



Mayor's Letter
July 15, 2017

Hello Everyone,

AT OUR JULY MEETING we discussed the 2018 budget that I had presented last month. We will finalize the planned parks expenditures and the utility CAPX at our August meeting. The budget will be voted on at that meeting, along with the adoption of our tax rate. I have not proposed any change in our tax rate, so, if adopted, the basic operating rate will remain \$0.25 **for the 40th consecutive year**. The temporary debt servicing rate will also remain unchanged at \$0.05. The budget is available on www.lakewoodvillagetx.us

Speaking of taxes, let me provide you with some additional information. Typically a town's revenue comes from two sources, taxes and fees. Taxes are when the government reaches into your wallet and takes your money for a public purpose. A fee is what you pay for a government **service** - if you don't request the **service**, you don't pay. So for example, if you choose to build a pool, then we are going to charge you a fee (pool permit). We use that money to pay the building inspector and our staff who handle the scheduling, paperwork, accounting, and permit filing. It is illegal to make a "profit" on a fee, you only recover your cost. The town has no control over fee revenue - we can't choose how many pools, houses, or fences our citizens will build this year. In contrast, **tax revenue is entirely up to the Town Council**. Citizen awareness of taxes is important. I want you to know. In determining how much to tax, we have to juggle using individual citizens' money to provide a general, public benefit to the many. Let's take a look at the numbers. I have been responsible for the last 10 annual budgets. Over the last ten years, our property tax receipts have increased by 21.8 percent total, which includes 20 new houses. The average annual increase in total taxes has been just **under two percent, and new construction is responsible for more than half of that**. As a comparison, LE has seen a 142 percent increase due to high growth and tax rate increases. I propose budgets where we spend within our means and the Council prioritizes our spending. Despite the great recession, we kept our tax rates low and undertook the biggest improvement project in the town's history. Today we have \$248,820.48 in the bank. I expect to have over \$350,000 at the end of next year as we build our reserves for the road project in four years. Things look really great going forward.

Lakewood Village		
		Certified
Property Taxes	Fiscal 2008	\$179,694
Property Taxes	Fiscal 2017	\$218,820
10 Year Increase		21.8%
Annualized Change		1.99%
Little Elm		
		Certified
Property Taxes	Fiscal 2008	\$7,563,027
Property Taxes	Fiscal 2017	\$18,328,083
10 Year Increase		142.3%
Annualized Change		9.26%



TOWN UTILITIES. The pictures tell the story. Over the last several years we have undertaken significant upgrades and expanded our utilities. Our pressure tank capacity - the system which maintains the pressure as we



distribute water has been expanded from 3,300 gallons to 16,000 gallons. The newest ground storage tank (the short one) has been operational since June 1 and increased our storage from 84,000 to 134,000 gallons. Hard to believe, but the short tank holds 25 percent more water than the tall one. That's why in our water master plan, the tall tanks will ultimately be replaced with much larger, but shorter steel tanks. Why not reduce the clutter in our beautiful sky. The picture to the left is of our new pumps and heavy-duty steel manifolds. We've increased our pumping capacity from 250 gallons per minute to 1300 gpm. In case of a fire, we can deliver some serious water ! Speaking of fire fighting, the most visible investment is in the new hydrants throughout the original part of town as we increase the number from three to 12. We are down to only one remaining street which **has no fire hydrants** - Parkwood Drive. I have requested those funds as part of the 2018 budget. Future projects (beyond 2018) include running a new 12" water main down Highridge and an emergency interconnect with the Town of Little Elm.

DEVELOPERS, UTILITIES, AND FUTURE EXPANSION. Development is all around us - how do you handle growth ? You have to get out in front of it and plan for it. You can't just ignore it and then wake up one day with a developer knocking on your door and find you need to spend millions of dollars on expanding your utilities. You've seen when this happens - service cuts, issuing new debt, skyrocketing rates. **That's not us. It isn't going to happen here.** As many of you may know, I have a PhD in Accounting from the Wharton School of Business. Looking back 45 years when they first granted the degree, **there are only 51 people in the world** that have earned a PhD in Accounting from Wharton. I am the only one to also have earned Master's degrees in both Finance and Economics from Wharton as well. Listen, we are in great shape. We've been planning for development for years. There are no financial issues. I have this covered. If you want to worry about something, your time would be better spent worrying about the dinosaurs making a comeback and taking over the planet again.

Water Facilities		
	LWV Facilities	LWV Capacity based on TCEQ Requirements
Production - Wells	216 gpm	360 houses
Ground Storage	134,000 gallons	670 houses
Pressure Tanks	16,000 gallons	800 houses
Pressure Pumps	1250 gpm	625 houses
<i><<< Currently 235 Houses in Lakewood Village >>></i>		

Lets look at the WATER numbers. The chart shows what our current capacity is according to TCEQ rules. That is, based on their rules, the 216 gallons per minute that our three wells produce is enough for 360 houses. **We only have 235 today.** Our ground storage is enough for 670 houses. **We only have 235 today.** Even if you don't have the well production, you can get a waiver from TCEQ if you have extra ground storage. It makes sense - if you can't produce it quickly, you make up for it by having more storage. The pressure tanks and pumps are enough

Wastewater Treatment Plant		
Licensed Capacity	Average Daily Usage (235 houses)	LWV Capacity based on TCEQ Requirements
100,000 gallons per day	37,902 gallons per day	620 Houses

for 800 and 625 houses respectively. **We only have 235 today.** So let's say LandPlan walks in the door today and magically builds 100 new houses, amazingly all are completed today.

The Town would immediately do

NOTHING. Not a thing. Bring it. The pumps keep pumping, the storage tanks keep storing. But the developer must pay the Town an impact fee of **\$969,500** (100 houses x \$9695) for a future expansion someday. In addition, they must pay us **\$196,500** in tap fees (100 houses x \$1965) that we can use for any purpose. And those houses generate **\$80,000** per year in water revenue. All we have to do is take the money and put it in the bank. This is our "doomsday" scenario ? Really. We bank the money and do nothing. What about the sewer ? Lets look.

The latest readings for this month show that we are averaging just under 38,000 gallons per day at the sewer plant, **which is 38 percent of our capacity**. So doing the math, this means we can service 620 houses before the plant must be expanded. **We only have 235 today**. So for those 100 LandPlan houses that magically appear, we do nothing. The wastewater plant is a gravity plant, gravity still works and best of all, its FREE. The blowers still blow. The sweep arm on the clarifier still goes around and around and around in a circle. We would then be **using barely over 50 percent of our capacity**. But LandPlan writes us a check for **\$592,300** for the impact fee for a future expansion some day. They also pay us **\$127,500** in tap fees. And those 100 houses would pay us annual sewer fees of **\$50,000**. And we put it in the bank. And do nothing. That's our worst case scenario. There's nothing to worry about. Focus on the T-Rex.

AND THAT'S WHY WE DON'T NEED TO SELL OUT TO A DEVELOPER. That's the whole point - our infrastructure investments and all of the time I spend on the financials are done to give us the financial strength to dictate our terms. **We don't have to sell out to apartments or a commercial developer** because our backs are up against the wall. We're going to stay a quiet small town. Why not us. Why not Lakewood Village.

COUNCIL ACTIONS. I am very pleased that six individuals stepped up and volunteered to form our inaugural Parks Advisory Board. The Board will provide input on the playground, park, and Town open space. The Council appointed Serena Lepley, Bernadette Rodriguez, Lacresha Goodman, Shay Ruth, Rick Turner, and Richard Bosch - Suero to the board. I look forward to their creativity and valuable contributions. Thank you.

**Council Vote on
Consideration Items**

	✔	✘
Parks Advisory Board	Unanimous	
MDD Appointments	Unanimous	
Impact Fee Revision	Unanimous	
Sewer Camera Requirement	Reed, Newsome, Bushong, Shields	Tantalo

The Council appointed Darrell West and Matt Bissonnette to the Municipal Development District Board. They join MDD President Eric Farage, Linda Loudon, Dave Batchelder, and Linda Asbell on this important body.

The Council approved updating the Impact Fee Ordinance. We now have the results of a well study that we authorized the Town Engineers to perform and we need to revise the well costs that are in the impact fee calculations.

The Council approved amendments to the builder requirements. In response to a sewer blockage caused by construction materials in

the line, now all new construction must have a camera record the sewer line. If construction materials or blockages are found, the contractor must clean the lines before the Certificate of Occupancy will be issued.

Additionally the Council had discussions (no action) on the budget ordinance, updating the fence ordinance, and revising the fire code (fireworks). Minutes of the meeting will be available next month.

KEY FIGURES: Friday's water production was 136,000 gallons or 44% of our maximum production. At the sewer plant, last weeks daily average was 33,585 gallons or 33% of our capacity.

Drink lots of water, stay cool, the heat is on. It's never been a better time to be in Lakewood Village.

Dr. Mark E. Vargus
Mayor



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