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Murphy considering 5-cent tax increase

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By IAN McCANN / The Dallas Morning News

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A slowing economy, low cash reserves and accounting changes in Murphy could force an 11 percent increase in the city's tax rate.

Mayor Bret Baldwin acknowledged that people's pocketbooks are already squeezed but said that raising taxes is the right decision.

"The timing isn't great, but it's the fiscally prudent thing to do," he said. "We've been able to hold our tax rate low in the past."

The tax rate after the proposed nickel increase, to 51.83 cents per \$100 of taxable value, still would be about average in Collin County.

Other cities have been forced to raise fees, increase taxes and dip into reserves to cover slowing growth in the tax base and higher costs this year. But Murphy's reserves are at the bare minimum, leaving a tax increase or service cuts as the only options.

The tax increase, City Manager James Fisher said, is needed to offset a steep drop in building permits. And sales taxes, while projected to be higher than in 2008, have grown slower than expected.

There's little flashy or new in Mr. Fisher's proposal. No pay raises, no new programs. Jobs cut in the current fiscal year have not been added back.

But it moves about \$581,000 in expenses from the city's utility fund into the general fund. Mr. Fisher said the change was needed because those functions – overseeing city facilities – really belonged in the general fund.

That means those expenses would be covered by property taxes instead of water and sewer rates. But the city won't lower utility rates, Mr. Fisher said, because the city is anticipating needing major water and sewer construction projects.

Mr. Fisher said layoffs haven't been pleasant but were necessary in light of falling revenues. The city hasn't been forced to cut services.

"In order to provide the kind of services our residents expect, we need this increase," he said.

The tax bill on a \$260,000 home, roughly the city's average, would go up \$130 because of the rate increase.

The tax rate increase would trigger a provision in state law that lets residents seek an election to lower the rate. In fact, because of rising property values, residents could petition for a rollback election even without a rate increase.

The increase also would come just before a planned \$16 million bond election Nov. 4. Bonds would pay for streets, parks and renovation of the city's community center.

Mr. Baldwin said he doesn't think a tax increase will sour voters to the bond proposal.

"I think people will step up and support it," he said.

The city's second public hearing on the budget and tax rate will be Tuesday. The council is expected to vote on the proposal Sept. 15.

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- Murphy budget and tax rate public hearing
- 6 p.m. Tuesday
- Murphy City Hall, 206 N. Murphy Road