

JOINT MEETING OF CITY COUNCIL AND
CAPITAL PROJECTS ADVISORY COMMITTEE (CPAC) MINUTES
JUNE 21, 2017 AT 6:00 PM
COMMUNITY ROOM AT CITY HALL
206 NORTH MURPHY ROAD
MURPHY, TEXAS 75094

1. CALL TO ORDER

Mayor Bradley called the meeting of the June 21, 2017 City Council and CPAC joint meeting to order at 6:00 pm.

Guests present: Financial Advisor Jason Hughes, City Engineer Gary Hendricks, Maria Reilly, Bob Mortonson, and Don Kiertscher.

Staff members present were: City Manager Mike Castro, City Secretary Susie Quinn, Public Services Superintendent Michael Wegrzyn, Parks Superintendent Matt Foster, Facilities Superintendent Brett Bertelli, Special Events Coordinator Kayla McFarland, Information Technology Director Taylor Prentice, Fire Chief Del Albright, Human Resource Director Jana Traxler, Executive Administrative Assistant Alicia Munoz, Lieutenant Adana Barber and Support Services Manager Kim Parker.

2. ROLL CALL & CERTIFICATION OF A QUORUM – CITY COUNCIL

The following Council members present were: Mayor Scott Bradley, Mayor Pro Tem Jennifer Berthiaume, Deputy Mayor Pro Tem Sarah Fincanon, Councilmember Chris George, Councilmember Betty Nicholas Spraggins and Councilmember Don Reilly.

Absent was: Councilmember Owais Siddiqui.

3. ROLL CALL & CERTIFICATION OF A QUORUM – CPAC MEMBERS

The following CPAC members present were: Chair John Wideman, Vice Chair Greg Matocha, CPAC Member Kevin McGillis, and CPAC Member Frederick Olison.

Absent was: CPAC Member Chris Holloway and CPAC Member Wilson Pierce.

CPAC Member Chris George's election as a Council member prevented him to be counted as part of the CPAC quorum.

4. PUBLIC COMMENTS

No public comments were presented.

5. DISCUSSION AND ACTION ITEMS

- A. Approval of the June 8, 2017 Capital Projects Advisory Committee meeting minutes. *Susie Quinn, City Secretary*

This item was moved to the next scheduled meeting as the minutes were not available.

- B. Discussion between City Council and CPAC regarding the various projects and processes CPAC developed to determine the proposed projects for City Council to consider for a November Bond Election. *John Wideman, CPAC Chair*

Chair Wideman provided to Council the Final Presentation handout and requested feedback from Council. Council asked CPAC for a quick overview of the methodology they used and their recommendations of priorities and dollar amounts.

CPAC Member Olison stated the Committee's process began with the city's vision. A process was created that could be used now and replicated in the future that would be sound and objective. CPAC developed an evaluation criteria and decided that the scale would be one, three, and five (1, 3, and 5). The second step was to review groupings of one (1 immediate need), two (2 desired), zero (0 deferred) and third step was an "intuitive check" where projects were linked, related geographically and whether or not there were advantages or disadvantages for completing certain projects. Then CPAC progressed to the financial, affordability components of how to fund the projects but the main focus was to produce a good list, and kept focus on the preparation of the list for Council and prioritization of the various projects.

Chair Wideman explained that the Committee utilized a Data Capture Tool to perform Quantitative and Qualitative evaluations. The quantitative portion was helpful for the Committee. The qualitative portion provided enough flexibility that when the Town Hall meetings were held, CPAC could factor the information from the Town Hall meetings into the tool. In another form, the departments aligned with budget line items and project names were then aligned to the Master spreadsheet. It is a repeatable process for future CPAC committees. Vice Chair Matocha stated that Staff presented projects in detail with a lot of discussion to get to the final recommendation.

Projects broken down:

- \$27.4M in general obligation bonds supporting prioritized projects
 - Parks & Recreation (\$3.6M)
 - Public Safety (\$4.9M)
 - Roads, Drainage and Infrastructure (\$18.9M)
- \$5.2M in Certificates of Obligation supporting prioritized water projects

Next deliverable to Council was to understand each grouping and why that dollar amount.

Highlighted a few items for further discussion:

1. A constant theme throughout the process was the many deferred maintenance projects. The city does not currently have a facility and fleet maintenance program in place. The goal is to establish that going forward but staff is not working on this project right now as their workload has been focused on CPAC and budget. Any maintenance program created will also need to have future funding set aside. An opportunity to create a Capital Program to plan for years ahead, encouraging Council to be proactive. The City really needs to establish a base line to begin with for ongoing maintenance items as well as new projects. A lot of the items

should have been completed within the operations budget and a commitment is needed when planning for the future.

2. Roads, Drainage and Infrastructure – received a lot of feedback from the residents and reflected the citizen’s concerns in CPAC’s recommendations.
 3. Parks and Recreation – received enough messages from citizens that there are enough parks, no more new parks. It is more important to maintain what is place. After much and many discussions regarding the Kinney area, it was not added to the list of recommendations.
 4. Sanitary Sewer Overflow Initiative (SSOI) – Need to accelerate this initiative and water rates may have to increase to take care of existing conditions, a no debate item.
 5. North Murphy Road lighting is not on the list as there were two line items added to the projects list, a priority two (2) line item of \$125,000 for a Streetscape Beautification Plan and priority two (2) of \$1,500,000 for landscaping, irrigation improvements. The Committee struggled to add \$1,500,000 amount to the priority one (1) list without having a plan in place. The Committee agreed to add to the \$125,000 streetscape beautification plan to the bond so items such as lighting, landscaping and irrigation improvements could be studied further. Then, give the priority two (2) line items of \$1,500,000 back to Council to implement improvements.
 6. There are many improvements residents don’t see that are underground or improvements behind locked doors, nobody ever tours a server room. Someone needs to be the advocate for all of the invisible improvements in the city that not everyone gets to see, as it impacts the quality of life just as much as the improvements you see around the city.
 7. Are all presentations available online for everyone to review? Yes, all presentations made to CPAC are available online.
- C. Consider and/or act to approve by City Council the recommendations from CPAC regarding the upcoming Bond Election. *Mike Castro, City Manager*

Financial Advisor Jason Hughes presented a preliminary bond election presentation to Council. Summary of Current Debt at \$33.8million outstanding as of June 1, 2017 includes a portion of Ad Valorem Tax-Backed Debt Service and a portion of Self-Supporting Debt Service (debt paid from water and sewer revenues and sales taxes.) Current city debt reflects a general downward slope.

Summary of historical debt issuance types include:

- General obligation (“GO”) new money bonds
- GO refunding (refinance)
- Certificates of obligation (“CO”)
- Short term tax notes are usually used for smaller projects and have a higher interest rate

In November 2008, the City held a bond election that totaled \$16.0m.

Summary of debt options:

- General obligation bonds (“GO”) do require a bond election and the Texas Attorney General allows up to ten (10) years to issue that debt. Other considerations: If the election fails, no debt in any format can be issued for the same projects for a period of three (3) years, separate propositions for unrelated projects have to generated.
- Certificates of obligation (“CO”) are council approved following a notice of intent. Other considerations: CO’s are subject to a petition signed by 5% of qualified voters; a successful petition forces a bond election.
- Tax notes has no public approval as none is required. Other considerations: Maximum maturity of tax notes are seven (7) years and they have a higher interest rate.
- The City of Murphy highest rated credit for a city based on ad valorem tax pledge.

Summary of Planning Assumptions:

- Bond election is to be held in November 2017
- Debt is projected to be sold over two equal issuances
 - Series 2018
 - Bond sale in February 2018; assumed interest rate of 4.50% over 20 years
 - Series 2020
 - Bond sale in August 2020; assumed interest rate of 5.00% over 20 years
- Taxable assessed valuation assumed to grow 3% annually for the next 5 years and then no growth thereafter
- I&S tax rate impact
 - Half of total I&S tax rate impact is scheduled to take place in FY 2019 with the other half occurring in FY 2021
 - After FY 2021, I&S tax rate is stable or decreases
- I&S tax rate impact is based on projected future maximum I&S tax rate as compared to the current I&S tax rate of \$0.1823.

Several scenarios were presented for the Projected I&S Tax Rate Impact highlighting four (4), six (6), eight (8), and ten (10) (cents) and projected I&S Tax Rate Impact of \$16 mm, \$25 mm, \$40 mm and \$50 mm (Debt). The scenarios also took into account that the assessed value will grow 3% annually.

Comparison to Peer Cities information includes estimated population, outstanding general obligation debt, outstanding self-supporting debt and outstanding total debt along with 2016/17 taxable assessed valuation, Maintenance & Operations tax rate, I&S tax rate and total tax rate for Murphy, Highland Village, Little Elm, Rowlett, Sachse and Wylie cities.

Discussion regarding a Murphy Historical Tax Rates table detailed M&O Tax Rate; I&S Tax Rate and Total Tax Rate numbers for fiscal year ending for 2008 through 2017.

Issuance of CO's for Utility Projects with a projected debt service breakdown for a water portion, (wastewater) sewer portion and net total dollar amount for fiscal year end 2019 through 2038:

- Recommended that Council fund certain utility projects through the issuance of CO's
- Council would pass a Notice of Intent to issue CO's
- Notice of Intent would include:
 - Not-to-exceed dollar amount of the CO's
 - General list of projects
 - Date in which Council would meet to consider the approval of the sale of the CO's

Water rates increase study to be provided and presented by NewGen at the June 26, 2017 Work Session.

Chair Wideman, on behalf the Committee, thanked Council for the opportunity to serve on the Capital Projects Advisory Committee. The process has been very interesting and informative. The appointment of the Committee does not expire for another year so the Committee can be available as a resource to help in any way if Council has any questions, concerns or comments. Chair Wideman stated that the City has a fantastic city staff. Mr. Castro does a great job leading the city and all department heads do an outstanding job. Vice Chair Matocha thanked Chair Wideman in leading the Committee and being an outstanding facilitator. Vice Chair Matocha also echoed the same thanks for Mike Castro and staff, he stated that Mike laid out the process for CPAC with a schedule and kept us on track. They also thanked Susie and the IT department.

CPAC Member Olison mentioned that a lot of projects are not funded and believes that there is probably more work to be done. CPAC could potentially continue to work for the City to look at ways of building a Capital Project program, set some guidelines, and take a three to five year look ahead to possibly prevent having deferred maintenance on a bond issuance. This Committee added transparency to the process.

City Manager Mike Castro and Council will determine whether to utilize the CPAC Committee going forward. If a prioritization list is presented as staff plans the Budget, that would need to be structured, valued and prioritized then discussions could begin on what projects are important or not.

Item 5.C.

NO ACTION

6. ANNOUNCEMENTS AND REQUESTS

- A. Members of the CPAC Committee may request topics for future agenda meetings. No member of the CPAC Committee may discuss any of the requested subjects until such matter has been properly placed on the agenda.

Chair Wideman requested the following items to be added to the next upcoming CPAC meeting agenda:

- CPAC to schedule one more meeting to finalized meeting minutes and have a celebration. Council is invited to attend.

- CPAC members has committed to attend any future meetings if scheduled accordingly.
- Ballot language is due to City Secretary on August 15, 2017 and bond council will draft ballot language. Decisions on the specific language or to remain with the board language, will need to be decided at some point.
- Schedule the Assistant City Attorney to attend a future meeting to present bond advocacy language training to Council.
- Homework for Council, was to read about all the presentations, come back to staff with a list of questions to discuss further and schedule an additional work session (July 11, 2017).

7. ADJOURNMENT

With no further business, Mayor Bradley adjourned the Committee meeting at 7:27 pm.



APPROVED BY:



Scott Bradley, Mayor

ATTEST:



Susie Quinn, City Secretary