

The State of the City of Horseshoe Bay
Bob Lambert, Mayor
November 7, 2013

In May 2009, the voters of Horseshoe Bay overwhelmingly approved a charter for the City. One of the requirements of the charter is that the mayor provides an annual report regarding the State of the City. This is the report for the year ended September 30, 2013. Another important part of our charter is a limit of four consecutive two-year terms for serving on the City Council. This month completes my eighth year as Mayor.

I want to congratulate Steve Jordan on his election as Mayor. I am confident that Steve and the other members of the City Council will continue our excellent tradition of City government.

The key strength of our City is its people. HSB has about 6,500 full and part-time residents. Many of our citizens are retired and bring significant experience and talent to the community. Our residents have shared their expertise and volunteered to do the work we've needed to grow and prosper. In addition to me serving as Mayor, we have had five individuals who serve the community as members of the City Council. They have different backgrounds and perspectives, and all have spent a significant amount of time working for this community. We have all benefitted greatly from their outstanding service.

Surely the most anticipated accomplishment of the past two years was the completion of over half of the Street Improvement Plan. The Plan is on the City's website. Construction is complete on the bridge on Bay West Boulevard, in the Fairways subdivision, the South subdivision, Lighthouse Drive, the area north of Highway 2147 and east of Ferguson Road, and Fault Line and related streets. The construction is going very well. The original cost estimate was \$16.1 million. The City now knows that the cost will be significantly more than the original estimate. This is principally because the bids are simply coming in higher than the estimates the City Council was given and the cost to tie in existing driveways to the new streets is much more significant than anticipated. The final cost will likely be in the \$23-25 million range. The remaining need for funds will likely be met by using some existing cash and selling certificates of obligation with a 20 or 25 year term.

Another eagerly anticipated accomplishment was the opening of Jamail's grocery store in Horseshoe Bay. Jamail's is simply a great asset to our community. Near Jamail's, the new Grand Bank building is nearing completion, and the construction of the new Ace Hardware building has started.

A project of immense possible benefit to our community is the Hurd Regional Medical Center at Highways 71 and 281 in the city limits of Marble Falls. While our City has not been formally involved in the project, many of our residents have provided leadership and financial contributions. The Specialty Clinic opened in July and has over 15 board certified specialist physicians, and ground breaking for the slab to the hospital happened this month. I want to thank our involved residents, Baylor Scott & White and the City of Marble Falls for the substantial progress that has been accomplished.

Some of our utility infrastructure is over thirty-five years old. The City must have plans to replace and expand these facilities as needed. The City has an annual capital replacement budget of

\$750,000 for routine items. A new water tower in Summit Rock has been completed. Ultimately, the City will complete the replacement of the main wastewater line that runs along Highway 2147, expand the water treatment plants and expand the wastewater treatment plant. These major items will be financed with available cash, certificates of obligation and \$7.4 million provided by the Summit Rock developer and perhaps from other developments presently outside the city limits. Certificates of obligation are used to spread the cost of major capital items over 20 years so that the users will pay the cost. All operating and financing costs are paid for through utility rates. The utility operation is totally self-sufficient. The City has specific plans that will continue excellent service at a reasonable cost as confirmed by its five-year plan for utility rates.

No City funds of any type have been used or will be used to construct any sort of utilities at Summit Rock. The City and Summit Rock Communities signed an agreement whereby Summit Rock would pay the City \$7.4 million so that the City would agree to provide utility service to Summit Rock. This \$7.4 million was the agreed cost for the City to build the newly completed water tower and lift station and expand one of our water plants and our wastewater plant to provide service to a totally built out Summit Rock. Summit Rock is solely responsible for the cost of the lines to hook up to our existing water and wastewater systems and the facilities internal to Summit Rock to bring service to the City customers in Summit Rock.

As a CPA, I am very pleased with our City's finances. In connection with a certificate of obligation sale in 2011, the City received a AA rating from S&P. This rating affirmed our financial strength. At September 30, 2013 both the General Fund and the Utility Fund had required reserves of six months of operating expense. The FY2014 budget provides for all needs of the City and maintains the total tax rate at \$0.25. As of January 1, 2013 the taxable value of the property in the City was appraised (by the Llano Central Appraisal District and the Burnet Central Appraisal District) at approximately \$1.6 billion.

Four years ago, the City started a lot clearing program to clear all lots of underbrush. This program is almost complete and has been very successful in reducing the fire risk and improving appearances. The cleared lots have become part of the routine mowing program (including over 4,000 lots) that will keep the problem from returning. The City Council also decided to expand the lot clearing program to reduce significantly the cedar and dead trees in Horseshoe Bay. This plan will further reduce the fire risk and make scarce water available for oak trees. Horseshoe Bay West has been essentially completed and over 5,700 dead trees and cedar trees have been removed.

Like the rest of Texas, our area is experiencing a drought. The City is in Stage 2 of our Water Conservation Plan and will likely go to Stage 3 in the next few months. The drought is a very serious problem for our area.

The City's growth has slowed along with the lapse in the current economy. This is most readily apparent in the number of building permits for new homes for the past seven years ending September 30: 2007 - 116; 2008 - 77; 2009 - 25; 2010 - 19; 2011 - 16; 2012 - 19; and 2013 - 28. There are signs that the overall situation is improving.

The Club at Escondido continues to flourish. The Tom Fazio designed golf course is a work-of-art emphasizing the Texas Hill Country.

The most prominent business in our City is Horseshoe Bay Resort. The Resort's four outstanding golf courses and many other amenities are the main reasons most of us own property here. The

Jaffe family is the principal owner of the Resort, and in January they announced their decision to sell the Resort. The Jaffe family made significant improvements to the Resort, and it is anticipated that a new owner or joint venture partner will enhance the already excellent facilities.

The community is blessed with many amenities that are owned by HSB Resort or the various property owner associations. The City owns Martin Park which is next to City Hall. Martin Park has an excellent play and picnic area. A Park Committee has been appointed to provide leadership regarding public parks in our community. Eileen Hurd, the Resort and the Horseshoe Bay Property Owners' Association have generously given land to the City from the mausoleum to Highway 2147 to enable the creation of Horseshoe Creek Park. This park will be developed over several years and will result in excellent hiking trails, picnic areas and other amenities that will be a very significant addition to our City. The City also accepted the gift of the Fox House from the Resort, and plans for its restoration are well under way.

The City has a staff of 74 competent and dedicated employees. They are in the utility - 27; police - 19; fire - 17; and other - 11 departments. The City provides a complete range of services at the high standard that our citizens expect. The City's website, <http://www.horseshoe-bay-tx.gov>, provides current information about our community, and the excellent city staff is available to serve anyone who calls 830-598-8741.

HSB will continue to change and grow. The challenge is to manage that growth to be a significant improvement in our life style and environment, always putting the best interests of our citizens first and foremost.

It has been an honor to serve as Horseshoe Bay's first Mayor. I appreciate the outstanding service from many members of the City Council and the support and encouragement I have received from many, many property owners. It has been a pleasure, and I will always be proud of all that has been accomplished.

Horseshoe Bay is a great place to live, and I look forward to our future.