

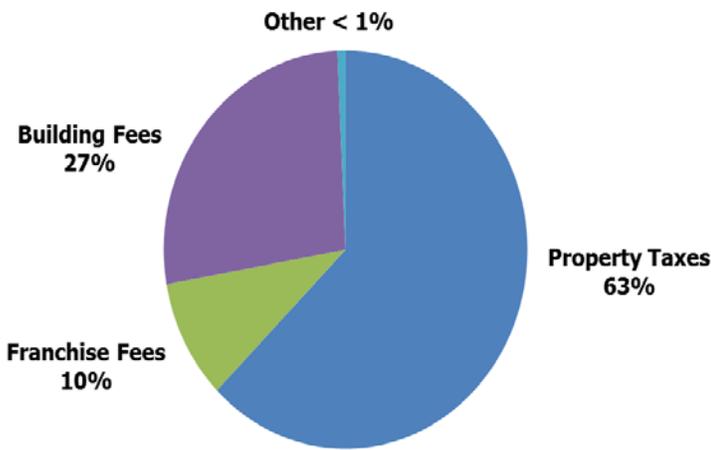


Mayor's Letter
August 15, 2015

Hello Everyone,

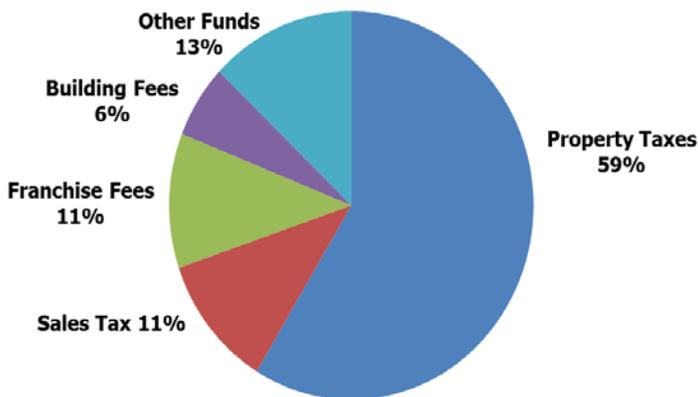
AT OUR AUGUST MEETING, the Town Council approved the 2016 Budget. I won't bore you with a detailed recap, the budget specifics are all available on-line at www.lakewoodvillagetx.us. Instead, I would like to give you some insights into the Town's financial strategy. When Mike and I were elected in 2007, the Town's

General Fund Revenues 2006/2007



financial difficulties were our immediate concern. Looking at the long-term picture, things were far from rosy. On the chart to the left is the break-down of the Town's General Fund revenues from the 2006/2007 Budget. As you can see, property taxes and building permits represented 90 percent of our revenues. While a municipality can make up for a fall in property tax revenues by raising the tax rate, **you can't make people build houses**. Thus, relying on building permits is at best uncertain, and given that we have a lake on three sides and limited undeveloped land, it is not a sustainable strategy in the long-run. It is true that as building declines, expenses decrease since we don't pay the inspectors however, there are substantial administrative costs that are unavoidable. For example we incur significant expenses when we create ordinances to implement the periodic updates to all of our international building codes.

General Fund Revenues 2015/2016



THE SOLUTION IS OBVIOUS, we needed to diversify our revenue streams. The chart on the left shows the break-down of revenues for next fiscal year's approved budget. Clearly there are significant changes. First, **building fees now represent the smallest part** of our General Fund Revenues. This an important part of our financial strategy as we now rely on more stable sources of income, which improves our financial profile and is another reason why our loan interest rate is so low. We added revenue streams following the May 2009 voter approval of the sales tax and the creation of our EDC and MDD economic units. Currently

sales taxes contribute 11 percent of our revenues - and their share is increasing. In addition we receive 13 percent of our revenues from other funds like the EDC and MDD for many services that the Town provides. For example, the Town's annual audit fee is paid out of the General Fund, but the audit includes the General Fund, the Utility Fund, the MDD, and the EDC. There are numerous services that the town provides to these units (e.g. mowing, insurance, legal services, banking, accounting, etc.) and these costs must be reimbursed to the Town. I am pleased with our progress to date, and we will continue to move forward.

THERE ARE SEVERAL THINGS MISSING from the previous chart. Unlike most states, Texas does not have a state income tax which means that there is no revenue sharing from the State. Basically, municipalities in Texas are on their own - they have to raise their own revenues. One potential source of revenues is fines, however, we have no plans for a Lakewood Village PD, so you won't see "Cops-LWV" on television anytime soon. A more promising alternative is receiving grants. Grant-writing is an art, and although I am not sure what we could qualify for, I believe we must explore this further. We're going to work hard in the upcoming year to better educate ourselves on the process. Our long-term stretch goal is to get our property tax revenues to 50% or less of our total revenues.

DRONES. At our last meeting, Councilman Dave Getka spearheaded a Town Council discussion of various drone related issues. I think it is a very timely topic and another example of where technology and production advancements get ahead of the legal framework. This is an area where states and the federal government (FAA) are both working on regulations and it is not clear whose jurisdiction and which laws will apply in certain settings. The recently enacted Texas drone law is called the *Texas Privacy Act* (Chapter 423, Texas Government Code). As you can imagine from the title, the law tracks pretty closely with the usual "expectation of privacy" protections. You can find more detailed information from the article "*Drone Regulations: Know before you fly*" on our website at www.lakewoodvillagetx.us.

Basically, there are broad exceptions for law enforcement, but not many for citizens. Where there is an expectation of privacy you can't fly your drone without permission - so you can't fly unapproved reconnaissance missions over your neighbors backyard. The law has severe penalties if you record images and distribute them - so if you do, you will face increased legal jeopardy - so think carefully before you publish that video or photos on YouTube or Facebook. And if you encounter a drone you can't take out your vintage WWII anti-aircraft guns, use it as an opportunity to re-qualify for skeet-shooting, or blow it out of the sky as you reenact the video game "Vampire-Zombie Drones from Area 51." Drones are personal property and you can't destroy property even when its annoying.

LAST WEEK Lakewood Village and Little Elm Town Councils approved a new CCN boundary agreement. Two and a half years ago, we began the regulatory process of obtaining the rights to be the sole utility provider for the area in the Lakewood Village ETJ on the north side of Eldorado Parkway. Under our agreement, Little Elm relinquished the rights to a portion of this area that they had obtained many years ago. This agreement is an important step in our long-term planning for the future town boundary and the necessary infrastructure to support development. Little Elm leadership demonstrated that, while they will certainly be the biggest town in our immediate area, they want to take a cooperative regional approach to issues here on the peninsula. It was an important issue to us, and the efforts of Little Elm Town Manager Matt Mueller, Assistant Town Manager Doug Peach, and Mayor David Hillock were instrumental in reaching this agreement. We look forward to additional joint ventures in the near future.

SUPER EL-NINO is coming. Councilman Ed Reed and myself attended the multi-agency review of our recent flood organized by Congressman Burgess. It was very interesting to learn the operational dynamics of the USACE Trinity River Watershed. Of the many governmental agencies present, I talked with the representative from the National Weather Service about the fall/winter weather pattern. The current El Nino pattern is one of the most intense on record. To the extent that it is predictable - the likelihood is for more numerous and severe storms starting in the late Fall and running through Spring. It sounds crazy preparing for potential snow/ice storms when it is 100 degrees, but that's what we are doing. We have a stockpile of approximately 5000 lbs. of bagged-sand for use on the roads and we have an operating plan with Little Elm Services for sanding using their large-scale equipment. In addition we are currently evaluating the various options for purchasing portable generators which we can use for the utility operations. While I don't think we should all start stocking up survival shelters, it would be a good idea now to get those batteries and track down your flashlights.

THE NEXT REGULAR TOWN COUNCIL MEETING is scheduled for September 10th.

The start of school is just around the corner, lets all stay alert on our morning commutes.



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