



Lakewood Village Update

March 16, 2015

Hello Everyone,

ROAD UPDATE. **SPRING** is only a couple of days away. As the lake elevation and the temperatures both increase, we think about recreation and that big body of water on three sides of us. This brings a common question I am asked - why don't we have a boat ramp? Good question. Well, let's investigate who has a boat ramp on the lake: Hickory Creek - yes, Highland Village - yes, Lewisville - obviously, The Colony - yup, Lake Dallas - sure, Shady Shores - yes, Oak Point - you bet, and Little Elm - well, you know the answer. So it's pretty much every city/town that touches the lake that isn't named Lakewood Village. So, why is that? Well, the official answer from the Corps of Engineers (USACE) deals with the shoreline management - all of the shoreline is essentially designated one of two categories - **wildlife habitat** or **recreation**. If its recreation, you lease the land from the USACE and you can pretty much do what you want. On the other hand, in a wildlife area you can't put in a boat ramp, a sandy beach, or volleyball courts - it has to remain natural. So far so good. All we have to do is construct our boat ramp on our recreation space and we are set. Only one problem - the USACE says we don't have any recreation space - unlike other cities - they have designated **ALL of Lakewood Village** as wildlife. So, even if the town buys waterfront land - we cannot use it for recreation - we are prohibited. Can we change the designation of some of our land? The USACE says that is not possible - the current lake was created in the late 50's and they will not make changes to the original plan. I've been dealing with the USACE for over a decade, so I thought I would ask Councilman Gary Newsome to accompany me to the meeting with the Corps. I think he would agree that he was speechless as they explained the no changes policy. I guess it makes sense, since we all can see that our area around the lake hasn't changed much since Eisenhower was president.

YOU CAN'T GET LESS THAN ZERO. More often than we should, I have to remind someone, that if you back us into a corner, then we have nothing to lose. It's also a challenge - and we accept. So, we received information that the YMCA Camp Cherokee - the forty acres of waterfront you see to the left as you go over the toll bridge heading to LWV - was given back to the USACE in 2013. The property was **not** part of the original lake, so it is not covered under the shoreline management plan. The front 35 or so acres are natural and the back five acres have a few very old buildings and utilities (above the floodplain!) In addition, we are very familiar with the property. The water system failed on the property and the USACE asked us to take over operations, so for the last two years we have been operating the water system (for a fee). This property is in the Lakewood Village ETJ, so this seems like the perfect solution to our waterfront recreation issues while at the same time allowing USACE to be faithful to Ike. However, when we approached the USACE we were essentially rejected. Our discussions went something like this:

"we want the area for us to use as a park and we'll use the buildings for educational projects if you want"

"what USACE parks do you have?"

"we don't have any since you won't let us"

"so what is your management experience with USACE parks?"

"none - we don't have any - you won't let us have one, remember?"

"how big is your parks and recreation department?"

"we don't have one, because, you know, you won't let us have a park"

"so without any experience, I don't see how we can lease this to you"

"so we can't have a park, because we don't have a park"

"yes, but you can submit a proposal"

"OK did you put out a request for proposal (RFP)?"

"no"

"well, how do we know what to propose?"

CHALLENGE ACCEPTED. Our next step was obvious. Carl (Menckhoff) and I talked it over and then we asked Linda to call her doctor. Well, actually, her former doctor - you might know him today as United States Congressman Michael Burgess. The Congressman graciously set aside time for Carl, Linda, and myself to meet him in his Lake Dallas



office. We explained our situation and pointed out the many inequities that exist on the lake with respect to Lakewood Village. The USACE had intimated (but not in an RFP) that they would look favorably on a proposal with some sort of governmental partnership with an educational institution. Congressman Burgess was very supportive of the idea of us working collaboratively with a local university. We agreed that it would be very desirable for there to be a Lakewood Village Park and perhaps a research or learning center. We asked if Congressman Burgess would support our effort - he did us one better - he said he would submit our proposal through his office. Its not a done deal - there is a lot of work for us to do. But, we are very fortunate that it doesn't matter

that we are the smallest town in his congressional district, or that we are not a financial contribution juggernaut - Congressman Burgess has confidence in us. I would tell you to remember that at the polls, but he keeps running unopposed - so just thank him if you have the privilege of meeting him.

TEXAS WOMAN'S UNIVERSITY. As I tried to put the pieces of a proposal together, I decided to approach TWU about collaborating on this project. Obviously, they meet the USACE criteria - local and a public institution. But the more I researched TWU, the more I saw that we had a lot in common. We're both relatively small - TWU will never be the size of Austin - and we'll never be as big as, well, any town in our area. **But**, we're okay with that. We're not trying to be everything to everybody - TWU doesn't offer 162 degrees in 71 academic areas - and we don't offer you 30 soccer fields, the Cowboys (practice *or* gameday), or a DART rail station. And that's okay - because what we both do, **we do really well.** It's all about providing a great experience, investing in our futures, and improving people's quality of life. I think we are a natural pairing. I don't have any specifics yet, but we are actively working together, and I am very optimistic that we can get it done.

An important component of the project is the financial commitment and the financial resources available. First, let me state that our first priority is our interest in the park component. **The Lakewood Village MDD has primary financial responsibility for projects in our ETJ.** The MDD, under Dan Tantalo's leadership, has been very successful financially and has the resources to take on this commitment. In my draft proposal, I do not foresee any significant general fund (Town) financial involvement. Our economic corporations have the financial means to accomplish what we need. Once we determine what it will be, I anticipate spending time in fundraising opportunities for the non-park component - along with TWU's development office.

There is also a Denton County component of our plan. At the Congressman's urging, we are also packaging this proposal with one that includes the "park" at the end of Garza Lane. The old dam area is currently the responsibility of Denton County; however, the best-case scenario is for us to master plan all of our potential parks now. We will be exploring the role Denton County can play in the process and identifying possible support opportunities.

Lots of moving parts - but the potential payoff for our future is huge. I never thought *anyone* would give back Corps land. We got short-changed before - we can't let history repeat itself and have the USACE give it to somebody else. We've got to go for it - it's our future.

A SAD CHAPTER IN THE TOWN'S HISTORY IS OVER. In 2005, our former town secretary plead guilty to embezzlement and was sentenced to 10 years probation. It is unclear how much she stole during her long-running scheme, as she also kept the books. She was ordered to pay the Town restitution of approximately \$100,000 under the terms of her probation. However, much to our disappointment, after the initial years, her payments became infrequent and erratic. We raised the issue with the probation office many times; however, we did not get much traction, as she was still paying *something*. The probation period is going to expire in June, and under Texas law, that's it, you can't serve more than the ten years even if you don't pay back the money. We weren't going to let that happen without a fight - and fortunately for us - Linda made this her personal mission. She had kept tabs on our former employee for several years and approached the Denton County Probation Office and requested that they petition for her probation to be revoked. They agreed to file the petition but the judge denied the request! Wrong answer. Now Linda went straight to the District Attorney's office and brought our case to the attention of Assistant District Attorney Karen Anders, who represented us before a different judge - Judge Shanklin. Then things really started moving. The probation was revoked and an arrest warrant was issued. The state of South Carolina immediately executed the warrant and she was jailed awaiting extradition back to Texas. **The next day** she wired the full remaining restitution of \$27,007 to the Denton County probation office and she was released. We received those funds a couple of weeks ago. Obviously, our case was not going to be the stepping-stone to the governor's mansion, and the amount stolen was not in the millions, but it was a lot to us. **It was our money.** We are fortunate that A.D.A. Anders and Judge Shanklin stood up for Lakewood Village. And, if you violate the public trust - you'll have Linda to answer to.

WE LEARN FROM OUR MISTAKES. I think this is a good opportunity to tell you the changes we made in response to this incident. The most important step we undertook was to have an audit. **The Texas Local Government Code §103.002** requires a municipality to have an annual audit performed by a Texas Certified Public Accountant. At the time of the embezzlement, the Town was not in compliance with the law. The Town attempted to have an audit once in 1996, but the audit failed - the auditor refused to give an opinion due to poor records, lack of documentation, and no verifiable evidence in support of the town's financial statements. Yes, that is as bad as it sounds. The auditor's report is available if you are curious or suffer from insomnia. Following the audit failure, there were no audits done until 2008. We have had an annual audit and received a clean opinion every year since.

Our fiscal year ends on September 30th. Usually in early November, we schedule the audit - we set aside three days when the office stops and Linda, and I make ourselves available to the audit team. Several weeks prior to the audit, we electronically transfer our financial records to the auditor. At that point, our financial records are locked - we cannot access or change any of our financial data until the audit is complete and the auditor releases our QuickBooks data files back to us. A critical piece of the audit involves the utility fund payments - this is where the money was embezzled - you can't steal over \$100,000 from the petty cash envelope. This part of the audit process starts with me generating detailed monthly summaries from the utility billing software. So for example, the summary for March might be: on March 1st, the outstanding bills totaled \$3,000; new billings on March 15th totaled \$20,000; the **payments during the month were \$21,000**; and at month end the Town was owed \$2,000. The next step is the most important - the auditor checks our March statement from Point Bank - and it better show **deposits of \$21,000**. If it shows less than that, say \$19,600, then \$1,400 is missing! This standard process would have uncovered the embezzlement immediately - the first time it was attempted. It's quite simple, if you steal someone's water payment, you have to give them credit, or they will complain the next month when they get their new bill, but if you enter a payment in the system, then it **must** end up at the bank. The auditor does this for each month individually. Minor billing adjustments for leaks must be approved and signed by me; hardcopies are kept in a binder, which the auditor also reviews. This is just one component of our comprehensive audit.

IT SEEMS EVERY DAY you hear about another security breach. Here's what you may not know - we operate the Town with twelve bank accounts. Imagine the fun times when I reconcile the accounts each month! In the past, the town kept its money in two checking accounts - a city account and a utility account - thus nearly all of our money was at risk (they were **checking** accounts). As I write this update, today we have \$ 3,999.52 in our general (city) fund, and \$4,716.38 in our utility fund. So if I gave you a blank check and you forged our signatures, that's the amount you could steal - which is **less than one percent** of our cash. There's no way you can touch the \$378,581.86 in our General Fund Reserve or the \$151,106.72 in our Utility Projects Fund. **They aren't checking accounts** - they can only be accessed by wire or funds transfer by the Town's Chief Investment Officer (me) or by Council authorization. Similarly, our credit card processor has a separate account where payments are deposited - they are firewalled off from all of our accounts. If there is a breach at the processor - our exposure is limited to the money in the credit card account - typically only \$2000 to \$3000 each month.

ELECTION NEWS. The general election for Council Seats 1, 3, and 5 has been cancelled as Dave Getka, Ed Reed, and Clint Bushong were all unopposed. Congratulations to each on their re-election. The special election to serve the unexpired terms for Seats 4 and 6 will be on May 9th. Gary Newsome is the Seat 4 incumbent and is running unopposed, so I think he's in pretty good shape. I will be running for re-election as Mayor (Seat 6) against Paul Bowers. The polling place will be Town Hall. Early voting starts on April 27th.

REGISTERING TO VOTE couldn't be easier. Both Linda and myself have been appointed deputy registrars for Denton County. This means that you can pick up a registration card at town hall, fill it out, and Linda or myself can immediately give you an official receipt making you eligible to vote. In the time it takes to drop off your utility payment, you can be registered to vote without taking a trip to the post office or the Denton County Elections Office.

COUNCIL UPDATE: The council is continuing to work on numerous initiatives. If you have expertise, experience, or a viewpoint that you would like to share, I urge you to contact your Councilmember.

At the next meeting on April 9th, I will be presenting to the council the list of 2015 utility fund capital projects. The list includes (1) continuing our fire hydrant installation project, most likely on Hillside; (2) the construction of an emergency interconnect of our water system to the Little Elm system on Eldorado, (3) the construction of the utility services building, (4) the construction of a new 150,000 gallon ground storage tank, and (5) impact fee study. We do not have funds to do all of these projects, thus the Council will decide which projects to fund and their prioritization.

Mayor Pro-tem Carl Menckhoff MD has taken responsibility of leading the effort to install security cameras at the town hall complex. The areas of interest include the building entrances, the mailbox facility, and the playground.

Councilman Dave Getka is examining the feasibility of LWV acquiring some sand or salt spreading equipment for use in inclement weather. He will also look at our communication, coordination, and implementation issues as well as the potential role of outside agencies in the process (e.g. Little Elm Services).

Councilman Ed Reed has created the initial draft of our sustainability policy. He continues to shape the document based on Council input. This policy will commit the town to aggressive, measurable goals in energy efficiency, water reuse, water transmission losses, and recycling. Ed is also spearheading a joint venture between the Town of Little Elm and Lakewood Village for signage along Eldorado.

Councilman Clint Bushong has taken on the huge task of re-writing our building related codes. We are moving from the 2006 Electrical, Mechanical, Plumbing, Gas, Residential, etc. codes to the 2012 codes. The first drafts are complete, we hope to have feedback from our Chief Building Official in time to discuss these at our April meeting.

Councilman Gary Newsome and EDC President Bill Schoknecht are jointly continuing their efforts with LEISD to facilitate the Town's acquisition of the land immediately surrounding our entrance.

Final Notes:

- ★ The previous Allied Waste calendar had an error. The corrected calendar is available at Town hall or you can download it from the website.
- ★ Easter Egg Hunt - **Saturday April 4th** at 10am at Town Hall. Games and pictures with the Easter Bunny will take place immediately after the egg hunt.

This is Lakewood Village.



Dr. Mark E. Vargus
Mayor