



## Mayor's Letter

December 15, 2021

**ANNUAL AUDIT.** Our independent auditors presented the 2021 audit to the Council at the special meeting on December 13th. We received a clean opinion and the auditor noted that our financials were in great shape. This is the 14th consecutive clean audit since I took over responsibility for the town's finances in 2007. The only prior audit was in 1995 and it failed. The auditors refused to issue an opinion due to missing records and the lack of basic accounting information. With no audit, our previous town secretary embezzled over \$100,000 until she was arrested in 2004.

**ZERO/ZERO** My long-range financial plan for the Town is to be debt free and property tax free in four years. Under the terms of our bond issuance, the earliest that we can pay off the bonds is 2026. Once the bonds are paid off, we don't need to collect the debt servicing portion of our property taxes (\$0.20 of our \$0.45 rate). The other \$0.25 is what we use to operate the town. For that to disappear we must have other revenue to pay our bills. Let's look at that.

		Revenues			
		2021	2020	2019	2018
Sales Tax		\$64,638	\$52,851	\$33,053	\$31,327
Franchise Fees		\$39,498	\$41,624	\$26,753	\$28,476
Utility Fund Admin Fee		\$56,400	\$54,400	\$40,200	\$40,200
		\$160,536	\$148,875	\$100,006	\$100,003
		Operating Expenses			
Administrative		\$7,413	\$4,239	\$5,337	\$8,266
Professional Services		\$64,378	\$80,444	\$67,190	\$65,919
Public Works		\$10,670	\$10,983	\$13,359	\$25,953
Repairs Maintenance		\$7,953	\$7,805	\$8,279	\$8,707
Personnel		\$104,322	\$99,595	\$90,345	\$85,827
DCAD		\$2,868	\$2,709	\$1,796	\$1,667
Professional Development		\$5,838	\$6,123	\$5,179	\$5,886
		\$203,442	\$211,898	\$191,485	\$202,225
		79%	70%	52%	49%

This Table details our revenues when you exclude property taxes and building permits. We exclude building permits because in the long-run we can't keep building houses, our land is limited. For our operating expenses, we exclude payments to the building inspectors, because these are paid with the permit fees. So, in the long-run, these will cancel each other.

As the Chart shows, last year our core revenues (sales tax, franchise fees, and admin fees) now cover 79 percent of our costs. You can see that **sales taxes have increased significantly**. Keep up the good work - when you buy online, don't let them send your sales tax to Little Elm. 75068 = Lakewood Village.

You can also see that our spending is almost unchanged from 2018. A key feature of our

cost containment strategy is to have the Lakewood Village MDD take over responsibility for certain expenses. So, for example, the MDD now has financial responsibility for all town social events and parks and recreation.

**HOW TO CLOSE THE GAP.** The most important revenue stream is sales tax. At our last council meeting we accepted the annexation request from the owners of the convenience store under construction near the toll-bridge. The store will generate \$30,000 to \$50,000 a year in sales tax to the Town. We will also have zoning authority and architectural control. We will control signage, and most importantly what types of business is permitted there. I will never support having commercial businesses on our side of Eldorado. However, if they are going to build it outside the city, it is to our benefit to bring them in so we can make it nice for our community.

**We have approved plans** for two new developments inside the town (First Texas Homes and the Northshore). These will be underway in early 2022 and have a combined 230 homes. These are expected to add approximately \$100,000 in annual sales taxes and franchise fees to the Town. In addition, we have approved Taylor Morrison South Oak Phase 2 development **outside the town**. Since they are outside the town, they will not contribute any sales tax. However, they will contribute approximately \$50,000 in franchise fees each year. Most of these houses should be built within four years. So, as you can see, our future growth should provide sufficient revenues to meet our operating needs.

**OVER** ↘

**ZERO DEBT.** In four years, our 2014 bonds will be paid and we will owe \$4,050,000 on our 2020 certificates of obligation. So, how can we get \$4,000,000 over the next four years ? This is the key to our strategy in developer agreements that we have been negotiating for the last two years. Let me give you some of the details.

**TAYLOR MORRISON SOUTH OAK PHASE 2** - this is outside the town. We have created a special public improvement district which will impose a special tax on those houses for the benefit of the developer. Under the terms of that agreement, the developer will pay the town a fee of **\$1,450,000**. This money will be paid up-front, in April 2022, long before any houses are built. In addition, the developer will pay the town approximately **\$725,000** in building permit fees. For the utilities, they will pay us approximately **\$1,200,000** in connection fees, and contribute approximately **\$3,500,000** for our new well and the expansion of our wastewater plant.

**FIRST TEXAS HOMES** - this is the former LandPlan property across from town hall. They have agreed to spend \$1,000,000 constructing our new town entrance (next month I will show you the design), constructing the stop light, adding turn lanes, extending Stowe Lane to the new entrance, and constructing a new Shores entrance feature. They have also agreed to pay the town a development fee of approximately **\$1,225,000**, and approximately **\$1,000,000** in building permit fees. For the utilities, they will pay approximately \$600,000 in connection fees.

**NORTHSHORE** - this is the property to the west of our entrance that has been partially cleared. We are finalizing the developer agreement and plan to approve it in January. In the proposed agreement, the developer will donate land and widen Eldorado Parkway, construct a new entrance with a water feature, and donate lakefront land to the Town. The agreement calls for the developer to pay a fee of **\$800,000** to the town. The Town will also collect approximately \$650,000 in building permit fees. The utility system will also receive approximately \$300,000 in connection fees.

It's that time of year when we all have to make those big property tax payments. With the crazy valuations and record appreciation that we are seeing in Lakewood Village, this is especially painful. The first new houses for the developments are expected in 18-24 months. If we continue to build our cash reserves and if we collect most of these fees quickly, we should be in really good position to be able to pay off our bonds in 2026. It would be amazing to zero out our part of the tax bill. We have a good plan underway and I am committed to getting it done, just hang in there.

**CHRISTMAS LIGHTS CONTEST.** The contest is sponsored by our Lakewood Village Municipal Development District with prizes to the top three finishers. The third place winners were the McClelland's at 428 Hillside. Second place went to the Hadley's at 645 Melody. And the first place winner was the Phegley's at 812 Stowe Lane. Great job by everyone to brighten a rough year.

**Everyone have a safe and happy holiday and a great start to 2022. Remember, even years are always better than "odd" ones. There's never been a better time to be in Lakewood Village.**

**Dr. Mark E. Vargus**  
**Mayor**



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