



Town of Murphy Proposed 2022-2023 Budget

&

Manager's Message

Town of Murphy

Commissioners
Frank E. Dickey
Barbara Hughes
Barry R. McClure

Tim Radford, Mayor
P.O. Box 130
Murphy, North Carolina 28906
(828) 837-2510 • Fax (828) 837-9612
manager@townofmurphync.com

Commissioners
Charlene Smith
Gail Stansell Walker
Keisha Dockery

To: Mayor Tim Radford and the Murphy Town Council

Date: May 16, 2022

From: Chad Simons, Town Manager

Topic: 2022-2023 Fiscal Year Budget Ordinance Proposal and Message

The attached budget proposal seeks to ensure our fire department acquires the necessary staffing needed to maintain our class III insurance rating. This takes a major step to provide a 24/7 guaranteed response in the near future. Plans to fund additional full time fire personnel in the 21-22 fiscal year were delayed due to the town amendment of our pay plan ensuring qualified law enforcement officers are recruited and retained. The action was in response to Cherokee County's adoption of their pay plan last summer. The Town Council in 21-22 also funded an additional full-time patrol officer to help the police department become more proactive. These changes, while necessary, added more than \$150,000 to annual operating expenses.

Other items to note:

- The annual \$30,000 economic development grant to pay for a Downtown Development Director expired in the 2021-2022 fiscal year.
- Local sales tax collections continue to rise, and we are projecting a two (2) percent increase from current year collections (\$690,000). However, sales tax distributions are the first revenue stream to decline in the event of a recession.
- Plans to establish a Murphy Tourism Development Authority are ongoing, as the Mayor continues to work with Senator Kevin Corbin to push the measure through the state legislature. Creating our own tourism development authority could help the town pay for beautification efforts, special events coordination, advertising, and our downtown development director position.
- The Town will receive our second disbursement, \$264,000, from American Rescue Act funds this summer – currently earmarked for the Ice Plant Sewer Lift Station Rehabilitation Project. If the Town is successful in obtaining a grant or low interest loan from the North Carolina Department of Environmental Quality, the town can prioritize other needed water/sewer projects with the monies.

Administration and Personnel

A cost of living increase is needed due to excessive inflation, but must be delayed due to public safety priorities. The town's annual health insurance expenses will increase by a modest amount of two (2) percent – to \$222,000. Please note that just four (4) years ago the Town was spending over \$450,000 annually on employee health insurance. The Town's property and liability premium will remain the same

at \$49,000. The Town's experience mod, a key variable in how an organization is measured for workers' compensation risk, is .85 – well below the average of 1.0. As a result, the Town's workers' compensation premium will decrease by \$8,000 despite projected increases to payroll. Merit increases for certain water/sewer personnel that obtained professional licenses are included in the proposed budget, ranging from five (5) to ten (10) percent depending upon the credential.

Tax Rate

The budget recommends a four (4) cent ad valorem rate increase to support the hiring of three (3) full time firefighters (\$55,000 budgeted for each position), formally transitioning to a combination fire department. Last year our fire department successfully decreased our insurance rating inside the city limits from a class IV to a class III, and from a class V to a class IV in the Murphy Rural District. The department's call volumes continue to increase, over nine (9) percent from 2020 to 2021, and the department's risks continue to rise as well. The status quo is unsustainable, placing a tremendous amount of pressure on our full time fire chief and part time staff. If nothing changes, it will eventually lead to a no response. The proposed budget will ensure this does not occur. If enacted, the tax rate will increase from \$.38 cents per \$100 of valuation to \$.42 cents per \$100 of valuation.

Currently, property owners in the Murphy Rural district contribute twice as much (\$330,000 annually) to our fire operations than town taxpayers (\$165,000). This particular inequity is more alarming considering the fact that Murphy Rural's total property valuation is only twenty (20) percent more than the city limits. Until 2019, the Eastern Band of Cherokee Indians contributed (\$95,000 annually) more than town taxpayers in supporting fire operations (\$93,621 - average annual spending from 2016-2018). The rate increase is expected to generate approximately \$100,000 in additional revenue. One (1) position is budgeted in the Murphy Rural fund.

The proposed budget appropriates \$337,100 from fund balance, although it is unlikely the full amount will be needed to balance. As always, management attempts to overestimate spending and underestimate revenues. If spending continues at its current pace the Town will begin dipping into reserves for reoccurring expenses in 2023. Management will continue working with each department to ensure we remain strong financially. The Town's unrestricted fund balance is \$3,044,707, representing 124% of the general fund.

Capital Outlay – Water and Sewer

Downtown Water/Sewer Rehabilitation

In March, the Town Council approved the design/survey contract to replace our aging infrastructure in the downtown district. This budget appropriates \$150,000 for the work, and will enable the Town to collaborate with the North Carolina Department of Transportation's plans to mill and resurface the downtown area in 2023.

Distribution Tanks

To better fund depreciation associated with our water distribution tanks and enhance water quality, the budget continues a program designed as a pay-as-you-go approach to maintaining our five tanks. The cost of the tank maintenance is \$45,000.

Alum Tank

The Water Plant's alum tank is original to the plant and has outlived its useful life. This budget appropriates \$35,000 to replace the tank, which is also included in the Town's Capital Improvements Plan.

Vehicles

The sewer plant and utility maintenance needs two replacement vehicles. Maintenance has a 2014 F-150 with over 170,000 miles. The sewer plant has a 2008 Chevy 1500 with over 100,000 miles. This budget proposes \$55,000 in each department to replace both vehicles.

Capital Outlay – Police

Management is recommending the purchase of two (2) 2022 Ford Utility Interceptors for the police department, as we continue to work toward the goal of allowing each sworn officer the opportunity to operate their own vehicle. This will promote more pride and accountability on how vehicles are used and maintained. It will also serve as a recruitment and retention tool. Take-home vehicles are still not recommended, however, with the exception of the Police Chief, Assistant Police Chief, Investigator, and Patrol Sergeant. \$100,000 is budgeted for the capital assets. Requests were made for three (3) vehicles. Improvements to the police department building will be prioritized in future fiscal years.

Capital Outlay – Recreation

Recreation is budgeted at \$80,000. The Town will receive a \$50,000 reimbursement grant to enhance the Murphy River Walk. The Town has yet to receive a budget request from Cherokee County Recreation Department, but the budget calls for a \$30,000 appropriation in Recreation. Should the Council opt to partner with Cherokee County to construct a performance stage, the budget can be amended accordingly.

Powell Bill

The Powell Bill fund is budgeted at \$56,000. The Town's state allocation is based upon street mileage and population. The funds can be spent on street/right-of-way maintenance and sidewalk improvements within the city limits. The Town's portion, \$25,000, of the sidewalk construction alongside Highway 64 West may become due this year. The agreement was executed by the Town Council in 2018.

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 streetlights. This contract was amended in 2020-2021 to lease the construction of sidewalk and exterior streetlights on Hiwassee Street. Payments will remain the same at \$16,000.

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 total \$32,920. Both zero interest loans will be paid off in 2032.

The Town concluded the Hiwassee River Sewer Repair project in 2020. Debt service payments total \$45,000 for the next fiscal year. The debt service associated with the project will expire in 2041. The second of five payments for the vacuum sewer truck will occur this year, costing \$37,500.

Water and Sewer Rates

Rates will increase in accordance with the Town's Capital Improvements Plan, adopted in July 2021. The schedule increases base rates for inside users by six (6) percent and volumetric charges for all users by six (6) percent. Sewer dumping charges will remain fixed at their current rate of \$.12 cents per gallon for inside users, and \$.14 cents per gallon for outside users. Note that this service for septic haulers is a privilege offered to them by our sewer plant and is not required by law.

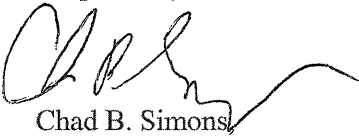
A complete copy of the Town of Murphy's rate/fee schedule is attached.

Conclusion

The proposed budget seeks to enhance the town's ability to actively plan and mitigate a cohesive fire response, and continues implementing the town's Capital Improvements Plan. Alternatives to an ad valorem rate increase can be considered by the Town Council, but will not produce the revenue needed to hire full-time fire personnel.

- Sanitation fees imposed directly on residents will impact those with the least ability to pay, and sanitation services have always been funded by the tax base. An \$8.00 monthly sanitation fee for residents would generate approximately \$58,500 in annual revenue.
- Town administration can be reduced to two (2) full time employees, as our tax collector/accounts payable employee looks to retire later this year. This would save approximately \$60,000 annually. Other operational changes would need to be made if this option is explored.

Respectfully,



Chad B. Simons
Town Manager

2022 2023 Proposed Budget Ordinance

BE IT ORDAINED by the Town Commissioners of the Town of Murphy, North Carolina in a special session assembled:

I. That the following amounts are hereby appropriated for the operation of Town of Murphy government and its activities for the fiscal year beginning July 1, 2022 and ending June 30, 2023 according to the following summary and schedules.

Summary-All Accounts	Estimated Revenues	Total Appropriation
General Fund	\$2,781,100	\$2,781,100
Firemen's Relief	\$12,000	\$12,000
Powell Bill Fund	\$56,000	\$56,000
Rural Fire District	\$433,100	\$433,100
Utility Fund	\$2,253,100	\$2,253,100
TOTAL	\$5,535,300	\$5,535,300

II. That for the said year there is hereby appropriated out of the General Fund the following:

Code	Department	Appropriation
10-420	Administration	\$491,000
10-510	Police	\$1,200,500
10-530	Fire	\$300,000
10-560	Streets	\$200,000
10-580	Sanitation	\$190,000
10-620	Recreation	\$80,000
10-630	Library	\$190,000
10-640	Cemetery	\$30,000
10-399	USDA Debt Service	99,600
	TOTAL	2,781,100
14-000	Firemen's Relief	\$12,000
	TOTAL	\$12,000

15-570	Powell Bill Fund	\$56,000
	TOTAL	\$56,000

20-530	Murphy Rural Fire District	433,100
	TOTAL	\$433,100

III. It is estimated that the following General Fund revenues will be available during the fiscal year beginning July 1, 2022 ending June 30, 2023 to meet the following General Fund appropriations:

Code	Revenue source	Amount
10-301-04	Library copier/fin	2,000
10-301-11	Vehicle Tax Cherokee	50,000
10-302-16	2017 Taxes	500
10-302-17	2018 Taxes	500
10-302-18	2019 Taxes	1,000
10-302-19	2020 Taxes	2,000
10-302-20	2021 Taxes	20,000
10-302-21	2022 Taxes	1,020,000
10-317-00	Tax Penalty Interest	10,000
10-331-00	Depot Rental	2,000
10-331-01	Police Grant	2,000
10-334-05	Recreation Grant	50,000
10-335-00	Miscellaneous Revenue	10,000
10-337-00	Utility Franchise Tax	60,000
10-345-00	Local Option Sales Tax	650,000
10-346-00	Solid Waste Disposal	800
10-347-00	Beverage Tax Distribution	140,000
10-347-02	ABC Law Enforcement	5,000
10-351-00	Court Cost and Fees	100
10-354-00	EBCI Fire Protection Fee	113,000
10-335-00	Zoning Permit	500
10-399-00	TVA lieu of tax	55,000
10-399-01	Murphy Power lieu	105,000
10-399-02	Murphy Housing in lieu	12,000
10-399-03	Fund Balance App	337,100
10-399-04	Power Board Rent	25,000
10-399-10	Garbage Fees	8,000
10-399-80	Murphy Rural Transfer	99,600
	TOTAL	2,781,100

14-000	Firemen's Relief	\$12,000
	TOTAL	\$12,000

15-570	Powell Bill Fund	\$56,000
	TOTAL	\$56,000
20-301-12	Fire District Tax	\$320,000
20-399-03	Rural Fund Balance	\$113,100
	TOTAL	\$433,100

IV. That for said fiscal year there is hereby appropriated out of the Utility Fund the following expense in the Water Department:

Code	Department	Amount
30-809 Water Filter Plant	Water Filter Plant	571,000
30-810 Utility Maintenance	Utility Maintenance	\$1,088,000
30-811 Wastewater Plant	Wastewater Plant	\$594,000
	TOTAL	2,253,000

V. It is estimated that the following Utility Fund revenues will be available during the fiscal year beginning July 1, 2022 and ending June 30, 2023 to meet the foregoing Utility appropriations:

[illegible]

VI. There is hereby levied for the fiscal year ending June 30, 2022 a tax rate of \$ 0.42 on each \$100 assessed valuation of taxable property, as listed inside the town limits of Murphy as of January 2022 for the purpose of raising the revenue from current years property tax as set forth in the foregoing estimates of revenue, and in order to finance the foregoing appropriations:

General Fund

For the general expense incident to the proper government in Murphy	\$ 0.42
Tax rate per one hundred (\$100) assessed valuation	\$ 0.42

Estimated collection rate of 92% was used to project ad-valorem revenues.

VII. Copies of the budget ordinance shall be furnished to the Finance Officer and Town Manager of the Town of Murphy, North Carolina to be kept on file for them for their direction in the collection of revenues and expenditures of amounts appropriated.

VIII. Special Authorization Budget Officer

The Budget Officer is hereby authorized to transfer appropriations as contained herein under the following conditions:

A. She/he may transfer amounts between line item expenditures within a department without limitation and without a report being required. These changes should not result in increases in recurring obligations such as salaries.

B. She/He may transfer amounts up to one thousand (\$1,000) dollars between departments, including contingency appropriations within the same fund.

C She/He must make an official report on such transfers at the next regular meeting of the Board of Commissioners. She may not transfer any amounts between funds, except as approved by the Board of Commissioners in the Budget Ordinance as amended.

IX. The Budget Officer may make cash advances between funds for periods not to exceed 60 days without reporting to the Board of Commissioners. Any advances that extend beyond 60 days must be approved by the Board. All advances that will be outstanding at the end of the fiscal year must be approved by the Board.

X. Copies of this Budget Ordinance shall be furnished to the Clerk to the Board of Commissioners and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted this _____ day of June, 2022

Commissioners:

Charlene Smith

Frank E. Dickey

Barry McClure

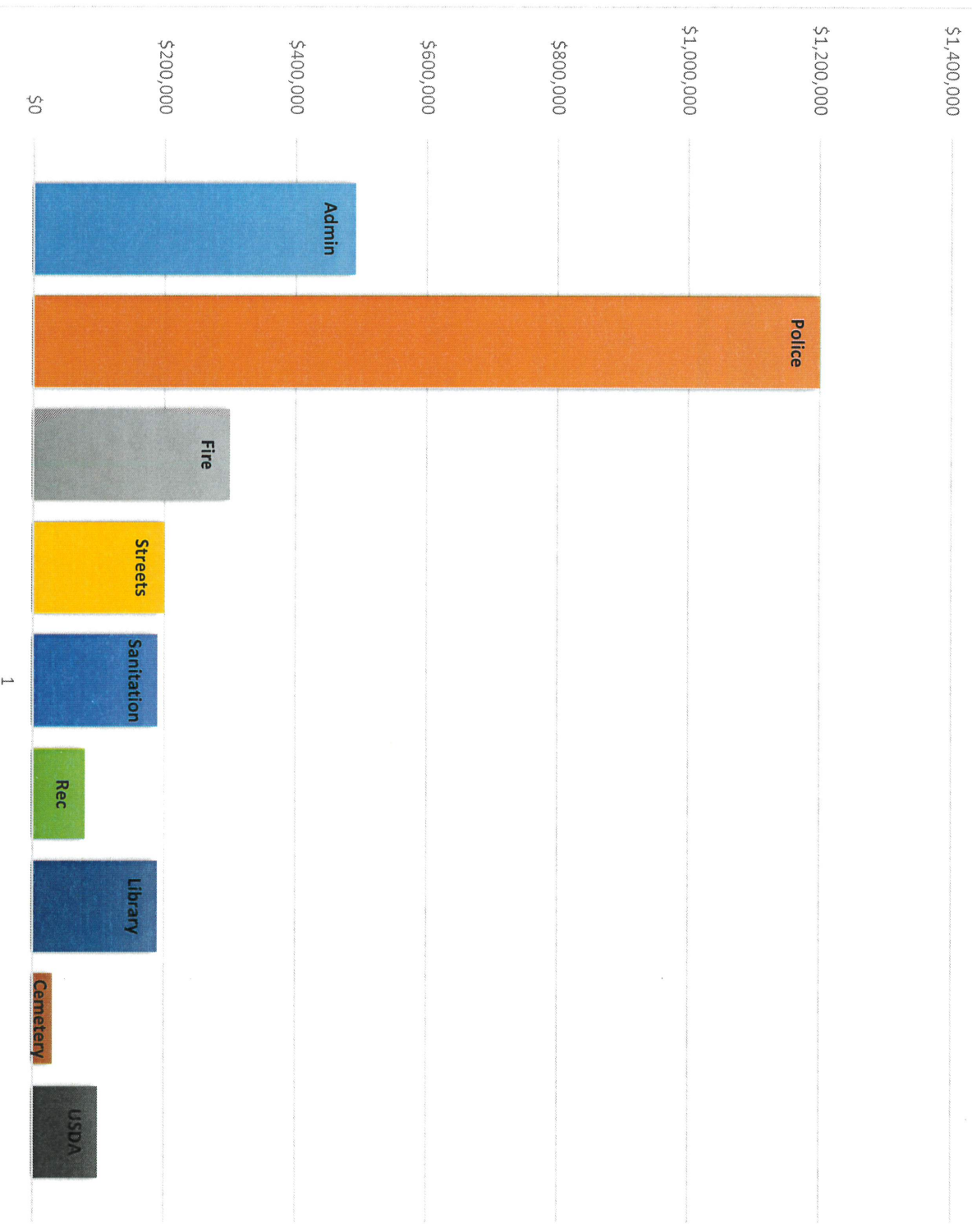
Gail W. Stansell

Keisha Dockery

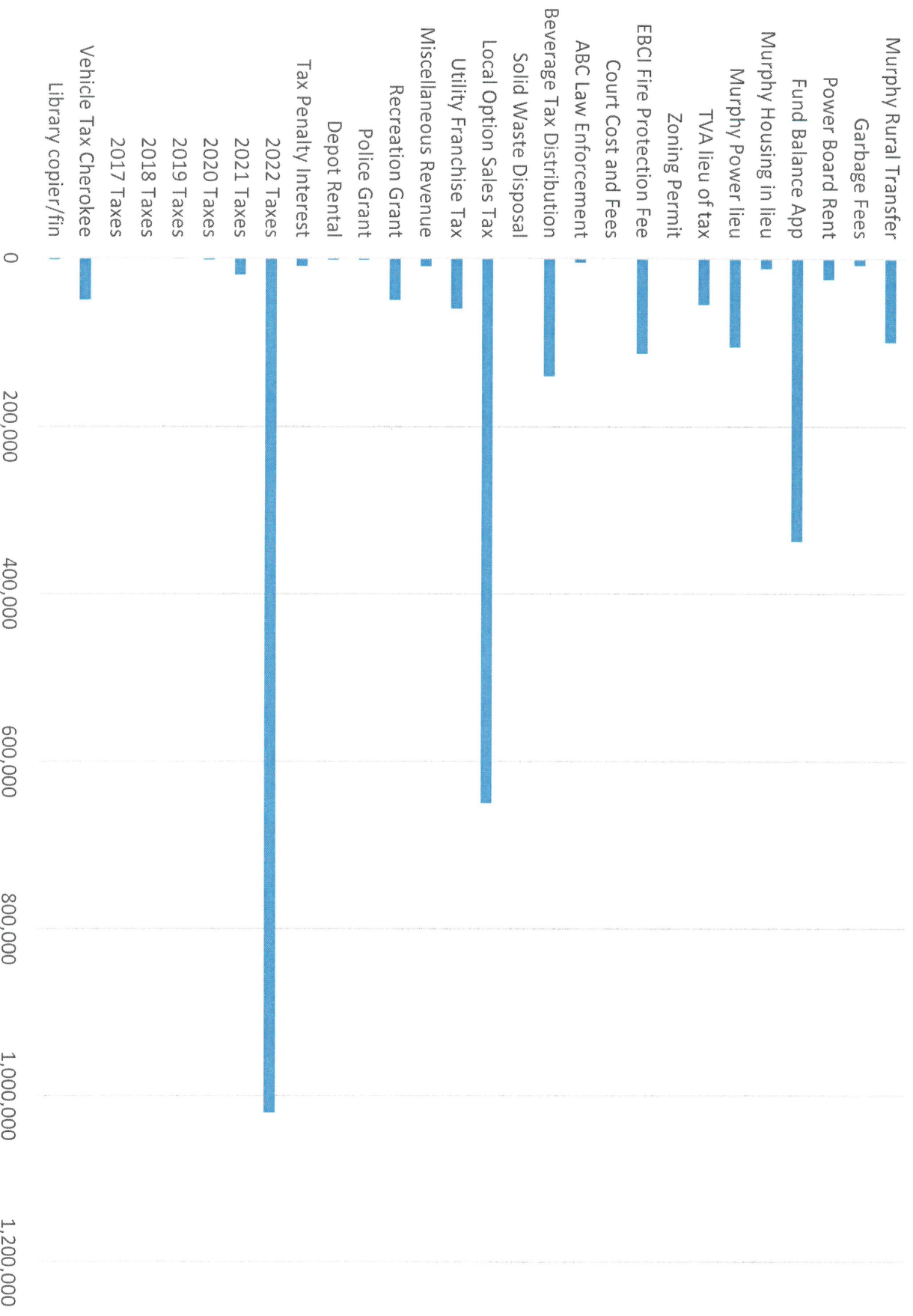
Barbara Hughes

<u>Property Value</u>	<u>.38 per \$100 Rate</u>	<u>0.42 per \$100 Rate</u>	<u>Annual Increase</u>
Owner of \$150,000 Property	\$570.00	\$630.00	\$60.00
Owner of \$200,000 Property	\$760.00	\$840.00	\$80.00
Owner of \$250,000 Property	\$950.00	\$1,050.00	\$100.00
Owner of \$300,000 Property	\$1,140.00	\$1,260.00	\$120.00
Owner of \$400,000 Property	\$1,520.00	\$1,680.00	\$160.00
Owner of \$500,000 Property	\$1,900.00	\$2,100.00	\$200.00
Owner of \$1,000,000 Property	\$3,800.00	\$4,200.00	\$400.00
* One penny generates about \$28,000, but includes motor vehicle tax.			

2023 Proposed Spending by Department



Projected General Fund Revenue By Source



Rate and Fee Comparison	<u>Tax Rate</u>	<u>Residential W/S Cost at 3,000 gallons</u>	<u>Residential Sanitation Fee</u>
Town of Murphy	0.42	\$39.58	0
Town of Andrews	0.52	\$56.00	12.00/month
Town of Bryson City	0.35	48.98	12.00/month
Town of Sylva	0.44	22.76	0
Town of Franklin	0.32	50.15	Contract Out
Blairsville		40.64	Contract Out
Blue Ridge		77	Contract Out
Tax Rate	No information on respective tax base		
W/S	No information on # of Customers; or base		
Sanitation			

Rate & Fee Schedule

RATES EFFECTIVE JULY 2022 TOWN OF MURPHY

2022-2023

***UNITS = GALLONS (1 Unit = 1,000 gallons)

INSIDE CITY RATES RESIDENTIAL- INSIDE

MINIMUM BILL 2500 gallons \$23.20

2,501 -9999999 UNITS @ 4.20 PER \ UNIT

COMMERCIAL- INSIDE
MINIMUM BILL 2500 gallons \$38.05

2501-10,000 UNITS @ 5.20 PER \ UNIT
10,001 & ABOVE @ 2.45 PER \ UNIT

Minimum sewer -2500 gallons \$13.55
SEWER PER 1000 OVER 2501 2.85 PER UNIT

Minimum sewer -2500 gallons \$13.55
SEWER PER 1000 over 2501 2.85 PER UNIT

OUTSIDE CITY RATES RESIDENTIAL- OUTSIDE

MINIMUM BILL 2500 gallons \$43.70

2501-9999999 UNITS @ 8.10 PER \ UNIT

COMMERCIAL - OUTSIDE
MINIMUM BILL 2500 gallons \$71.70

2,501-10,000 UNITS @ 10.40 PER \ UNIT
10,001 & ABOVE @ 4.90 PER \ UNIT

Minimum sewer -2500 gallons \$25.45
SEWER PER 1000 over 2501 gallons \$5.65 PERUNIT

Minimum sewer -2500 gallons \$25.45
SEWER PER 1000 over 2501 gallons \$5.65 PERUNIT

POOR HOUSE MOUNTAIN DISTRICT
MINIMUM BILL \$47.90

2501-9999999 UNITS @ 8.10

DEPOSIT FEE
Minimum Bill for Two Months
Restaurants - \$350.00
2" Meter - \$350.00

RECONNECT FEE
Inside - \$50.00
Outside - \$75.00
After 5 p.m. - \$50.00 additional fee

Grease Trap
\$.75 per 1000 gallons up to 25,000 gallons
\$10.75 for next 1,000 gallons above 25,000
\$.75 per 1000 gallons after 26,000 gallons

DUMPING FEES
\$0.12 cents per gallon inside
\$0.14 cents per gallon outside

SMALL BUSINESS GARBAGE
\$8.00 per month