



Mayor's Letter July 15, 2019

Hello Everyone,

ROAD FINANCING. Back in 2014 when I put together our bond packaging, even though the banks didn't like it, I made the bonds callable after 5 years. That meant that starting in 2020 we could pay off our bonds early. The reasoning was that with the housing market on fire, surely by 2020 LandPlan or some other developer would have put in new housing in those five years. The additional property taxes, franchise fees, sales taxes, building permits, tap fees and utility revenues would have us flush with money. With all that money and a bigger tax base, we could easily finish the concrete roads in 2020 by getting a new loan and paying off the old one early. It was a great plan; however, the developers apparently weren't listening. **The five years are up** and we don't have those additional hundred houses and we aren't flush with money.

WE HAVE TWO OPTIONS. Option #1. It's easy, **do nothing**. Wait five years and pay off the existing bonds. Of course, in five years the new roads will cost \$5 million instead of the \$4 million today. Every year we can run around and put pretty asphalt patches on Melody, Carrie, and Highridge and then tear them back out every six months when the cement trucks, garbage trucks, and delivery vans **grind the asphalt into small mountain ranges**. We had 27 concrete trucks last week for a new house on Carrie, there are five more houses planned for next year in the Shores. Or,

Option #2. I can try and **figure out a way to do the roads now despite no new development**. It's going to be a very challenging task and developing a financing plan has been very difficult. I have spent a great amount of time on it and, I have a strategy that will get it done **while keeping our taxes lower than all the surrounding cities**.

	Cash Balances	
	July 1, 2019	January 2014
General Fund	\$284,589	\$474,864
Utility Fund	\$150,145	\$305,694
MDD	\$31,294	\$14,615
	\$466,028	\$795,173
Amount Borrowed	\$4,000,000	\$1,600,000

Here's our biggest problem. Look at the chart. When we borrowed back in 2014, we had almost half of the money we were borrowing in the bank. Why so much? We had a lot of things going against us. We were a first-time borrower, we have no commercial, no retail, no industrial, and we get no federal or state grants. It was also pointed out that we are a small, very small town. But what we did have was financial expertise, and a great set of financial statements, low taxes, a clean balance sheet, and lots of cash in reserve. By picking a ten-year borrowing term instead of twenty or thirty

years, banks could purchase and hold our debt. The competition for our debt was fierce and as a result our interest rate is below two percent. Now look at today. **We are going to borrow two and a half times as much money with about half as much in the bank. AND, we still have five more years to pay on the first set of bonds.** We can do this, but only if we stop spending and increase our cash. That means we cannot put down new asphalt patches or bring in road crews to properly excavate Highridge and reconstruct the road. I know it's not going to be pretty in the short-run, I drive the very same roads as you do every day.

Suppose it's March, you have an old car that is falling apart. The new models are coming in December, you have a home mortgage, so you can only qualify if you have a large down payment. **You have the money set aside.** Your dashboard cracks because of the heat. You can spend the money to replace it, but then you can't buy the new car this year. Or, you can use duct tape and fix it for now. It isn't pretty but at the end of the year you will have a shiny brand-new car with a ten-year warranty. Do you rebuild the engine, or just add cheap oil and put a piece of cardboard under the car so the leak doesn't stain the garage floor. It's really a simple tradeoff.

Construction could start in April 2020. But, if you want pretty, then come to the August 8th Council meeting and tell us that you want to spend our money patching each year and it's okay to delay the new roads for five years. That will certainly make my life easier and I can go back to teaching.