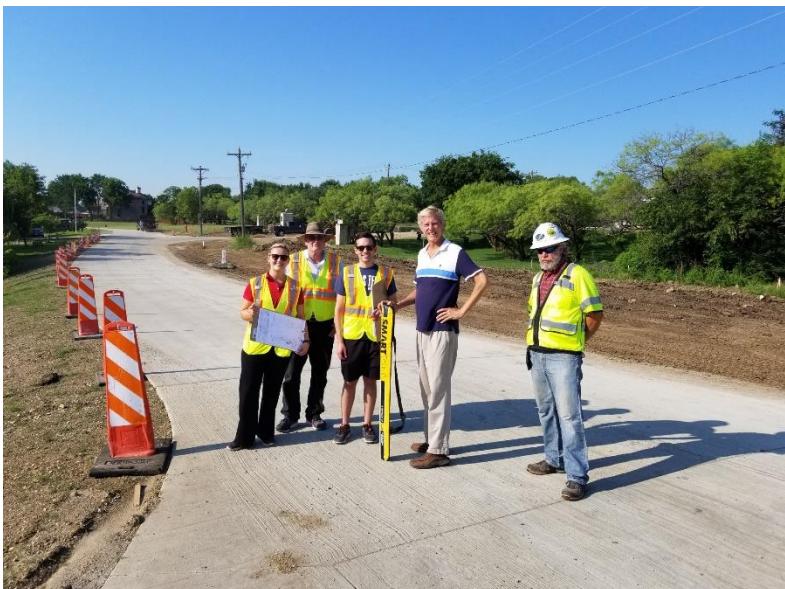




Mayor's Letter

July 15, 2021

ROAD UPDATE. As many of you can see, the paving is complete and Ed Bell Construction has removed most of their equipment. On June 17th I walked the entire project with our Kimley-Horn engineers and Ed Bell representatives. The purpose of the walk was to create the "punch list" which details all of the various issues that must be addressed by Ed Bell before the project is officially complete and I accept the roads.



Most of the items were minor surface cracks - these will be ground down and epoxy filled. There is still some additional sod to be placed and the area in front of the drop inlets need to be cleaned out, graded level with the ground, and any erosion control materials removed. We are currently in the process of finalizing the remaining two change orders - both are deductive, meaning they will reduce our final costs. Several people have expressed to me the desire to make alterations to the bar-ditch area in front of their houses. You need to be patient; this is not allowed until we have accepted the roads and the warranty period begins. Ed Bell must complete the punch list entirely and our engineers sign off on the corrections before we can allow any changes.

IT'S BEEN A VERY LONG ROAD. For many of you, the last 15 months of construction may seem like a long time. For myself, this project is really the final piece in a project that began almost a decade ago in 2012. That was when I proposed to the Town Council that we abandon asphalt overlays and instead rebuild and replace our streets with concrete. In June 2013, Ken, Dave, Carl, and Harold agreed to move forward, but only if the debt service tax was limited to \$0.05. Phase 1 was completed in late 2014 at a cost of \$1.85 Million. The small debt service tax meant that we were going to have to use our reserves to make the bond payments. I made the decision that we were not going to consider Phase 2 until our reserve funds were increasing. At 2014 year-end our cash reserves were \$273,000; by year-end 2015 it had fallen to \$185,000. Our 2016 year-end balance was down to \$119,000. **Finally in June 2017**, I forecasted that our cash balance had bottomed-out and was increasing (we would end the year with \$248,000 in reserve). It was time to start the planning for Phase 2. **So, this project actually started a little over 4 years ago.**

In September 2017, I started discussing financing options with our financial advisors at SAMCO Capital. Because our new bonds would overlap with the 2014 bonds, I decided that we would issue new 20 year bonds. This meant that we would have to go to "Wall Street" and obtain a credit rating from S&P. **The critical question was when we would start.** The longer we waited, the more money we would have in the bank and the less we would owe on our 2014 bonds. However, construction costs and interest rates were increasing with each year. And we weren't going to spend any money on repairs, so the roads were just going to get worse. I made the decision that we would target 2020. That would allow us two more fiscal years to maximize our financial ratios for our credit rating and we would have paid off five years of our 10 year 2014 debt.

We received the preliminary opinion of probable construction costs (OPCC) from our engineers in February 2018. **In June 2018**, I updated the council on my preferred financing plans and the estimated debt payments it would take if we decided to move forward. **On January 24, 2019**, we had a joint Town Council and MDD meeting with Kimley-Horn to discuss any final issues, engineering costs and timelines. At around \$5M the project was going to have to be a team effort. The MDD board agreed to support the project and increase their financial commitment to the town.

On February 14, 2019, the Town Council approved the contract with Kimley-Horn to begin the project. Over the next 12 months the engineers would perform the geotech analysis, survey, design, bidding and contract preparation with a goal of awarding the contract in early 2020. **In March 2019**, our financial advisors told me that we would likely end up with an "A+" rating from S&P and I should use an interest rate of between 4.25 and 4.5 percent in my financial models. **In May 2019** we received the final OPCC of \$4.56 Million - the eventual winning bid would be very close, \$4.44 M, which shows how good our engineers are.

During the **Fall of 2019** the Town Council made several road trips to McKinney to meet with our engineers. We had to make many decisions on various design issues like cul-de-sac sizes, drainage and inlet styles and types of pipes (aluminized steel or concrete), what to do with Green Meadow (it was excluded in the initial designs), and many other issues. We spent quite a bit of time looking at many alternative road alignments for the Melody and Stowe connector road. The Town Council deserves a lot of credit - I called many special meetings in 2019, and we often had to meet offsite.

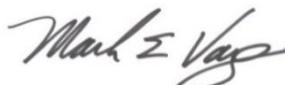
In January 2020 I submitted to S&P our latest quarterly financial reports prior to our ratings call (where the NY analysts ask me technical questions on our financial position). At that time, we reported \$411,000 in our general fund cash reserves. I was very happy when we received a higher than expected credit rating of "AA-". **On March 12, 2020**, right at the crazy start of COVID we sold our bonds at an interest rate of 3.16 % and awarded the contract to Ed Bell for \$4,444,798. Construction began in May 2020.

FOR MYSELF, the most challenging part of the project was the part that you probably didn't even realize was happening. In 2019 we had to anticipate our future infrastructure and get it in the ground before the road project was started. So, for example we ran two new 12 inch water lines under Highridge and valved them off for the future developments by LandPlan and the LEISD. We laid new sewer pressure lines up Melody Lane. This allowed us to re-route the wastewater when the massive new underground drainage pipes were installed at the Melody-Carrie intersection. We also laid conduit under Highridge for the future sewer lines for any new developments. We ran purple pipe under Highridge to allow for the future use of recycled water at our entrance feature or to irrigate our entry roads and athletic fields. And of course, we demolished the Highridge mailboxes and moved them to Town Hall.

I hope that everyone has a better understanding of the complexity and effort required for these projects. After 15 months, I know Mayor Pro-tem Darrell West and I won't miss our bi-weekly Monday 2 p.m. progress meetings with Ed Bell and Kimley-Horn. I am looking forward to someday deleting the 1,057 emails in my "2020 Road Project" folder. Clint Bushong was with me back in 2014 and he has been invaluable riding shotgun on Phase 2. It took a lot of work from a lot of people to complete the mission. I appreciate the various Councilmembers through the years that have put in the extra time and effort and expressed their confidence in me to bring these road projects to a successful completion.

The roads look great - who knew we had so many curves ? There's never been a better time to be in Lakewood Village, but I'm taking a vacation.

**Dr. Mark E. Vargus
Mayor**



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