

CITY COUNCIL MINUTES  
BUDGET WORK SESSION MEETING  
JUNE 30, 2017 AT 4:00 PM

**1. CALL TO ORDER**

Mayor Bradley called the meeting to order at 4:00 pm.

**2. ROLL CALL & CERTIFICATION OF A QUORUM**

City Secretary, Susie Quinn, certified a quorum with the following Councilmembers present:

Mayor Scott Bradley  
Mayor Pro Tem Jennifer Berthiaume  
Deputy Mayor Pro Tem Sarah Fincanon  
Councilmember Owais Siddiqui  
Councilmember Chris George  
Councilmember Betty Nichols Spraggins  
Councilmember Don Reilly

Mayor Bradley thanked City Staff and City Council personally for attending the budget worksession this is a day before a major holiday weekend. He thanked them for attending and their dedication.

**3. INDIVIDUAL CONSIDERATION**

- A. Review and discussion of FY18 Utility Fund Budget, including supplementals and proposed water and sewer rates. – *Karen Montgomery, Finance Director, Tim Rogers, Public Services Director & Chris Ekrut, NewGen Strategies*

Finance Director Karen Montgomery provided an overview of the FY18 Utility Fund Budget Summary, Water, Wastewater and Customer Service. Chris Ekrut with NewGen Strategies provided an update on the FY18 Utility Rate presentation.

Utility Fund FY18 Proposed:

Revenue numbers based on current rates, total revenues projected for FY 18 at \$9,194,986. Departmental expenditures projected for water department \$5,445,694, sewer collection \$3,097,926 and customer service \$810,885 with a total of expenses \$9,354,505. There is an \$850,000 transfer amount to the general fund that seldom changes

Water Distribution:

The cost of water for FY 18 is \$3,975,600 with variance \$404,700 more for the current year. The cost of water is straightforward and based on \$2.83 per 1,000 gallons of water along with "take or pay" total. Supplemental of \$145,713 less water P&I paid by Debt Service Fund \$-229,700 with total FY 18 requested \$5,361,707.

Debt Service, there are two outstanding Certificates of Obligation (CO's): one CO issued in 2009 for water & sewer projects and one CO issued in 2014 for wastewater only.

Wastewater Collection:

The cost of sewer operations is increasing \$-1,092,800 from FY 17 to FY 18 but a big portion of this amount is the debt service of \$470,900. Funds have been reallocated from debt to cost of sewer operations. The cost of water is fully funded and wastewater is partially funded. Supplemental of \$346,640 less P&I paid by Debt Service \$-206,634 for a total FY 18 requested \$3,237,752.

Customer Service:

Operations of the customer service and meter technician department, budget is \$810,885 that includes Supplemental \$53,041 for total FY 18 requested \$863,926.

Chris Ekrut with NewGen Strategies and Solutions presented an update on the water and wastewater rate analysis model with financial budget numbers provided by the City and have prepared two scenarios for consideration.

Rate Scenarios:

- Scenario A: Break-even rates
  - Rates designed to recover the annual cost of service
- Scenario B: Levelized rates
  - Rates designed to minimize the impact on customers by increasing rates more evenly
    - Levelized FY 18 to FY 19 (Water)
    - Levelized FY 18 to FY 20 (Wastewater)
    - Levelized FY 20 and FY 22 (Water and Wastewater)

Scenarios A and B were explained for residential, commercial and irrigation residents detailing rate increases for water only, wastewater only and combined water and wastewater. The comparison cities rates were also discussed. The new lake to be built was also discussed.

Council direction to NewGen:

- Use Scenario B levelized the percent increase not the bill increase (over three years)
- Run the rate analysis model without the recommended supplemental list
- Fund balance will be ok to potentially utilize in FY 18
- Leave the CO issue for the CPAC project

Council direction to Staff to implement the utility rate combined amount on a resident's utility billing statement beginning by the bills sent to customers no later than January 1, 2018. The break-out of the pass-through from NTWSD will no longer be displayed as it is not a true number.

**Recap of FY 18 Utility Fund Budget Supplementals, in order as recommended by the City Manager. The descriptions reflect information from the department's supplementals:**

Water Distribution:

1. **Increase cost of electricity due to potential rate increase \$4,400**  
Increase of 2.5% in an effort to estimate a potential rate increase for the upcoming year.
2. **Water Quality Technician \$88,786**  
This position would be assigned to ensuring superior water quality for Murphy through sampling (Bacteriological/NAP), collection of distribution data, regulatory reporting. TCEQ requirements has added to the responsibilities of the Public Works Division with new programs (Nitrification Action Plan) therefore increasing our responsibility for compliance of new programs without providing for additional staff.
3. **½ Ton long bed Pickup (for new Water Quality Technician) \$30,700**  
At the request for a new position (Water Quality Technician) within the utility division, it would require a vehicle to enable this position to conduct their duties. This vehicle would assist in ensuring that our water quality programs continues to operate within the regulatory requirements of TCEQ.

4. **Cost of Living Adjustment (1%) \$5,457**  
FY 18 – 1% cost of living adjustment for water department.
5. **Merit increase (3%) \$16,370**  
FY 18 – 3% merit increase cost for water department.

**Waste Water:**

6. **Consultant Services – Agreement with TCEQ \$185,000**  
Sanitary Sewer Overflow Initiative (SSOI) – Year 2
  - Manhole Inspections on Collection Lines (300 MH's) - \$50,000
  - Manhole Lining & Waterstop Installations (20 MH's) - \$60,000
  - Hydraulic Modeling of Trunk Lines & Lift Station (TBD) - \$35,000
  - Flow Monitoring of Major Basins (TBD) - \$125,000
  - Public Outreach (5,000 Mailers) - \$2,000
  - Prepare Annual Plan Update & Refine CIP - \$5,000
7. **Muddy Creek New WW Project – Murphy design costs \$156,768**  
An evaluation of the Muddy Creek Regional Wastewater System for the cities of Murphy was conducted in September 2015 by Perkins Engineering Consultants, Inc. The evaluation recommended some improvements at the Muddy Creek wastewater treatment plant (WWTP) such as adding back-up power to the plant, improving aeration basin blowers to eliminate foul air source, and odor control. In order for NTMWD to move forward with the design for this project, it will be necessary for the City of Murphy to provide funds to NTMWD at the beginning of the 2018 Fiscal Year. NTMWD plans to sell bonds to fund the construction of the project including construction phase engineering services and inspection services, and reimburse the City of Murphy for the design cost with the bond proceeds. Following the Board approval scheduled for October 2017, NTMWD will provide an invoice in the amount of \$156,768.
8. **Overtime \$2,700**  
Increase workload due to the compliance requirements of Murphy's MS4 Permit Notice of Change; an increase in the required BMP's (Annual, Pre & Post Inspections, maintenance of stormwater structures, etc.)
9. **Cost of Living Adjustment (1%) \$498**  
FY 18 – 1% cost of living adjustment for wastewater department.
10. **Merit increase (3%) \$1,494**  
FY 18 – 3% merit increase cost for wastewater department.

**Customer Service:**

11. **Water meters \$14,800**  
Increase due to meter replacement program and age of existing meters. The City implemented a meter change out program in 2015. Due to the age, and to stay within the meter replacement programs schedule there is a slight increase of meters needing changed out due to age and/or consumption.

Explanation of the \$14,800 increase breakdown	FY 17	FY 18	Difference
Decreased new construction meters from 100 to 75 at a cost of \$275	\$ 35,000	\$21,000	\$ (14,000)
Due to meter change out replacement schedule increase number to 400 meters, FY 17 was budgeted for 180 meters at \$125	\$22,500	\$50,000	\$27,500
Decreased radio transmitter replacements – every 10 years - \$125 each (approximately 100 in FY 17 reduced to 50 in FY 18 (unrepairable damage)	\$12,500	\$6,250	\$ (6,250)
Large meters for accuracy – routine change out due to age/consumption* (FY 18 budgeted for 10 per year - \$1,500 each) in FY 17 only 5 were budgeted for change out	\$7,500	\$15,000	\$7,500
	\$92,500	\$107,300	\$14,800

\*age/consumption is defined as years, the meter is used along with the warranty for the measurement of water being registered by the meter.

**12. Consultant Services – Evaluation of rates \$25,000**

Evaluation of 2014 rate study to actuals. In FY 2018 rates need to be reviewed to see if still in line with the current rate study projection. A full rate study should be done very four to five years to keep rates up to date. Due to the unknown cost, the \$25k is an estimate based of half the cost of last full rate study which was conducted in 2014.

**13. Cost of Living Adjustment (1%) \$3,310**

FY 18 – 1% cost of living adjustment for customer service department.

**14. Merit increase (3%) \$9,931**

FY 18 – 3% merit increase cost for customer service department.

**Utility Fund:**

**15. Increase transfer to General Fund from \$850,000 to \$875,000 - \$25,000**

Each year, the utility fund transfers \$850,000 to the general fund. This transfer is used to offset administrative expenses incurred in general fund for the benefit of utility fund. Projected administrative expenses for FY 18 have increased by approximately 2.95%. A supplemental for \$25,000 is needed for the projected increase in FY 18.

**16. Water debt service (net of impact fees) \$229,700 + WW balance \$206,634 - \$(436,334)**

Savings in water debt services (net of impact fees) and wastewater.

**Supplementals Not Recommended:**

**17. Fixed plant equipment installation of intruder protection to roof access hatch \$4,300**

Three (3) GST Maintenance, installation of intruder protection to the roof access hatch; new 30" OSHA required water access hatch; slider fall protection to the water access ladder; new water level indicator system w/float; water access ladder.

**18. Dump truck – estimate cost \$90K (50% water / 50% wastewater) \$90,000**

To increase inefficiencies within the operations of repairing water mains and sanitary sewer repairs. This size equipment (15CY) would reduce the amount of times we would have to load/unload. This piece of equipment would result in a decrease in uninterrupted service to the community and an increase in staff production.

**19. Camera system with lateral launcher \$307,000**

Provide staff with the ability to visually inspect, analyze and identify failures, there locations and system mapping for Murphy's over 85 miles of mainline sanitary sewer and over 5,000 sanitary sewer connections. Will assist in compliance of our Sanitary Sewer Overflow Initiative (SSOI).

**20. Travel and training \$5,700**

Due to a deficiency in training dollars for FY 17 and due to departmental budget cuts in this line item. Customer Service Specialist needs CEU's to maintain certifications. Meter Services Technician is required by job description to hold both water and wastewater licenses. We are adding wastewater to this line item (\$4,500) because it was not in the prior year budget.

**Notations from Council regarding the various supplementals:**

- Remove number 4. Cost of Living Adjustment (1%), 9 Cost of Living Adjustment (1%) and 13. Cost of Living Adjustment (1%) from water distribution, wastewater collection and customer service lists.
- Recommendation to reduce number 12. Consultant Services – Evaluation of rates of \$25,000 to \$15,000.
- Recommendation to include number 19. Camera System with Lateral Launcher to Utility Certificates of Obligation (CO's).

- B. Review and discussion of the Debt Service Fund. – *Karen Montgomery, Finance Director*  
Finance Director Karen Montgomery provided an overview on the FY 18 Proposed Debt Service Fund. FY 17 projected ending \$883,873 and FY 18 requested ending at \$905,173. Debt service reserve policy is 5.00%. The different line items for the debt service fund are explained further in detail.

Council Direction:

- Utilize I&S levy for one year to pay water and sewer debt payments
- Issue GO's for \$27 million Capital Project Advisory Committee

**NOTE: Items 3. C. and 3. D. were combined**

- C. Review and discussion of Community Events (Fund 16), including supplementals. – *Tim Rogers, Public Services Director*
- D. Review and discussion of Murphy Community Development Corporation (MCDC) (Fund 34), including supplementals. – *Jared Mayfield, Community & Economic Development Director*

Community & Economic Development Director Jared Mayfield provided an update on the Murphy Community Development Corporation (MCDC) fund and stated that the MCDC budget was presented to the MCDC Board on June 19, 2017.

**Recap of FY 18 MCDC Supplementals List, in order as recommended by City Manager ranking. Included in FY18 base budget:**

**1. Reimbursement to MDD for construction of Food Truck \$108,000**

Repayment to MDD was not to begin until the 2011 tax note were fully repaid, which will happen in 2017. Payment to MDD for the construction of the Food Truck Court at the Murphy Complex Park begins FY18 over a period of three (3) years. The Food Truck Court was financed by MDD, with General Fund and MCDC reimbursing MDD at 50% each for a total annual payment of \$216,000 for a total of three (3) years. Repayment amount will be \$648,000.

**6. Maize Days 10 year anniversary \$20,000**

FY 2018 will be the 10<sup>th</sup> anniversary of Murphy Maize Days. Because of this special anniversary, for one year would like to increase the budget to add approximately 18% to make the 10<sup>th</sup> year memorable (\$20,000). Maize Days is the most notable and well known event the City of Murphy offers. It is the City's benchmark event, that offers the most community engagement, volunteer opportunities, local business participation and sponsorship opportunities.

**7. Christmas in the Park \$3,000**

Christmas in the Park budget accounts for both the event itself as well as the budget to decorate the Municipal complex for the holiday season. MCDC, Council and the Park Board have all given direction to continue to increase the amount of décor on the trees and the number of trees with lights that are visible from the Front of the Municipal Complex (North Murphy Road).

**Additional supplementals recommended:**

- 2. Admin costs reimbursement to General Fund \$15,300**  
\$15,300 increase in administrative costs due to projected increase in salaries and benefits for the Director and Administrative Assistant for ECD and CDC. Salary and benefit increases based on anticipated increases in COLA and merit raises.
- 3. Overtime for pre-event and day of event moved from general fund and utility fund \$84,631**  
Pre-event and day of event community services overtime for general fund and utility fund departments moved to MCDC.
- 4. 1% cost of living adjustment \$599**  
FY 18 – 1% cost of living adjustment costs for MCDC.
- 5. 3% merit increase \$1,796**  
FY 18 – 3% merit increase cost for MCDC.
- 8. Replacement of trailers \$341 and #343 \$8,000**  
Trailers #341 and #343 were purchased in 2006 and are in need of trailers brakes. Trailers are now required to have brakes in order to pass the yearly inspection for registration. The cost of adding brakes to these trailers is \$1,200 - \$1,500 per trailer. The cost of a new trailer is \$4,000. These trailers need to be replaced in order to be in compliance with state regulations. The current trailers are also 18' long and the new *trailer* will be 20' in order to accommodate the purchased mowers.
- 9. Playground equipment in Mustang Park \$8,804**  
The Park Board, some Council members and community members have expressed the desire for inclusive playground equipment in our parks. We have the opportunity to install pieces in different areas of Mustang Park to start reaching this goal. The removal of two under used spring toys would allow for the installation of an inclusive merry-go-round. We can also remove a regular swing and install an accessible bucket swing. This would allow for more usage of the park and remove pieces that are not currently desired.
- 10. Addition of soccer goals for Central Park practice field \$12,000**  
Since 2014 when Central Park opened the fields have been available for use on a first come, first served basis. This has taken a toll on the field and the turf. Starting in August of 2017 we are going to be reserving the fields in order to regulate use. The addition of soccer goals to the fields will allow for the Parks Department to more carefully dictate where practices are being held. We will rotate these goals and the field alignment to allow areas of the field to recover from high usage. This will extend the life and aesthetics of the fields at Central Park.
- 11. Replacement of mowers – Kubota Units #305 and #307 \$28,000**  
These machines were purchased ahead of the 2010 mowing season and are now in their seventh season of use. Typical lifespan of commercial mowers is five (5) years of service. Unit #305 has 1,428 hours and #307 has 1,604. These mowers have required more repair costs this year than any other year.
- 12. Replace MAC and MCC podiums and portable public address system \$2,800**  
The current podiums have been in use for over five (5) years and have received a lot of wear and tear due to the Community Center being a multipurpose facility. Part time staff are tasked with setting up and tearing down the multiple times per day. If these items are not replaced,

once the current fixtures becomes in complete disrepair, we will no longer be able to offer a podium for rental use. There is a large demand for podium use for various purpose with our facility rentals. Additionally, having fixtures and furniture that are dilapidated for public use and city use, is not a favorable representation of the City of Murphy.

**13. Replace audio visual equipment \$3,500**

The current portable projection equipment have been in use for four (4) years and have received a lot of wear and tear due to the extensive setup and tear down required with portable projections devices. Part time staff are tasked with setting up and tearing down multiple times per day. There is a large demand for audio visual equipment use for various purposes with our facility rentals including rentals conducted for City use.

**Supplementals not recommended:**

**14. Replace volleyball net system \$3,500**

The current volleyball net system has been in use for over five (5) years and has received a lot of wear and tear due to the Community Center Gymnasium being multipurpose. Part time staff are tasked with setting up and tearing down the volleyball net system multiple times per week. If this item is not replaced, once the current net system becomes in complete disrepair, we will no longer be able to offer volleyball in our multipurpose gymnasium. There is a large demand for volleyball in the community and we see lunchtime and after school groups on a regular basis that come to play volleyball at the community center.

**15. Replacement of truck #117 with ½ ton regular cab pickup \$27,200**

Truck #117 has been in service since 2003 and has 83,000 miles. Truck has had \$895 worth of repairs in this fiscal year and is in need of repair to the air conditioning. Paint is not in good condition and the body has hail damage from the storm in 2016. Hail damage was written up to the value of the truck in order to let truck remain in the fleet until it could be replaced.

**16. Addition of pond fountain Central Park \$15,000**

Pond fountains and aerators are essential to the health of a pond. The aeration helps to prevent the growth of algae and other organic matter and aids in avoiding stagnation of the water. This helps with the aesthetics of the pond as well as reduces the likelihood of mosquito larvae breeding. The pond at Central Park has two (2) aerators added in 2016, but is in need of additional one. The addition of a fountain would serve a two-fold purpose of aquatic health and beautification.

**17. Addition of bicycle repair stations on Timbers Trail \$2,500**

The addition of bicycle repair stations would make the trail more appealing and biker friendly. These would make the trail system in Murphy unique compared to other nearby cities.

**Notations from Council regarding supplementals:**

- **Number 1.** reimbursement to MDD for construction of Food Truck – leave “as is” for now, schedule a future joint meeting with MDD/Council.
- **Number 10.** addition of soccer goals for central park practice fields – remove from supplementals recommendations and add to the supplementals not recommended list.
- **Number 16.** addition of pond fountain central park – remove from supplementals not recommended list and add to the supplementals recommended list.

- E. Review and discussion of FY18 General Fund Supplementals. – *Mike Castro, City Manager*  
City Manager Mike Castro explained available funds to spend on FY 18 Supplementals is \$952,494 with the city manager ranking cut off line on number 25. Council has the flexibility to add items to the supplemental list with about \$199,544 in funds available.

The following are the FY 18 general fund supplementals categorized by Council:

- Bank Service Charges \$33,000
- Radio & Radar R&M \$3,800
- To cover all hardware and software maintenance renewals \$77,000
- Special investigations increased cost in SANE exams and the CLEAR contract \$2,700
- Cell/Radios \$3,500
- Additional equipment being added to original lease \$20,760
- Anticipation of rate increase – electricity \$4,100
- Maintenance of signal systems \$29,000
- Back up internet line \$11,000
- Brinson Advisory Fees increase – 3% \$2,024
- To publish notices for the upcoming November Bond Election \$25,000
- Computer hardware purchase/replacement of servers & other hardware \$22,700
- Purchase of a 5 gas detector \$5,500
- General fund reimbursement to MDD for construction of Food Truck Court \$108,000
- Increased cost of pre-employment medical screening \$6,000
- Networking equipment – 2 network switches \$55,000
- Storm water utility study \$25,000
- Police Patrol Vehicle \$185,175
- 3% merit increase cost \$120,501
- Technical consulting services \$4,100
- Police and fire promotional assessment ctr \$9,000
- Mustang Park repairs \$7,847
- Motor Vehicle Repairs \$3,300
- Bathroom cleaning/disinfecting machine \$4,500
- Contract labor costs \$5,000
- Donation expense \$6,500
- Donation expense \$12,159
- Inspection fees – Bureau Veritas \$15,000
- 2 Tailgate sand spreaders \$3,500
- Incode training \$8,800
- Additional Maintenance Tech position \$51,683

Total from the list above is \$871,149

Council direction:

- Reduce tax rate to 50.5

- Staff to bring a draft budget to the July 11, 2017 meeting
- F. Review and discussion of Court Restricted Funds. – *Karen Montgomery, Finance Director*  
Finance Director Karen Montgomery requested this Item be reviewed with Council on July 11, 2017 meeting.

**4. ADJOURNMENT**

With no further business, a motion was entertained by the Mayor Bradley and the Council meeting adjourned at 7:10 pm.

APPROVED BY:



Scott Bradley, Mayor



ATTEST:



Susie Quinn, City Secretary