

**DURHAM COUNTY, NORTH CAROLINA
FY 2015-16 APPROVED BUDGET
BOARD OF COUNTY COMMISSIONERS**



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Wendy Jacobs



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Ellen W. Reckhow

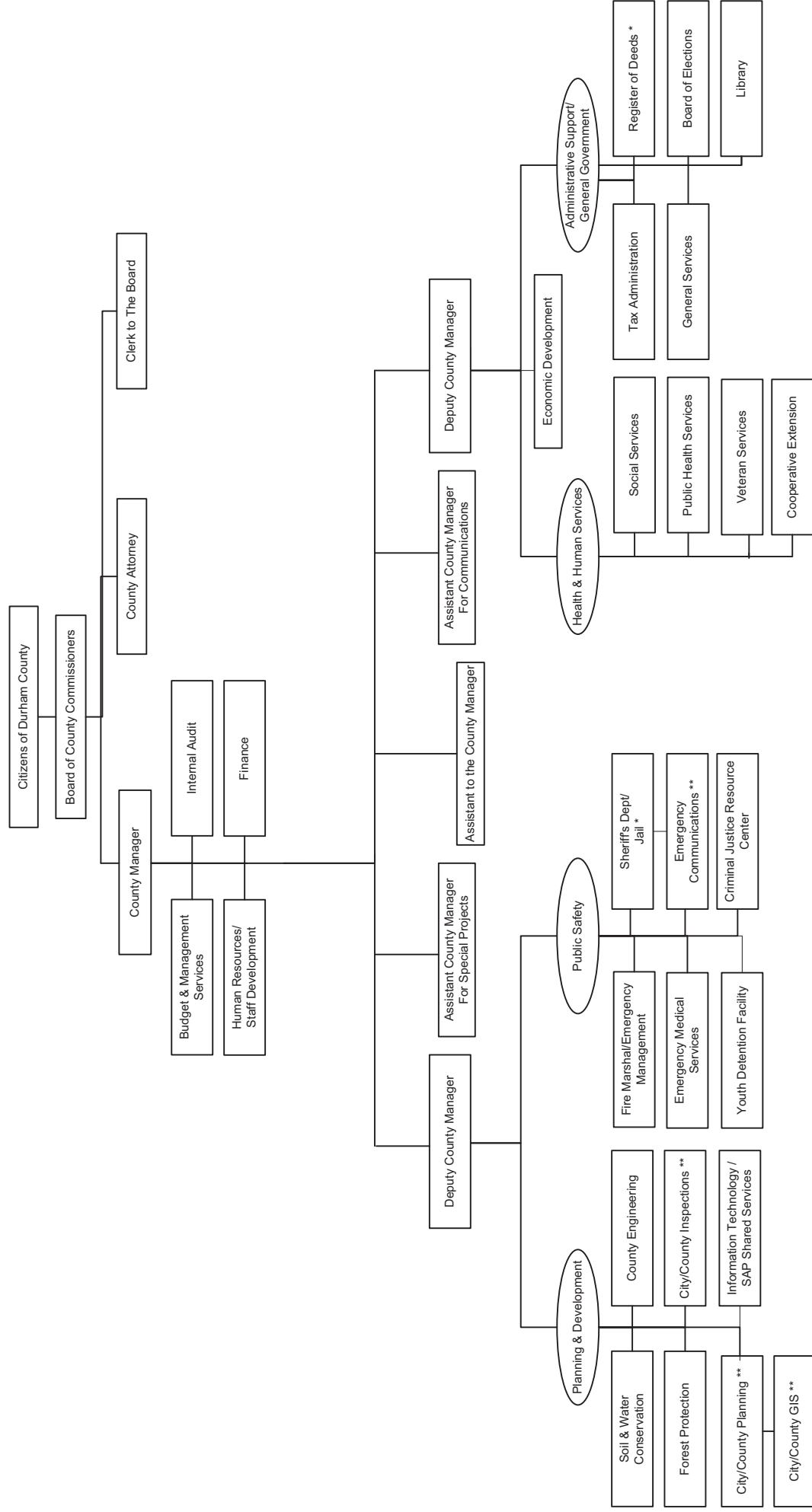
COUNTY OFFICIALS:

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Marqueta Welton, Deputy County Manager
Lee Worsley, Deputy County Manager
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Michelle Parker-Evans, Clerk to the Board
George Quick, Finance Director

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Claudia Hager, Budget Director
S. Keith Lane, Senior Budget Analyst
Kim Connally, Budget Analyst
Andy Miracle, Budget Analyst

Durham County, North Carolina General Administration Organizational Chart



* Elected Officials

** Joint City/County Departments



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Durham County

North Carolina

For the Fiscal Year Beginning

July 1, 2014

Executive Director

READER'S GUIDE

This section is designed to help the reader understand the budget by explaining how the document is organized. This document is a financial plan for Durham County government operations for the July 1, 2015 through June 30, 2016 fiscal year and shows how funds are allocated and how they will be spent.

FUND STRUCTURE

The Durham County operating budget is organized into funds with corresponding tabs in this booklet. The **General Fund** (Fund 1001010000) is the primary fund where the majority of County services are accounted. The General Fund is further divided into functional areas, which include General Government, Public Safety, Transportation, Environmental Protection, Economic/Physical Development, Human Services, Education, and Culture and Recreation.

Each functional area is comprised of at least one business area which represents either a County department or a budgetary unit. Within each business area, there may be one or more fund centers in which funds are budgeted to show the expenditures and revenues associated with a particular program within a county department, or activity within a budgetary unit. Each department or program summary contains a description, accomplishments of the past fiscal year, performance measures, a budget summary, and the number of authorized personnel in Full-time Equivalent (FTE) positions. Departments with more than one program have a business area summary sheet that precedes the programs.

Each fund center is represented by a summary of appropriations in the following categories of expenditures:

- **Personnel Services**
Personnel Services in this document refer to the costs associated with personnel, such as salaries and benefits.
- **Operating Expenses**
Operating Expenses in this document refer to the costs of daily operations such as office supplies, travel, telephone, etc., for a department or program.
- **Capital Outlay**
Capital Outlay refers to a fixed asset with an estimated purchase price of \$5,000 or more and a useful life of more than one year. These items typically include furniture, office equipment, automobiles, and other capital equipment. Items in excess of \$100,000 with a useful life of 20 years, such as buildings, are included in the County's Capital Improvement Plan (CIP).

The remaining budgeted funds are described below.

Other General Funds

Risk Management (Fund 1001020000): This fund focuses on minimizing operational risks and promoting workplace safety.

SWAP Fund (Fund 1001030000): This fund represents a complicated financial agreement based on outstanding debt (see page 256 of the document) that brings in over \$1.5 million in revenue to the County each year. The revenue is used to offset yearly debt service payments.

Capital Financing Plan Fund (Fund 1001250000): This fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities. The capital projects fund also is used to accumulate funds to finance a CIP.

Benefits Plan Fund (Fund 1001500000): This fund represents the budget for the benefits offered to eligible County employees and retirees.

Debt Service Fund

The **Debt Service Fund (Fund 3003040000)** is used to account for the payment of principal, interest, and related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted for specific purposes. The County budgets the following special revenue funds: **Lebanon Fire District (Fund 2002140000)**, **Redwood Fire District (Fund 2002160000)**, **New Hope Fire District (Fund 2002170000)**, **Eno Fire District (Fund 2002190000)**, **Bahama Fire District (Fund 2002210000)**, **Special Butner District (Fund 2002250000)**, **Special Park District (Fund 2002220000)**, and **Durham Fire and Rescue Service Tax District (Fund 2002280000)**.

Enterprise Funds

The **Sewer Utility Fund (Fund 6006600000)** is used to account for the revenues and expenses related to the provision of sewer service as well as the debt service for the fund.

Trust Funds

George R. Linder Memorial Trust Fund (Fund 7007050000): This private-purpose trust fund is used to account for resources legally held in trust specifically for the Library.

Law Enforcement Officer's Retirement Trust Fund (Fund 7007700000): The pension trust fund accounts for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified Public Safety employees.

Community Health Trust Fund (Fund 7007080000): This fund accounts for the financial resources acquired through the leasing of Durham Regional Hospital to Duke University, accounts for the earnings of these financial resources, and ensures the financial resources are used for health-related operating and capital expenditures.

SUPPLEMENTAL SECTIONS

The **Summary** section provides a summary of sources of revenue and expenditures from the General Fund. An overview of revenue sources is included. This section also provides a brief account and graphs of all funds budgeted for the fiscal year beginning July 1, 2015. In addition, the section contains a summary of FTEs for all funds.

The **Appendix** contains supplemental information that includes the FY 2015-16 Budget Calendar and the FY 2015-16 nonprofit budget request. The **Glossary**, also found in the Appendix, contains information to help the reader understand the terminology used in the budget document.

ADDITIONAL INFORMATION

In accordance with North Carolina General Statutes, the **basis of accounting and budgeting** for the County is **modified accrual**. This means that **revenues** are recorded in the period in which they are **measurable** and **available**. Revenues are recognized when they are received in cash (e.g., licenses, fines, etc.) or when the collection of the amount estimated to be received in the near future (e.g., property taxes). **Expenditures** in a modified accrual basis are generally recognized in the period when goods and services are received or liabilities are incurred.

Capital projects, funded primarily by general obligation bonds, are presented in a separate document, the **Durham County Capital Improvement Plan**. This document is a ten-year plan that is updated biannually.

The annual operating budget includes information from the **Results Based Accountability (RBA)** initiative on departmental pages. Departments were asked to submit a graph, a two-year history, and strategies for improvement for two to three key performance measures.

This document was prepared by the Durham County Budget and Management Services Department and is available online at www.dconc.gov. If further information is needed, contact Budget and Management Services at 200 East Main Street, 4th Floor, Durham, North Carolina 27701, by phone at (919) 560-0017, or by email at budget@dconc.gov.

**DURHAM COUNTY
FY 2015-16 APPROVED BUDGET**

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COUNTY OF DURHAM

WENDELL M. DAVIS
COUNTY MANAGER

July 1, 2015

Dear Durham County Residents,

I am pleased to present a document that lays out a comprehensive spending plan for Durham County Government for fiscal year 2015-16. The document is in accordance with the North Carolina Local Government Budget and Fiscal Control Act, which requires a balanced budget by June 30th each year. The approved budget ensures the County's financial standing remains strong and also supports priorities consistent with Durham County's strategic goals.

The Commissioner approved Fiscal Year (FY) 2015-16 budget totals \$564,583,628, with no property tax increase to support overall General Fund activities. This budget, in many respects, constitutes a maintenance budget with continued funding to meet debt obligations, increased resources for Durham Public Schools, Public Safety functions, including EMS and Sheriff's Office, and Human Service needs. Further investments are made to improve the organization's operational efficiencies and to support our most important assets, our human capital, by implementing the final phase of the compensation and classification study.

Durham County remains in a solid fiscal position. For over 20 years, the County has met the financial goals necessary to be awarded a triple A bond rating. We are one of only 69 counties in the United States that the rating agency Standard & Poor's has listed as AAA and one of only six of North Carolina's 100 counties that are AAA rated. However, our favored status cannot shield us from the realities of managing increased expenditure pressures, declines in revenue streams, potential legislative actions regarding the redistribution of sales taxes, and other policy changes that decrease revenue intended to support local governments and school operations.

Natural growth in property valuations are budgeted at 2.09% or \$655.8 million above FY 2014-15 levels. This amount translates to \$4.7 million of new property tax revenue available for General Fund and debt service needs. Sales taxes were projected at a 15.09% growth rate in FY 2015-16, which equates to \$9.1 million, or 2.86 cents of property tax. Sales tax revenue growth means less pressure on growth in property tax revenue. Other revenues continue to grow slowly or not at all. Despite modest growth in some revenue streams, we are growing less able to depend on revenue growth other than property tax increases to support our

increasing needs. Much of the County's "natural" growth in revenue is absorbed into salary growth of existing positions, increased benefits costs for employees, and funding of state mandates. Going forward, the County has to find ways to increase its capacity for service delivery within a decreasing revenue growth environment.

During the budget development process, departments were asked to evaluate opportunities to realign existing budgeted dollars to yield improved operational efficiencies and/or increase overall departmental performance. In effect, this directive decreased requests for funds to support needs identified in the current operating budget. The increased emphasis on realignment of existing funds resulted in \$3.5 million to support priority budget investments, therefore mitigating a property tax increase for critical service areas.

The following table shows the multiple funds comprising Durham County's entire budget. The total appropriation for all funds in FY 2015-16 is over \$564.6 million. This represents a 2.5% growth over the FY 2014-15, a growth rate lower than the four previous fiscal years.

Table 1: FY 2015-16 Adopted Budget Summary

Fund	2014-2015 Original Budget	2015-2016 Commissioner Approved	% Difference
General	\$ 378,794,804	\$ 396,483,059	4.7%
Risk Management	\$ 4,102,925	\$ 2,777,234	-32.3%
Swap Agreement	\$ 2,750,000	\$ 2,750,000	0.0%
Capital Improvement Plan	\$ 57,518,774	\$ 59,165,312	2.9%
Benefits Plan	\$ 20,264,695	\$ 21,705,951	7.1%
Lebanon Fire District	\$ 1,171,926	\$ 1,132,014	-3.4%
Parkwood Fire District	\$ 1,515,932	\$ 1,779,214	17.4%
Redwood Fire District	\$ 909,085	\$ 920,274	1.2%
New Hope Fire District	\$ 86,915	\$ 88,902	2.3%
Eno Fire Distrcit	\$ 31,391	\$ 32,184	2.5%
Bahama Fire District	\$ 1,321,275	\$ 1,359,145	2.9%
Special Park District	\$ 710,883	\$ 941,327	32.4%
Bethesda Service District	\$ 2,242,393	\$ 2,159,927	-3.7%
Durham County District	\$ 3,758,325	\$ 3,939,141	4.8%
Debt Service	\$ 60,566,168	\$ 58,217,142	-3.9%
Sewer Utility	\$ 8,521,269	\$ 8,356,040	-1.9%
George R. Linder Memorial	\$250	\$250	0.0%
Community Health Trust	\$9,705,493	\$6,359,601	-34.5%
L.E.O. Retirement Trust	\$349,084	\$356,052	2.0%
Total All Funds	\$ 550,563,262	\$ 564,583,628	2.5%

Working within ongoing fiscal limitations, renewed efforts are being made to make the Strategic Plan a living document. Our Strategic Plan, adopted by the Board in the spring of 2012, is a road map for continuous cultural, social and economic change in an effort to improve the quality of life for Durham residents. This fiscal year, we will “refresh” the Strategic Plan to find better alignment with our departments and also to ensure it operates within the context of Managing for Results. We will remain focused not only on our goals but also on our core values: accountability, commitment, exceptional customer service, integrity, teamwork, and collaboration. The following section captures adopted budget highlights organized by strategic goal area.

Goal 1: Community and Family Prosperity and Enrichment

Durham Public Schools continues to be the single largest source of expenditure for Durham County Government. We recognize that providing a great education for every child is an essential part of Durham’s long-term success. The adopted budget includes \$3.3 million in increased current operating support to fund estimated new pupil growth (590) through a combination of property tax dollars and BOCC policy directed use of additional Article 46 sales tax. In addition, funding supports the local teacher supplements and increased extracurricular supplements.

In the FY 2015-16 budget, Durham Public Schools has a current operating budget of \$123.6 million out of a total General Fund budget of \$396.4 million. That’s nearly 31.1% of the total County General Fund. We have consistently stayed among the top five county governments in local funding per student and Durham County will maintain its position as one of the state’s top five counties for highest local “per pupil” funding at \$3,108. In addition, Durham County will also pay \$30,160,166 in debt service for school facilities during FY 2015-16. In addition to the direct operating expense and debt service payment for Durham Public Schools, an additional \$2.9 million is allocated in County department budgets to support School Resource Officers, Nurses and Social Workers.

For decades, Durham County has invested heavily in public education for operational support and capital infrastructure. In a cutting-edge 21st century Durham, making educational performance our most important priority will be our heaviest and most crucial lift for the long-term sustainability of our community. I am recommending a policy discussion during FY 2015-16 to include Durham Public Schools, charter schools and other key stakeholders to determine strategies to support improved outcomes in K-12 education.

Nonprofit support continues to be an integral part of the overall County system of service delivery to its residents. The adopted budget includes \$640,038, of continuation funding for nonprofit organizations previously funded in FY 2014-15. Due to budget constraints, the adopted budget did not support new nonprofit requests. It should be noted that Senior PharmAssist will be funded in Public Health’s budget for FY 2015-16, at the same level that they were funded in the prior year. The move was designed to enhance strategic alignment and operational efficiencies. This fall, staff will solicit input from the Board of County

Commissioners on proposed changes to the nonprofit application funding process for inclusion in the FY 2016-17 budget development cycle.

Durham Technical Community College received an additional \$196,430, to support campus police and security salary market-adjustments, contracted services for waste removal, and inflationary operating expenses. One of the final highlights for this goal includes funding allocated to support the White House Initiative, My Brother's Keeper. My Brother's Keeper "addresses persistent opportunity gaps faced by boys and young men of color." The resources funds a position that will facilitate collaborative efforts between the My Brother's Keeper Advisory Committee, county departments, external agencies and other community stakeholders (\$75,585).

Goal 2: Health and Well-being for All

The Department of Social Services budget grew over the current budget year due to adjustments made in FY 2014-15 to recognize additional state and federal revenues. These changes were done to support the NC Fast, Child Welfare and Child Protective Services program and other revenue supported programs. In addition, the base budget also grew due to the impact of funds allocated to the classification and compensation study and the annualized salary increases. These overall adjustments increased the original budget level by over \$3.5 million, with corresponding increases primarily from state and federal revenue sources. Local funding supports the remaining amount.

DSS also redirected over \$936,000 in existing funds to support Child Protective Services, the Community Alternative Program, Adult Home Care, and administrative operations. The realignments convert 11 part-time positions to full time, resulting in an increase of 2.65 positions (\$109,642). The budget also supports one replacement vehicle required for Child Protective Services social work positions.

For Public Health, the budget allocated \$225,111 to continue funding for five enhanced role registered nurses (ERRNs) trained specifically to provide well-child preventive services under the direction of a physician. The ERRN model is being implemented in five DPS elementary schools through the collaborative efforts of Duke University, Durham Public Schools, NC DHHS Division of Public Health and Durham County. The ERRN positions were originally funded with Community Health Trust funds, which ended June 30, 2015. Further program resources occurred from a federal grant awarded to the Duke Community and Family Medicine Division to support equipment purchases and renovations at the five elementary schools. The County's commitment to continue funding this initiative supports our health and well-being strategic goal.

Goal 3: Safe and Secure Community

The Sheriff's Office FY 2015-16 budget increased \$3.9 million to fund positions in critical service areas and supports replacement vehicles and equipment. In FY 2008-2009, the Sheriff's Department lost 21 positions due to required budget reductions, resulting from the

economic downturn. Although positions have been added to the Sheriff's Department budget since that period; the additions have not aligned with the population growth demands, nor do they replace many of the specialized positions lost years ago. More specifically, the budget added two (2) Sheriff Deputies, one (1) Forensic Specialist position, two (2) Telecommunicators, one (1) Public Information Officer, and one (1) telephone service system administrator (supported by revenues). In addition, allocations were made to upgrade the Detention Facility's camera system, and to replace existing HVAC vents with security vents, for inmate safety.

Two years ago a study was conducted to identify resources required to improve the Emergency Medical Services (EMS) infrastructure. The report identified significant operating and capital investments required for enhanced EMS service delivery. Last year's budget funded fifteen (15) of the 23 paramedic staff required to support existing ambulance deployment, and replaced aging vehicles and equipment. In FY 2015-16, the remaining eight (8) paramedic positions, replacement vehicles and equipment were funded to meet the highest budget priorities. The department identified other budget operational deficiencies that were not funded due to resource limitations. In FY 2015-16, the Board will have a policy discussion on the strategies required to meet the county's EMS service demands.

For Fire Districts, a new Durham County Fire and Rescue Service District was created to cover the combined areas of the former Bethesda Fire and Rescue Service District and Parkwood Fire District. This change allows for better distribution of services across both districts. The new district has a property tax rate of 0.130 cents, while the Bethesda Fire and Rescue Service District property tax dropped from 0.1350 to 0, and the Parkwood Fire District rate dropped from 0.1135 to 0.

Goal 4: Environmental Stewardship

Due to impaired water quality in Jordan Lake and Falls Lake, the NC Environmental Management Commission adopted nutrient reduction strategies for both watersheds in an effort to improve the overall health of both lakes. These strategies establish rules for reducing nitrogen and phosphorus from entering the lakes, including from agricultural operations and owners of livestock over the set threshold. This applies to anyone who engages in agricultural operations in the Falls Lake watersheds producing crops or horticultural products (excluding trees) primarily for financial profit or those who engage in research activities in support of commercial production.

In an effort to carry out the mandate of the Watershed Rules, a Watershed Conservationist position was created within the Soil and Water Conservation department. The position will develop a Local Nutrient Control Strategy that specifies regulated parcels, plans or implements best management practices (BMPs) and monitors and documents resulting reductions. It is estimated that there are 1,800 parcels that will fall under this mandate. Once the Watershed Rules go into effect in 2021, the maximum penalty levied by the Division of Water Resources can be up to \$25,000 per incident per day. This program will be required until 2036 and

possibly indefinitely. With population growth and growing pressure on water resources, it is likely that BMP retrofits will be required in Durham County for several decades.

Goal 5: Accountable, Efficient and Visionary Government

Our workforce is our greatest asset. The County has more than 1,920 employees who provide phenomenal service to our residents. These employees provide the energy that turns policy into action — the human capital that makes Durham County government work. Without them, the goals of our Strategic Plan will never be fully realized.

The adopted budget includes the continuation of the County's pay for performance program and while health insurance increased by an average of 7.11%, employee-only coverage is still provided with no out-of-pocket cost to staff. These two allocations carry on the Board's ongoing desire to appropriately and actively support County employees. Further funding was made to support the final phase of the comprehensive compensation study. The study revealed that our pay-ranges do not allow Durham County to be as competitive as we must be to attract and retain the best talent in our region. Last year, we projected the need to increase property taxes to support the final recommendations of the classification and compensation plan in 2015-16. However, through budget realignments, referenced earlier, and lower than estimated final phase costs, no property tax rates were required to support the \$1.7 million final phase.

Investments also occurred to bolster the infrastructure needed for continuous process-improvement, greater efficiencies and innovation. This commitment occurred with a \$400,000 allocation to support improved enterprise resource planning and the frame-work required to implement the Managing for Results business process approach. In addition, positions were added to support immediate process change including a Certified Public Accountant, Budget Technician, Strategic Planning Assistant, Public Information Assistant, Safety and Risk Officer and Warehouse Manager.


During the FY 2015-16 budget year, the Board of Elections may be required to conduct five elections. This includes the Municipal Primary and Election, a newly mandated Presidential Preference Primary, the Partisan Primary and possibly, a Second Primary in June 2016. The FY 2015-16 budget is \$1.4 million above FY 2014-15 budget levels. At the same time, projected revenues will be higher due to the City of Durham reimbursing Durham County for the cost of conducting the 2015 municipal elections. This is estimated to be \$406,000.

Finally, the adopted budget includes additional resources to support Durham County's 2016 Revaluation. North Carolina law requires each county to conduct a revaluation at least once every eight years. The reappraisal process ensures equitable distribution of the tax burden among all classes of property and the assessment that reflect 100% of current market values as of the effective date of the reappraisal. This area of the County's budget has increased to cover the cost of expert additional reviews of our data and increased software capabilities related to property valuation.

Conclusion

The FY 2015-16 adopted budget supports priority areas required for a thriving organization and community. This was achieved without raising property taxes, yet continuing investments in critical areas that keeps Durham County fiscally strong. As Durham County regains economic ground lost in the Great Recession, the slow, uneven recovery reinforces our need to maintain focus on our strategic goals and the business model we have adopted, Managing for Results.

Sincerely,

A handwritten signature in black ink, appearing to read 'W.M. Davis', with a long horizontal flourish extending to the right.

Wendell M. Davis
County Manager

FY 2015-16 BUDGET HIGHLIGHTS

- The tax rate will remain flat at 79.31 cents/\$100 valuation, but includes a 0.79 cent increase in the General Fund for operating needs and a corresponding 0.79 cent decrease for debt service support.
- Property tax collection percentage remains at 99.30%, with overall property valuation increasing 2.09% from last year's budgeted values.
- Sales taxes, including an inter-local agreement with the City of Durham, are estimated to increase 15.09% from the current year approved budget. See the Revenue Highlights page for more detail.
- Various fee increases in the Public Health and Enterprise Utility Fund departments
- Adding 27.65 new General Fund FTEs, eliminating 8.0 FTEs, a net General Fund increase of 19.65 FTEs for FY 2015-16
- Decrease in the participation rate for the County contribution to the Local Government Employees Retirement System (LGERS) from 7.27% to 6.74% for local LEO class
- Continued pay-for performance salary increases for employees for FY 2015-16 by 2 to 3%
- The total cost of the County benefits plan fund has increased \$1,441,256, or 7.11%
- The General Fund fund balance appropriation decreases from \$10.82 million to \$10.62 million.
- \$3.95 million in Community Health Trust Fund annual lease revenues will be transferred to the General Fund to support healthcare-related expenditures; \$2,350,000 fund balance appropriation will be transferred to the Debt Service Fund for debt on the Human Services Building; and \$59,601 in Home Health Agency proceeds will be transferred to the Public Health budget for one Public Health Educator position.
- Ongoing current expense funding to Durham Public Schools increases \$3,351,210 or 2.82% to \$122,214,356; with no increase in capital outlay funding. Article 46 sales tax revenue support of current expense funding for DPS is \$8,252,011, and \$466,789 for Pre-K programs.
 - Local expense per pupil funding increases \$39 to \$3,108, supporting an increase of an estimated 590 new students in DPS and County Charter schools
- Durham Technical Community College funding increases by 6.74% or \$393,676. Article 46 sales tax support for student scholarships and tuition costs makes up \$196,839 or all of this total.
- North Carolina Museum of Life and Science current expense funding increases by \$88,997 or 5.94%.
- Purchase of 53 vehicles (new (8) and replacement (45) vehicles) for the EMS, General Services, Library, Sheriff, Public Health, and Social Services, and new equipment for General Services, EMS, and the Sheriff. Detailed on the Vehicle & Equipment page in the document.
- 79 nonprofit agencies applied for funding with requests totaling \$1,926,233; 42 agencies are approved for funding in FY 2015-16 for a total of \$640,038.
- Funding for Durham County's participation for 45 slots in the Durham Youth Works Internship Program totals \$75,280.
- No changes (increases or decreases) to existing fire tax district tax rates for FY 2015-16.
 - One new service district has been created, the Durham County Fire and Rescue Service District, and will cover the combined areas of the former Bethesda Fire and Rescue Service District and Parkwood Fire District. This new district will have a proposed property tax rate of 0.130 cents, while the Bethesda Fire and Rescue Service District property tax rate will drop from 0.1350 to 0, and the Parkwood Fire District rate will drop from 0.1135 to 0.
- Debt Service decreases \$2.35 million to \$58.22 million, with the dedicated property tax decreasing 0.79 cents to 8.53 cents to support the debt service payments. Additional funding from lottery funds, the Community Health Trust Fund, and dedicated Sales Tax also support debt service needs for FY2015-2016.