

2019-2020 Budget Message

The Town of Murphy strives to provide the highest level of service while keeping costs as affordable as possible for residents and businesses. The 2019-2020 proposed fiscal year budget builds on the progress we made throughout the current fiscal year, while addressing priorities identified by the Town Council.

The current ad valorem tax rate of forty two (\$0.4200) cents per one hundred dollars (\$100) of valuation is proposed for fiscal year 2019-2020. Local sales tax revenue and our portion of the ABC profits continue to increase, with the former increasing by over eleven (11) percent since 2016. This has allowed the Town to combat the lack of growth in our tax base, maintain current services and avoid a tax increase. The Town's general fund balance reduced by over \$70,000 last fiscal year, but is still healthy relative to municipalities our size. The Town will see an increase in fund balance to close out 2018-2019, even with the \$47,000 project to construct downtown public restrooms and the \$12,000 contribution to the wellness center. While fund balance will be needed to pay for extending street lights to McDonald's and Konehete Park in 2019-2020, the Town remains financially sound. At the end of 2017-2018, our unrestricted general fund balance stood at \$2.52 million. However, management must emphasize that general fund operational expenditures are reaching a point of making any type of future capital outlay request difficult to fund.

Personnel

The budget calls for the implementation of option IV of our recommended pay plan and position classification study. The implementation of the study will ensure the Town can compete to recruit and retain qualified employees, particularly in our water and sewer department where we are behind our peers. The budget also calls for a two percent cost-of-living increase for our sworn law enforcements officers, as option IV of the pay plan study does not impact their position classification. The estimated costs to enact the proposed changes are \$51,000 in the General Fund and \$17,000 in the Enterprise Fund.

The Town can help pay for the proposed pay plan implementation by eliminating the \$500.00 Christmas Bonus for all employees. This will save the Town \$15,500 annually. Although health insurance rates are increasing modestly, our premiums are still much less than they were several years ago. This will continue to help the Town address other priorities.

Capital Projects

Mooreland Heights Sewer Line Replacement

The Mooreland Heights sewer line is a failing part of our collections system. Consisting of six-inch terracotta clay pipe, photos of the line reveal substantial infiltration from roots, which has caused sewer back-ups and sanitary sewer overflows in the recent past. This budget appropriates \$25,000 to replace up to 500 linear feet with eight-inch ductile-iron pipe. Since we are completing the work in-house and replacing the pipe with the minimum-design criteria, it does not require any engineering work.

Utility Truck

The Town lost a 2006 Ford Ranger utility vehicle in 2017-2018 and never replaced it. Although funds were budgeted to move forward on a utility truck this fiscal year, emergency events occurred which forced management to change course. We must move forward on replacing this vehicle, and prepare for replacing the 2011 Ford Ranger that has over 140,000 miles. The proposed budget funds \$45,000 to replace at least one of the vehicles in 2019-2020.

Distribution Tanks

To better fund depreciation associated with our water distribution tanks and enhance water quality, the budget calls for a pay-as-you-go approach to maintaining our five tanks. Rather than wait for the tanks to deteriorate over time and pay for repairs in one large lump sum payment (over \$150,000 for Posey Mountain renovations in 2016-2017), the Town can take a proactive approach toward tank maintenance. The budget calls for exterior repairs at Texana and Pleasant Valley Tanks, in addition to washout cleanings of Posey Mountain and Poor House Mountain tanks. The estimated cost for the services are \$39,486.

Street Lights Extension

The Council in November 2018 identified two specific projects for management to consider. The construction of downtown public restrooms is underway, and the extension of the Town's street lights is in the design phase. Administration will not know the cost of extending our street lights to McDonald's and Konehete Park until later this summer. The cost of the project is not factored into the proposed budget, and the Council may want to explore financing the project; the Town Council in 2008 financed the installation of the downtown exterior street lights, which is noted in "debt service."

Capital Outlay

Track-Hoe

As the Town looks to tackle the replacement of some of our older infrastructure in-house, we currently lack the necessary equipment to perform this type of work. For example, our water and sewer crew borrowed and rented two track hoes to replace the Campbell Street water main last fall. Estimated to cost approximately \$80,000, this budget proposes to purchase this vital piece of equipment. It is difficult to estimate the return on investment with this acquisition, but management is confident it will pay enormous dividends immediately and well into the future.

VFD High Service Pumps

North Carolina Rural Water analyzed our energy expenditures at each plant last fall, with the objective of tackling low-hanging fruit that could make both plants operate more efficiently. The installation of variable frequency drive motors to our water plant's high service raw water pumps was identified as a top priority. Conservative estimates show that the return on investment of this project is less than one year, making the project a no-brainer to fund. In their study, Rural Water estimated the project to cost \$12,120, with annual savings of \$14,784. This budget funds this expenditure, with plans to complete by late summer.

2007 Sutphen

The Town in May voted unanimously to purchase a 2007 Sutphen to replace our 1981 Pierce acquired from the NC Forestry Cooperative Program. This truck will be purchased in the 2019-2020 fiscal year, and will greatly enhance the ability of our Fire Department to serve the city, Murphy Rural and Tribal properties.

It is worth recognizing how our Fire Department, through countless hours of training and dedication, save homeowners in Murphy Rural money. For example, a residential home in the Murphy Rural District appraised at \$221,540 saved an estimated \$266.00 annually since our department was successful in reducing the district insurance rating to a class five in 2012. Factoring in the millage rate for Murphy Rural, that same homeowner is saving \$47.00 annually.

Dodge Charger Police

The budget calls for \$34,000 for a new Dodge Charger patrol vehicle for our police department. The current 2007 Chevrolet Tahoe, with over 94,000 miles, will be converted into an admin vehicle for our patrol sergeant and our new investigator will take over the 2002 Yukon, which has over 149,000 miles.

HVAC Public Library

The library's HVAC system for the children's section failed last year. The estimated cost to replace this is \$11,000 and is included in the proposed budget.

Recreation

Cherokee County Recreation requested \$12,300 for a zero turn mower, and \$7,350 for a John Deere TS. The budget funds each request.

Staffing

This budget calls for the funding of a full-time investigator for our police department. The elimination of dispatching duties in 2018-2019 will allow the Town to fund this position without increasing taxes. The Town Council recognizes the problems our police department faces on a daily basis with drug related crime. The funding of this position will enable our police department to be more proactive, engage in more community-policing efforts, and ultimately reduce the crime rate within our jurisdiction.

Online Bill Pay

The Town is updating its current software that will allow online bill pay for utility and tax payments. The Town hopes to introduce this feature for customers by Christmas.

Debt Service

All debt payments are budgeted as required by law.

General Fund:

The Town in 2008 entered into a lease agreement with Murphy Power Board for exterior street lights. The agreement requires annual payments of \$15,807, which will be paid off in 2023.

In 2007 the Town borrowed \$1,900,000 from USDA to pay for a new fire station. The investment requires forty (40) annual payments of \$99,600. The loan will be paid off in 2047.

Water and Sewer Fund

The Town accepted two loans in 2009 to pay for pump station improvements at Cherokee Hills and what is now Erlanger Hospital. Annual payments are \$32,920 total, and both zero interest loans will be paid off in 2032.

Powell Bill

The Powell Bill fund is budgeted at \$56,000. The Town moved forward on a project to extend the sidewalk from Ivie Funeral Home to Murphy Car Quest off Peachtree Street last fall. This budget recommends the completion of this project, which is estimated to cost \$20,000. The Town will conduct a thorough sidewalk and street inventory in the near future, and prioritize future Powell Bill projects accordingly.

Water and Sewer Rates

The budget proposes an increase in sewer base rates of \$3.00/month for inside users and \$6.00/month for outside users. The increase will allow the Town to address equipment needs, complete the Mooreland Heights sewer line project, and place the Town in a better position to take on additional debt service associated with the U.S. Forest Service rehab project. The latter will cost the Town an estimated \$25,000 annually for the next twenty years. It is worth recalling that this sewer main is only twenty (20) years old, which means the debt service does not address the failing, aging infrastructure throughout our utility system. Furthermore, two lift stations currently lack emergency generators which must be addressed as soon as possible. The ice plant lift station serves 64 West and the Peachtree community, and a prolonged power outage could cause a major disruption.

Additionally, all volume and water base charges will increase by about five (5) percent, and the lowest tiers of our commercial decreasing block rate structure will be eliminated. The latter change ensures our residential customers are not subsidizing large users.

The true cost of the Town's operating services are not reflected in our current rates, as the Council knows. This rate increase will help correct this concern, and prevent Town taxpayers from subsidizing our water and sewer operations. Most importantly, it will help our water and sewer system take on more capital projects and address unexpected problems as they arise. Even with the rate increase, our water and sewer charges are still well below any other utility in our region. Although every utility is different, the Town must start factoring in the cost of service and future capital outlay needs as we plan for the future.

To enhance our collection rate, the budget recommends a change to our reconnection fees from \$20.00 to \$50.00 for inside users and \$75.00 for outside users, respectively.

Septic haulers, through dumping fees, have contributed over \$10,000 in revenue to our water and sewer fund in 2018-2019. For equity purposes, this budget proposes an increase in dumping fees for outside Cherokee County users to \$.12 cents per gallon.

Lastly, it's important for the Council to know that some towns our size charge a monthly sanitation fee to subsidize their garbage collection pick-up. The Town is fortunate enough to avoid this financial burden to our residents, as such fees are imposed without regard to a person's ability to pay.

A complete copy of the fee schedule is attached.

Looking to the Future

The Town most recently applied to join the Main Street Program, which would greatly benefit downtown Murphy in many ways. However, it is important to recognize the services our general fund already supports for downtown. Sanitation services for the downtown trash bins are emptied as needed; sometimes more than three times per week during the spring and summer months. Most notably, our beautification efforts are the envy of many towns. The beautification investment is substantial, and although difficult to measure the return on investment, the flowers and street lights undoubtedly attracts residents and visitors to our downtown businesses. Furthermore, the construction of public restrooms will help keep more people in downtown, especially during special events and the monthly "First Friday Art Walk." Yet, the restrooms will require daily maintenance. The Town Council may want to explore the possibility of establishing a Municipal Service District to help pay for the additional services; services that other parts of town are not receiving, but are paying for nonetheless.

Conclusion

The proposed budget meets the goals and priorities of the Town by prioritizing capital projects emphasized by the Town Council. The proposed budget provides more resources to combat crime, addresses capital projects and equipment needs in the utility fund, and avoids a tax increase and the implementation of other user fees in the general fund that do not take into account a person's ability to pay.

Respectfully,

Chad B. Simons
Town Manager