurisdiction. Further, we will resist its creation with all possible means at our disposal.

The principles of this district approached the City approximately three years ago. At that time they expressed an interest in developing the subject property. The City of Ferris without professional management and with no growth experience or reasonable capability of extending water and sewer services felt that it could not reasonably serve the property at that time. Therefore, the City reluctantly gave permission for the creation of the district. Enticed by the notion that growth would finally occur near its community and that growth might encourage additional growth outside the subject district. It seemed to Ferris that there was no other practical way to begin the growth cycle.

Since that time, the City has undergone substantial dynamic change. There has been a significant change in the elected leadership and they have made a decision to acquire professional management of their municipal operation. Those decisions have precipitated the development of at least two City sponsored improvement districts. Those districts will extend services to the areas under discussion with those areas being required to only repay a fee which is equivalent to their pro-rata share of the cost of such extensions. This proposal and method of supplying extensions of already available local services to the subject areas has been thoroughly discussed with the principals on numerous occasions.

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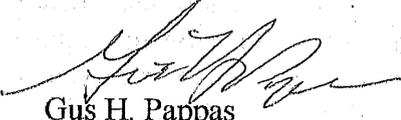
At face to face meetings between the principles and representatives of the City of Ferris, those principles have expressed their pleasure at the proposed solution. They have commented, "It would not have been necessary to pursue the creation of the MUD if these options had been available at the time we first approached the City." Believing that the developers/principles were earnest in their comments, the City of Ferris proceeded with its planning and has spent considerable sums on engineering and has issued debt to begin the physical work on the districts. Having done all this, imagine our surprise when we learned that the developers/principles, having failed in a legislative attempt to create the district, were continuing to seek the creation of the district through the approval process of TCEQ.

The City felt it had no recourse but to officially rescind the earlier approvals so that the developer/principles could no longer assert that the City of Ferris had "No Objection." In addition, we wish to formally take the position that the City of Ferris opposes the creation of such a district. The property in question is immediately adjacent to our City limits on the western border. The property, which is quite large, is over 80-percent within the ETJ; only a small portion is outside of our current extraterritorial jurisdiction.

The City of Ferris believes that the creation of a utility district this close to our boundaries and within the proposed boundaries of our utility improvement district would jeopardize the future rational growth of our community and the planned expansion of the water and sewer system to this property and beyond. The removal of such a large portion of property from the improvement districts would jeopardize their financial solvency. The financial success of the district is based upon that area remaining outside of the City so that it may pay property tax equivalents to reimburse the developers for infrastructure improvements. That important provision would keep the population of that community from being part of the City of Ferris and would confuse the City's ability to provide services to that area or to extend its boundaries beyond that property. Such a situation would not serve the citizens of that property well and we believe does not operate in either the City or their best interest.

Please consider these comments in all future references to this request. The City is available for comment and questions at any time and will be present at any public meeting where the creation of the district is discussed or considered.

Sincerely,



Gus H. Pappas
City Manager

Enclosures

THE CITY OF FERRIS

ORDINANCE NO. O-06-619

AN ORDINANCE OF THE CITY OF FERRIS, TEXAS; AMENDING THE CITY OF FERRIS CODE OF ORDINANCES, BY REPEALING ORDINANCE NO. 482, AND FURTHER REPEALING RESOLUTION NO. 01/20/04 IN THEIR ENTIRETY. PROVIDING FOR A REPEALING CLAUSE; PROVIDING FOR A SEVERABILITY CLAUSE; PROVIDING FOR A SAVINGS CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, The City Council of the City of Ferris initially responded to the request of land developers on this subject property who wanted to develop the property for residential use but had no reasonable means of acquiring water for sewer services for that development without large off-site infrastructure cost; and,

WHEREAS, The City granted the requested ordinance so that the subject developers could pursue the creation of a Municipal Utility District to assist in defraying those costs to the subsequent property owners; and,

WHEREAS, The City of Ferris experienced significant changes in its political and managerial hierarchy which led to the development of City created utility improvement districts to serve the area in question; and,

WHEREAS, The developers participated in discussions with the City concerning the creation, location, boundaries, services to be provided, estimated fees, and timing for the project; and,

WHEREAS, Those conversations between the City of Ferris and the subject's developers led the City to believe that the developers were satisfied with this new local proposal and that it met their financial requirements for minimizing the off-site infrastructure cost associated with the development and therefore no longer proceeding with their attempts to create a Municipal Utility District; and,

WHEREAS, The attempt by the developers by the Developers to create a municipal utility district through the legislative mode failed; and,

WHEREAS, The City recently received notification from the Texas Commission on Environmental Quality that in fact, the Developer continues to seek the creation of a Municipal Utility District; and,

WHEREAS, The City of Ferris sees no alternative but to officially rescind all documents which may lead anyone to assume that the City of Ferris supports the creation of said Municipal Utility District for its creation would undermine the financial solvency of the City created utility improvement district as they evolve to serve the same problem without the creation of another layer of local government; Now therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FERRIS, TEXAS:

Section 1. That Ordinance No. 482, and Resolution No. 01/20/04 are hereby repealed in their entirety.

Section 2. All provisions of the ordinances of the City of Ferris in conflict with the provisions of this ordinance be, and the same or hereby, repealed, and all other provisions of the ordinances of the City of Ferris not in conflict with the provisions of this ordinance shall remain in full force and affect.

Section 3. That should any sentence, paragraph, subdivision, clause, phrase or section of this ordinance be adjudged or held to be unconstitutional, illegal or invalid, the same shall not affect the validity of this ordinance as a whole, or any part or provision thereof other than the part so decided to be invalid, illegal or unconstitutional, and shall not affect the validity of the Code of Ordinances as a whole.

Section 4. That this ordinance shall take effect immediately from and after its passage and publication of the caption of said ordinance as the law in such case provides.

DULY PASSED AND APPROVED by the City Council of the City of Ferris, Texas this 20 th day of March, 200.

APPROVED:



Scott T. Born, Mayor

ATTEST:



Pat Bradley, City Secretary

APPROVED AS TO FORM:

David Dodd, City Attorney