

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

Monday, November 1, 2010

1:25pm Budget Worksession

MINUTES

Commissioners reconvened after Closed Session and lunch to continue the Worksession and discuss items for the 2011-2012 budget year.

Budget

Pam Meyer, Budget and Management Services Director, presented a Quarterly Budget Report and snapshot of the 2009-10 budget. She reported that 96.18 percent of the budgeted revenue had been collected. Expenditures to date total 94.58 percent. Property taxes came in at 102 percent although the collection is slightly lower than the first quarter 4-year average.

The July sales taxes have been collected and received in October 2010, and will be reflected in the second quarter Budget Report. Property taxes don't come in until December. According to Ms. Meyer, "for the first quarter, the budget is at levels we are accustomed to seeing."

The City Sales tax revenues represent the Interlocal Agreements with the City. Vice Chair Reck how noted that it was important to note the payments. The County received 58 percent of collections due to the current economic agreement.

Beginning with this budget year, Durham County (along with all other NC counties) will no longer receive Article 44 sales tax due to Medicaid swap legislation which resulted in the State now paying the county's share of Medicaid costs.

The County Manager explained that he, the Budget Director, and the Finance Director agreed to impose expenditure controls early in the Spring to ensure that the Fund Balance was not affected. Because of the controls, the deficit from sales tax revenues was offset and the Fund Balance was actually increased. The Manager commended the Management Team for their efforts and asked the Board to give feedback on the reporting.

Deputy County Manager Titus indicated that no economic development projects are eligible for payment until after January when taxes are paid.

Commissioner Bowser questioned how economic development payments are distributed. Mr. Ruffin responded that some are paid in lumps and others are paid monthly.

Ms. Meyer concluded that she did not have any concerns about any agency's spending at this time.

Tax Report

Pam Meyers shared a tax report on behalf of Kim Simpson, who was attending training. She acknowledged that the area of concern for the Tax Office was in motor vehicles. There is a declining value on vehicles, and less revenue has been received this year than prior years.

Dates for Conversations with Commissioners for FY2012

The Board discussed dates and locations for the upcoming "conversations." They all desired to have an northern Durham location and discussed possibilities for locations in other parts of Durham County. Possible locations for consideration included the Northern Durham library, Southwest or South libraries, and the Hill and Dale Staff Development Center. Staff will poll BOCC for dates and determine locations according to availability.

Human Resources

Marqueta Welton, Human Resources Director, presented a review of staff turnover. She indicated that the turnover is up from last year, especially in the Sheriff's and Social Services departments. Resignations topped the reasons for leaving. Reasons given included no pay increase and higher salaries in neighboring counties.

The vacancy rate was down due to the number of positions cut from the budget.

Diane Pearson, Benefits Manager, presented a review of proposed benefit changes to enhance increased participation in the Employee Wellness program. The Board, at an earlier meeting, directed staff to look at the Employee Wellness program to determine its feasibility.

Ms. Pearson reported that for the current fiscal year, the County has spent 18 percent in health premiums. There are 4808 individuals (employees and dependents) on the County's health plan. High costs of the plan are the result of high cost claims, obesity, and high cost prescription medications.

The new plan involves every insured person receiving a Health Risk Assessment (HRA). The county will pay 100 percent of the individual's health premium for Core insurance if an HRA is administered. Otherwise, the county will pay 95 percent of the basic plan with no HRA. She explained that the biggest difference between the basic and core plan is the hospitalization benefit.

Chairman Page inquired about smoking cessation programs. He expressed concern about employees smoking on the side of streets of county buildings. The Board discussed concerns about the County's smoking policy.

Attorney Siler announced that there should be information coming back to the Board with some recommendations on the policy.

Chairman Page hoped that staff will be able to offer options and give employees a place to smoke while maintaining professionalism.

Fund Balance

George Quick, Finance Director, highlighted the General Fund Balance. He compared where the County finished and where he estimated finishing in 2009. The estimated amount reserved for encumbrances for FY10 was \$1,350,000. The actual amount in reserve is \$2,401,634.00. Collections for this year were at 100 percent where they are normally 98 percent. Less expenditures and more revenue resulted in a higher Fund Balance.

Durham County was the only North Carolina county in the "Big 10" that remained steady or increased the Fund Balance this year. Durham is at a competitive level right now. Mr. Quick will come back to the Board with a policy recommendation that the County achieve a Fund level of 18 percent.

The County's AAA bond was reaffirmed from Standard and Poor's and Moody's. The staff was complimented on managing the process. Mr. Quick noted two concerns going forward: the ability to continue to manage debt and the County's ability to manage financial support for the schools.

Survey Monkey

Four board members completed an online survey regarding budget priorities. Three members selected local funding for schools as a medium priority; one selected minimal/none.

When asked to rank the top seven (7) priorities among budget areas, education was the highest priority. The following areas were considered: General Government, Public Safety, Environmental protection, Economic/Physical Development, Human Services, Education, and Culture & Recreation.

Three commissioners favored a flat (no increase) tax rate increase, while one commissioner selected a 1-3 cent increase.

Commissioner Heron inquired about what Durham Public Schools was doing with the 3 cent tax approved last year.

Vice Chair Reckhow remarked that the superintendent was supposed to be doing a benchmark study. There has been some transition in the Finance office. The study should be completed by January to see how we are doing, compared with other districts. She further remarked that she would like to see a benchmark study for Durham County.

Employee Bonus

Manager Ruffin proposed a pay plan adjustment in the amount of \$750 (lump sum payment) for County employees. The funds would come from a one-time transfer from the Fund Balance and Enterprise fund.

Commissioner Bowser asked how many employees had been rehired. Ms. Welton responded that about 15-20 employees were rehired per month.

Commissioner Bowser was concerned about leaving out new hires. Ms. Welton replied that the intent was to look at employees who would have been eligible for a pay increase and haven't had a pay increase. New hires haven't gotten higher salaries on the front end.

Chairman Page questioned the ratio for a 2.5 percent increase. Mr. Quick responded that \$750 would cost approximately \$1.4 million. A 2.5 percent increase would cost approximately \$2.2 million.

Chairman Page expressed concern about employees going 2½ years without an increase. In his opinion, \$750 would be heavily taxed. "Employees have put us in the financial position we are in today," remarked Chairman Page. He recommended a 2.5 percent lump sum increase. He also stated that a priority would be to add the annual employee raises back in July.

Vice Chair Reckhow agreed that salaries should be a priority for the upcoming year. She pointed out that the lump sum would help lower paid employees more than the 2.5 percent. She also stated that we need to be careful with the Fund balance at this time.

Commissioner Bowser concurred that the lump sum would be more beneficial to the lower paid employees and remarked that we cannot afford to pay someone making \$100,000 a 2.5 percent increase.

After further discussion, Commissioner Howerton suggested a compromise. The Manager agreed to a \$1,000.00 one-time bonus. He added that he will definitely recommend reinstating performance increases in July.

Commissioner Bowser moved, seconded by Vice Chair Reckhow to suspend the rules to vote on the matter.

The motion passed unanimously.

Commissioner Heron commented that we must be cautious because legislators think finances will get worse next year.

Chairman Page moved, seconded by Commissioner Bowser to approve a one-time \$1,000 lump-sum pay plan adjustment for all regular, probationary, and provisional employees hired prior to July 1, 2010 and a prorated amount for part-time employees. An appropriation of \$1,895,421 of General Fund fund balance will support the General Fund cost and an appropriation of \$19,392 of Enterprise Fund fund balance will support the Enterprise Fund cost.

The motion passed with the following vote:

AYES: Bowser, Howerton, Page

NOES: Heron, Reckhow

Adjournment

There being no further business, Chairman Page adjourned the meeting at 3:25 p.m.

Respectfully submitted,

Michelle Parker-Evans
Clerk to the Board