

**THE BOARD OF COUNTY COMMISSIONERS
DURHAM, NORTH CAROLINA**

Monday, January 5, 2009

9:00 A.M. Worksession

MINUTES

Place: Commissioners' Room, second floor, Durham County Government Administrative Complex, 200 E. Main Street, Durham, NC

Present: Chairman Michael D. Page, Vice-Chairman Ellen W. Reckhow, and Commissioners Becky M. Heron, Brenda A. Howerton, and Joe Bowser.

Absent: None

Presider: Chairman Page

Citizen Comments

Ms. Theresa El-Amin, PO Box 52731, Durham, NC 27717, thanked the Board for allowing her to speak about the cable access issues. She acknowledged Peter Skillern, Executive Director, Community Reinvestment Association of North Carolina,

Mr. Skillern discussed the following:

- Executive Summary
- Background
- Operating Principle
- Service Provider
- Budget
- Oversight and Public Participation

Mr. Skillern recommended a proposal to designate a lower-tier as the Durham Public Access channel. This would replace public programming currently aired on Channel 8 if funding was included from the City of Durham and Durham County. It would be contracted with the People's Channel as the new service provider that would replace Time Warner.

County Attorney expressed concerns to the Board about cable access. He stated that the issues regarding the proposal, (i.e. to pay for programming), would not allow the County to enter into agreement to compensate third parties.

Commissioner Heron voiced her concerns about the financial impact relating to the budget cuts.

Rev. James Vaughn expressed hope that the City and the County take additional steps moving forward relating to cable access.

Directives

1. Consider placing this item on the Joint City-County Committee meeting.
2. Follow up with City Manager Tom Bonfield regarding the City's stance with cable access; find out what the contributions are relating to the legalities of cable access.
3. Obtain additional information about other counties that provide public access television.

Review of December BOCC Directives

County Manager Mike Ruffin introduced this item. He stated that it was requested that at each month's Worksession, the Board of County Commissioners have the opportunity to review the previous month's directives for staff and make comments as necessary.

Vice-Chairman Reckhow provided an update regarding the nominations to the Duke University Health System Board of Directors.

County Manager responded to Chairman Page's inquiry regarding clarification on the completed items. He informed the Board that the last four months were added to allow the new commissioners to view the previous directives as well as the status.

Directives

1. Report the directives that are outstanding as well as incomplete; change the format to reduce the amount of paper used to be environmentally sustainable.
2. County Manager to follow up regarding the action taken with the transportation improvement program priority list.

Financial Update on Major Capital Projects

The Board received a presentation from staff and the County's Financial Advisor, DEC Associates Inc., on the status of several capital projects that are scheduled for the ensuing year. The Board was requested to provide direction for proceeding with the County's capital projects that are scheduled for the immediate future (i.e. 12 to 15 months).

Wendell Davis, Deputy County Manager, stated that the current economic downturn had generated concerns about the County's course of action on projects that are scheduled for debt funding within the next 12 to 15 months. The major capital projects scheduled to begin in the immediate future – that have significant financial implications - are the Human Services Complex and the New Justice Center. Staff, working in concert with the County's Financial Advisor DEC Associates Inc., had evaluated the County's position and made a presentation to update the BOCC on the current financial status as it relates to moving forward with the County's Capital Plan.

Keith Lane, Budget Analyst, highlighted the following projects for the fiscal year:

- Human Services Complex
- Southwest Library

- North Regional Library
- County Justice Center
- Lakewood YMCA

Mr. Lane responded to Vice-Chairman Reckhow's question regarding the estimated cost of the capital projects.

County Manager informed the Commissioners that a parking deck would be included with the Human Services Complex.

Doug Carter, DEC Associates Inc., Financial Advisor, discussed the following:

- Current Conditions contributing to Capital Planning
- Potential Durham County Capital Planning Impacted
- Durham County Financial Plan
- Other Important Elements to Capital/Financial Planning
- Final Questions/Next Steps

Current Conditions Contributing to Capital Planning

Economic Downturn

- Recession Began in January 2008 – 18 months or Longer Completion
- Economic Stimulus Package Discussions May Have An Impact
- National Infrastructure Program May Be Implemented
 - Impact on Counties Uncertain
- North Carolina Local Unit Impacts
 - Impacts will vary by Region and Economic Stability
 - Durham County Likely to Fair Better Than Most

Interest Rate Environments

- Volatility Exists at all levels of the Yield Curve
- National Financial Market Liquidity Problems the Volatility Driver
- Long Rates have suffered greatest rise – continue to produce greatest borrowing problems
 - Since September few National/N.C. long-term deals completed
- Short-term interest rates have improved dramatically/have greater access to market liquidity

Interest Rate Movements (Charts)

Durham County Capital Planning Impact

- Large North Carolina Issuers are Evaluation Capital Programs
 - Essential Facilities Continuing
 - Other Facilities Being looked at for Deferral into future
- Examples
 - Cost of Construction Positively Impacted by Economic Conditions
 - More Bidders coming to the Table
 - Lower Construction Prices Resulting
 - Economic Conditions Produce Strains on Construction Companies
 - Could be best time for building costs

- As you have seen from earlier interest rate charts, now is not the best time for long-term borrowing.
- Short-term construction period borrowing being considered
 - Examples – Wake, Raleigh, Charlotte, Durham
- The use of lowest cost short-term borrowing in order to capture low construction costs only available to highly rated credits

Durham County Financial Plan

- County Plan Incorporates Short-term construction Borrowing with Long-term takeout
 - Envisioned for COPs Projects and Major G.O. Program
 - First Short-term Tranche for the G.O. Program already implemented
- COPs Program short-term borrowing Process began during the liquidity crisis
 - Current Planning Produced Need for Short-term borrowing in early spring – Health and Human Services Project Group
 - It is believed the more than one Alternative exists for this short-term need – approximately \$120 million
 - Current Estimated Cost in the 1.50% to 2.00% range
- Use of Short-term borrowing strategy provides time for long-term interest rates to moderate
 - County strategy to take out the Short-term construction borrowing in approximately two years from issuance of the short-term borrowing
 - Terms of the short-term borrowing would provide flexibility so that flexibility exists to go longer than two if need be
- Overarching question is...will repayment sources dedicated for debt service be potentially impacted by economic downturn?

Other Important Elements to Capital/Financial Planning

- Current Conditions Accentuate need to maintain Highest credit ratings – Durham County at highest level
- Overarching question is...Will repayment sources be potentially impacted by economic downturn?
 - Current County Assumptions in the debt model are conservatively estimated – current short interest rates well below assumptions
 - Positives of short-term markets could help and with two years before long-term debt markets have time to improve.

Mike Turner, General Services Director, discussed the operational cost comparison between current and proposed human service agency locations.

Deputy County Manager Davis informed the Board that bids would be opening on January 15; however, the County has 90 days to either accept or reject the offer. He responded to Commissioner Bowser's question regarding what the bids should be.

Directives

Provide copies of bids for the new Human Services Complex to the Board.

County Benefits Update

The Board of County Commissioners received information and recommendations on bids received for the proposed self-funded employee benefits plan for the fiscal year beginning on July 1, 2009.

Diane Pearson, Benefits Manager, discussed the following projected benefits for the fiscal year 2009-2010:

- Employee & Retiree Benefit Plans
- Monthly Payroll Deduction – Triple Medical Benefit Plan Self Funded BCBSNC
- Proposed Triple Option Medical Benefit Summary
- Employees & Under 65 Retirees
- Proposed Dental Reimbursement Plan
- Proposed Vision Benefit Plan – Fully-Insured
- Life Insurance & AD&D Benefits
 - Basic Life Insurance & AD&D for Employees
 - Basic Life Insurance for Eligible Employees
 - Voluntary Life Insurance Benefit for Employees (Not Available to Retirees)
- Proposed Disability Benefit Plans
 - Long-term Disability (LTD)
 - Voluntary Short-term Disability (STD)
- Flexible Spending Accounts (FSA)
- Parking & Transportation Account

Ms. Pearson explained the benefits that employees would received by choosing the CORE package. She added that the employee cost has increased for employee/spouse due to the increase in premiums.

Ms. Welton responded to County Manager's inquiry regarding the impact of next year's budget compared to the current budget. She stated that the projected budget would be affected by a 2.9% increase.

Vice-Chairman Reckhow commended staff on the benefits plan. She stated that the pre-options help make it affordable for employees and their families.

The Board expressed appreciation to staff on a job well done

Directives

1. Bring the Board periodic reports on the progress; send a memo to the Board including the accommodations.
2. County Manager to consider other options that would reduce the impact relating to the employee vision and life insurance.
3. Review what employees would receive for benefits without an increase in total cost.
4. Consider areas where the County could save as it relates to benefits.

Update from The Durham Center

Ellen Holliman, Area Director, The Durham Center, introduced this item. She provided an update to the BOCC regarding their application to be designated to perform Medicaid Utilization Review (UR) for Durham County. She stated that the application was submitted to the Division of Medical Assistance on December 15, 2008. Following a review of the written materials, the State would conduct an on-site visit during the first two weeks of January. Announcement of the selected LMEs deemed as ready to perform utilization review would be made later in January.

Ms. Holliman briefed the Board about the Value Options that were awarded a contract to perform utilization review (UR) for all Medicaid clients statewide. Since that time, a great deal had been written and debated about how best to fix the state system that provides services and supports for individuals with mental illness, addictions, and developmental disabilities with Medicaid UR being one of the central issues. During the 2008 short session of the General Assembly, legislation was passed that required DHHS to move toward transiting Medicaid UR back to Local Management Entities (LME) with 30% of the population to be managed locally by July 1, 2009.

Ms. Holliman explained that utilization management means that someone is reviewing requests for services, seeing if the request meets the identified needs a person has, and approving (or not) those services for payment. Utilization Review has a great deal to do with improving the care, quality, and coordination of services being provided. With a statewide vendor, such as Value Options, that process is essentially a paper review. However, individuals served by Durham's public system often have very complex needs and many would need some level of support in the communities for an extended period of time. A paper review is insufficient to understand fully the individual and their circumstances much less understand the types of services and expertise available at the local level that might best support that individual.

Ms. Holliman presented the following:

What is Utilization Review?

- Review of requests for services
- Determining whether the request meets the person's medical necessity
- Approving (or not) those services for payment
- Crucial to improving the quality of care and the coordination of services being provided

Why is Medicaid UR important to Durham County?

- Medicaid UR is an important control point that can be used to improve provider performance, cost effectiveness and consistency in treatment
- The oversight of consumer treatment. The LME can be much more effective at monitoring provider performance than one time monitoring that samples a small fraction of consumers in their care
- One system of services – Medicaid, state and local dollars – comprehensive approach
- Better understanding local resources
- Improved management of needs in a crisis

What has happened since we lost Medicaid UR in 2006?

- 2006 – decreased state hospitals admissions by as much as 40%
- 2008 – Durham had the highest per capita admissions to the state hospital
- Lost leverage to ensure the right level of service and promote best practices throughout the system
- Timely information for people in services
- Care Coordination side – lost ability to influence treatment recommendations for highest needs consumers, since we have very little ability to impact on what is currently being authorized at VO

What will be the cost? (Chart)

What are the risks?

- Appeals for clinical decisions
- Penalties for non compliance of performance standards
- Payment by invoice of activities verses cost model
- Need a higher population
- State contract changes

Challenges to be ready by July 1, 2009

- Conversion of new IT system
- Start up funding
- New staff to be in place by mid May
- Contract staff is not allowed to perform UR functions.

Ms. Holliman provided additional information regarding how LME's overall performance is based on statewide indicators.

Vice-Chairman Reckhow expressed concerns regarding the future risks about the State's decision and the County's need for reimbursement.

County Attorney provided legal advice about the County's positions as it relates to the State's reimbursement.

Ms. Holliman responded to Vice-Chairman Reckhow's question regarding the need for local start-up funds. She indicated that the initial plan is to internalize within The Durham Center's budget.

She informed the Board that an estimation of 10 positions would be needed in the future.

Ms. Holliman entertained several questions posed by the Board and staff.

Directives

1. Review the cost of what the reimbursement would be from the State.
2. Do a full-cost analysis of administration of LME in effort to keep costs as low as possible.
3. Share additional information to the Board regarding homeless population and hospitalization.

Durham Cooperative Extension – Coordinated Transportation – Durham County Access (DCA) Update

Durham Cooperative Extension updated the Board of County Commissioners on the status of the operational and procedural changes proposed for Durham County Access (DCA). The update highlighted the following:

- Outcomes
- Recommendations
- Plans

Delphine Sellars, Cooperative Extension Director, stated that the update is a result from the Community Transportation Association of America (CTAA) Institute for Transportation Coordination attended by the six-member Triangle Team on November 17-20, 2008. The update addressed pertinent issues related to the resolution approved by the Board at its November 10, 2008 meeting.

Commissioner Bowser asked about the change in the level of transportation since 2004.

Commissioner Heron asked the following:

- Do human services pay to access transportation?
- Why does it cost more to transport individuals in Durham County?

William Barlow, North Carolina Department of Transportation, Public Transportation Division (NCDOT-PTD), informed the Board about what is trying to be achieved. He stated that this is an efficient movement of people with the funds that are provided. Operational cost is free to the County since both State and Federal governments supply money through grants. Occasionally, the County may contribute supplemental funds.

Delphine Sellars, Cooperative Extension Director, stated that the intention is to provide better services with funds already received, as well as expanding services with the level and quality of services to Durham County's older population, and to also extend services to areas in the County that are without reliable transportation.

Ms. Sellars provided information about Mobility Management.

Commissioner Bowser inquired about the following:

- What are the improvement of services that would meet the needs of the community since 2004?
- Are the clients involved?
- Is TTA familiar with Durham Access Services?

The Board held discussions about the efficiency and the effectiveness of the program.

Directive

1. Bring a detailed report to the Board regarding Durham County Access' direction.

2. Incorporate user suggestions into DCA.

Briefing of Durham County Agricultural Development and Farmland Preservation Plan

Kathrynn Spann, Farmland Preservation Commission, introduced this item. She stated that the Durham Soil and Water Department requested that the Board of County Commissioners be informed of the development of the Durham County Agricultural Development and Farmland Preservation Plan. Once adopted, this plan would help keep farming viable in Durham County while preserving part of Durham's heritage.

Ms. Spann enlightened the Board about the Soil and Water Department grant (\$30,000) that was received on behalf of Durham County to hire a consultant to orchestrate the development of the plan. The consultant was introduced to the Board and the County Manager and gave a brief overview of the proposed plan of action in the coming months and answered any questions the board had.

Gerry Cohn, Consultant, Farmland Protection, discussed the following proposed project tasks:

- Baseline Data Collection and Inventory of Agricultural Resources
- Engage Farmers and Landowners in the Planning Process
- Assess Agriculture-Related Goals in Comprehensive Land Use Plan and Update as Needed
- Identify Land Use Impediments
- Explore Agricultural Economic Development Opportunities and Develop Toolbox
- Develop a Draft Agriculture Development and Farmland Preservation Plan
- Present Draft Plan at Public Meeting
- Revise Plan and Present to County Commissioners for Approval

Mr. Cohn stated that the proposal of \$25,000 is based on the work plan outlines and includes all cost related to the project.

Commissioner Bowser and Commissioner Heron made several comments regarding this item; however, the tape was inaudible due to the microphones being off.

Jennifer Brooks, Watershed Conservationist, informed the Board that staff would be embarking on a new five-year plan. She stated that Board that the feedback received would be coordinated into the plan.

The Board thanked Ms. Brooks and staff on the update; no directives were given.

Triangle Wastewater Treatment Plant Transition to County Operation

County Engineer Glen Whisler introduced this item, stating that the Triangle Wastewater Treatment Plant has operated under a contract with United Water Hydro Management, LLC since July 1, 2005. On November 19, 2008, United Water exercised a 90-day termination clause of the contract and will cease operating the facility on February 17, 2009. To ensure the Triangle Wastewater Treatment Plant and collection system is cost-effectively operated to meet all

permits and regulations, it was proposed that Durham County begin operating the facility with County staff.

Mr. Whisler informed the Board that the County Utility Division would need additional staff to operate and maintain the Triangle Wastewater Treatment Plant and collection system. He requested that the following 14 positions be created and that one existing position be eliminated:

- Wastewater Treatment Plant Superintendent
- Two (2) Project Managers (Operations Mgr. and Maintenance/Collection Systems Mgr.)
- Administrative Officer II
- Maintenance Technician II
- Maintenance Technician I
- Three (3) Operations and Maintenance Specialist II
- Three (3) Operations and Maintenance Specialist I
- Lab Technician I
- Staff Specialist

The existing position to be eliminated is a Project Coordinator position, which primarily provides oversight of the contract operations firm's performance. A proposed organizational chart was provided.

Mr. Whisler stated that in addition to creating and filling these positions, there are many other tasks which must be completed. The tasks include installing new computer networks with operation and maintenance software, establishing new vendors of goods and services, and purchasing vehicles. The Engineering Department Utility Division had received support for this transition from other County departments, including Human Resources, Information Technology, Purchasing, Finance, and Budget. Based upon an evaluation, Durham County could directly operate the Triangle Wastewater Treatment Plant at the same cost as operating with a private contractor and meet the standards of care.

Joseph R. Pearce, P.E., Utility Division Manager, provided the following details:

Current Contract Operation

- United Water Hydro Management LLC since July 1, 2005 has operated and maintained the facility.
- The County documented issues with contract performance, and on October 8, 2008 requested a plan from United Water Senior Management to resolve the issues.
- On November 19, 2008, United Water exercised a 90-day termination clause.
- On February 17, 2009, United Water will cease operating and maintaining the facility.

Future Operation and Maintenance

- Based on past experiences, it is believed that other Contract Operation Firms will have similar issues.
- Durham County can directly operate the TWWTP at the same cost and improve our operation

Biggest Issue – Staffing

- Sufficient personnel will have to be in place at 12:01 a.m. on February 18, 2008 to provide uninterrupted operation and maintenance.
- Create 14 new positions
- Eliminate one existing position

Durham County TWWTP Proposed Organization (Chart)

Mr. Pearce responded to Commissioner Howerton's inquiry regarding the funds considering the budget expense. He stated that funds are obtained through the enterprise fund. The wastewater treatment plant operates a separate revenue center that pays for the sewer charges.

County Manager explained that the enterprise fund is a separate fund paid for with no property tax or general revenues; the entire funding is rate based.

Marqueta Welton, Human Resources Director, addressed Vice-Chairman Reckhow's question regarding the timeline. She stated that the advertisement process has begun for the position; however, the positions cannot be filled until the Board gives authorization; the recruitment process has started in order to meet the February 9 deadline for operating the facility.

Commissioner Bowser asked the following:

- What is the City's organizational structure as it relates to personnel?
- How many wastewater plants does the city operate?
- Where can an individual obtain the certification?

Mr. Whisler stated that the City and County have similar structures; however, the City has a significant number of operations. The City operates two wastewater plants. He continued to discuss the staffing patterns and requirements as it relates to the positions. He stated that certification can be obtained through classes that are taught across the state

Vice-Chairman Reckhow moved, seconded by Commissioner Heron, to suspend the rules.

Vice-Chairman Reckhow moved, seconded by Commissioner Heron, to proceed with the transition and establishment of the new positions.

The motions carried unanimously:

Update on Sustainability Initiatives

Tobin L. Freid, Sustainability Manager, provided the Sustainability Manager's report on the status of various sustainability initiatives. She conferred the following:

- Durham County Government transportation demand management programs

- Greenhouse Gas Emissions Reduction plan
- Progress of the Sustainability Office since April 2008
- Plans for the Sustainability Office for future initiatives

Sustainability Office Update

Overview

- Transportation program update
- Greenhouse Gas Plan update
- Sustainability Office Update

TDM Current Benefits

- Bus passes
- Vanpool subsidy
- Emergency ride home
- Internet website
- Telework
- Alternative work schedules

Current Commute Patterns (chart)

Bus Pass Pilot Program (chart)

New TDM Benefits

- Go Pass
 - Allows unlimited rides on DATA and Triangle Transit
- Pre-tax transit benefits
- Park and Ride Map
- Easier to find information
- GIS Mapping

Greenhouse Gas Emissions Reduction Plan Update

History

- ICLEI's Cities for Climate Protection Campaign (1996)
- Green house Gas Inventory and Action Plan (1999)
- Greenhouse Gas Inventory and Action Plan Update (2007)

Durham GHG Plan

- Baseline Year: 2005
- Target Year: 2030
- Government: Reduction Target 50%
- Community Reduction Target 30%

Local Government (Chart)

Government Actions

1. Buildings: Green Buildings, Retrofits

2. Water and Wastewater: Conservation, Efficiency of Operations
3. Fleet: Fuel Efficiency, Alternative Fuels, Downsizing
4. Lighting: CFLs, LED Streetlights, Practices
5. Solid Water: 5 R's

County Emissions (Chart)

Community Actions

- Energy Education and Outreach
- Policies and Incentives
- State and Federal Action

2005-2008 Update

- Gather/analyze missing data
- Report to EAB
- Establish procedures to track data within responsible departments

Sustainability Office Update

2008 Successes

- Established Office
- Green Teams
- Energy Fair
- Green Building Policy
- NACO Energy Pledge Drive

2009 Projects

- Performance Contracting
- Purchasing Policy
- Idle Reduction Policy
- Fuel Economy Standards for DCG Vehicles
- Earth Month
- Lunch and Learns
- Orientation
- Website/logo

Chairman Page commended Ms. Freid on her creativity, as well as how she has reached out to the community. He asked about an effort from the County on community education.

Ms. Freid informed the Board about her collaboration with several established groups in the community.

Ms. Freid responded to questions posed by the Board.

Directives

1. Bring a report to the Board that determines how far away from Durham County do employees live; are there employees that reside in Franklin County?
2. Local government to consider providing vanpooling with assistance from Federal Government.
3. Follow up on energy savings as it relates to the Human Services Complex.

Fiscal Year 2008-2009 Budget Review – Recommended Actions

County Manager Mike Ruffin introduced this item. He stated that the decline in the economy has significantly affected the current budget. Staff has developed projected revenue estimates to review with the Board and recommended actions for the Board to consider bringing expenditures in line with the revised estimates.

County Manager Ruffin proceeded to discuss the following:

Fiscal Year 2008-2009 Budget Review—Recommended Actions

Key Revenues

- Property Tax: (5 & ½ mos. Collected)
- Prior Year Property Tax: (5 & ½ mos. Collected)
- Sales Tax: (3 mos. Collected)
- Investment Earnings: (5 & ½ mos. Collected)
- Register of Deeds Fees: (5 & ½ mos. Collected)
- Fund Balance (Appropriated)
- Overall FY 2008-09 Est. Revenue Shortfall: \$14.25 million

Revenues

FY 2008-09 Revenue Estimates

Revenue	Over/Under Collection
Property Taxes	\$3,291,416
Prior Year Property Tax	(\$499,199)
One Cent Sales Tax (39)	\$(777,888)
Half Cent Sales Tax (44)	\$(397,547)
Sales Tax City Reimbursement	\$1,041,984
Investment Earnings	\$(1,139,000)
Register of Deeds	\$(1,250,000)
Duke Lease*	\$725,000
Fund Balance Appropriated	\$(13,498,466)
Other Revenues	\$(288,987)
Total	\$(14,242,687)

*Contract Change with Duke Related to Durham Regional Hospital

Historical Revenue Comparisons

Revenue	FY 08-09 Est. Over/Under Budget	FY 07-08 Over/Under Budget	FY 06-07 Over/Under Budget
Property Taxes	\$3,291,416	\$7,555,235	\$3,186,963
Prior Year Property Tax	(\$499,199)	\$(1,152,329)	\$(1,318,283)
One Cent Sales Tax	\$(777,888)	\$(66,210)	\$1,815,493)

(39)			
Half Cent Sales Tax (44)	\$(397,547)	\$(62,524)	\$735,316
Sales Tax City Reimbursement	\$1,041,984	\$1,942,489	\$1,558,613
Investment Earnings	\$(1,139,000)	\$1,104,824	\$1,842,983
Register of Deeds	\$(1,250,000)	\$(30,630)	\$659,790
Total	\$269,766	\$9,415,903	\$8,480,875

Revenues

- General Funds Fund Balance
 - Local Government Commission Minimum is 8%
 - Durham County FY 2007-80 – 16.28%
 - Durham County Finance Policy Minimum – 15%
 - Supports Strong Financial Position
 - AAA Bond Status (Lower Interest Rates for Borrowing)
- FY 2008-09 Fund Balance Appropriated: \$13,498,466
- To maintain Fund Balance at 15% or greater, revenues must be over-realized and/or budgeted expenditures under spent

Fund Balance as a Percentage of Expenditures (Chart)

Expenditures

- Current year revenue estimates not enough to cover Fund Balance Appropriation
- Expenditure Savings of \$14,242,687 Needed
- Estimated Trended Savings (Lapsed Salary, Unspent Operating, and Capital): \$8,951,100
- Vacant Positions are averaging 9% for the current year, in prior years the average has been 12% (decreasing available lapsed salary)

Expenditures

- \$14,242,687 Under Realized Revenue
- \$8,851,100 Trended Expenditure Savings
- \$5,291,587 Estimated Shortfall
- County Manager requested more Expenditure Cuts from County Departments

Other Requested Reductions

Department	Requested Cut	% Cut
Durham Public Schools	\$(3,081,862)	3%
Durham Technical Community College	\$(144,136)	3%
NC Museum of Life & Science	\$(43,370)	3%
APS Contract	\$(18,347)	3%
Nonprofits	\$(28,415)	3%
Contracted Services	\$(9,990)	3%
Departmental Operating Reductions	\$(1,415,467)	6%
County Contribution (Open Space)	\$(550,000)	100%

Total	\$(5,291,587)	
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Other Issues

- Mental Health
 - Original Approved County Funding of \$5.6 million (predicated with option of requesting \$2.1 million later in FY09 for the same level of funding as FY08)
 - Recommended additional County funding of \$1.8 million represents a 3% cut from FY08 budget
 - Amounts represent County funding only; not State or Federal funds
- Matching Grants Program
 - Will not make grant awards for FY2009
 - \$117,000 in General Fund Savings
 - Open projects from previous years unaffected

Durham Public Schools

- In Order to Reduce County Funding for DPS
 - N.C. General Statute 159-13(Board)(9) Appropriations made to a school administrative unit by a county may not be reduced after the budet ordinance is adopted, unless the board of education of the administrative unit agrees by resolution to a reduction, or unless a general reduction in county expenditures is required because of prevailing economic conditions. Before a Board of County Commissioners may reduce appropriations to a school administrative unit as part of a general reduction in county expenditures required because of prevailing economic conditions, it must do all of the following:
 - Hold a public meeting at which the school board is given an opportunity to present information on the impact of the reduction.
 - Take a public vote on the decision to reduce appropriations to a school administrative unit.

Situations to Watch

- Lower interest rates could lead to an increase in home refinancing or construction; this would positively impact departmental revenue projections.
- Normal levels of bankruptcies have been accounted for in property tax projections; but an increase in the number of bankruptcies could negatively impact this revenue.
- All national trends show much lower retail sales levels over the holiday season than in previous years. The County will not receive December sales numbers from the State until March.

Next Steps

- Hold Public Meeting January 12, 2009 for Durham Public School Board response to proposed cuts.
- Take a public vote on the decision to reduce Durham Public Schools County appropriation

The Board asked the following questions:

- What amount of the tax rate is included in the school system?
- What is the debt service for DPS?

- Will the Board have to vote on reductions for other non-County agencies?
- Can DPS build their fund balance with local funds?
- Can State funds be used for savings?
- What is DPS fund balance?

Laura Jentsen, Assistant to the County Manager, expounded about the status of the City's budget.

Commissioner Heron expressed frustration about the impact of budget cuts on the Animal Shelter.

The Board held a discussion relating to the recommended actions for the FY 2008-2009 budget.

Directives

1. Place the Durham Public Schools (DPS) and nonprofits reductions on the January 12 Regular Session.
2. Bring to the Board the projected Average Daily Membership (ADM) and the second month ADM for DPS as well as Charter Schools FY 2008 and FY2009.
3. Review the special projects funded in FY 2009 for DPS.
4. Analyze usage of the fund balance in preparing FY 2010 budget; consider amending the practice.
5. Include Cultural Master Plan funding of special projects when calculating savings.

Adjournment

There being no further business, Chairman Page adjourned the meeting at 3:58 p.m.

Respectfully Submitted,

Angela McIver
Clerk to the Board's office