

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

Thursday, May 31, 2001

2:30 P.M. Regular Session

MINUTES

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

Present: Chairman MaryAnn E. Black, Vice-Chairman Ellen W. Reckhow, and Commissioners Joe W. Bowser, Philip R. Cousin Jr. (arrived at 2:48 p.m.), and Becky M. Heron

Absent: None

Presider: Chairman Black

Opening of Regular Session

Chairman Black called the Regular Session to order with the Pledge of Allegiance.

At Chairman Black's request, items number 2 and 3 were addressed first to allow time for Commissioner Cousin to arrive. The Chairman wanted the full Board to be present for agenda item number 1, "Hearing on Possible Removal of ABC Board Members."

Minutes

Commissioner Bowser moved, seconded by Commissioner Heron, to approve the following minutes as submitted:

April 20, 2001 CIP Worksession
May 14, 2001 CIP Worksession

The motion carried 4-0 with the following vote:

Ayes: Black, Bowser, Heron, and Reckhow

Noes: None

Absent: Commissioner Cousin

Commissioner Bowser asked that the Minutes of the May 14, 2001 Regular Session include more discussion—at least his statements during that portion regarding advising the ABC Board members of this particular meeting, the fact that there was short notice given, and that they may not be able to attend due to another engagement.

Chairman Black requested that the May 14, 2001 Regular Session Minutes be held for inclusion of additional comments made by Commissioner Bowser as he requested.

Consent Agenda

Commissioner Bowser moved, seconded by Commissioner Reckhow, to approve the following consent agenda items:

- * (a) Street Annexation Petition—Belk Street (Northaven Subdivision) (adopt the resolution to approve the addition of Belk Street [Northaven Subdivision] to the state's road maintenance system subject to the certification of eligibility by the appropriate officials of the NC Department of Transportation);
- * (b) Property Tax Releases and Refunds (accept the March 2001 property tax release and refund report as presented and authorize the Tax Administrator to adjust the tax records as outlined by the report);
- * (c) Property Tax Releases and Refunds (accept the April 2001 property tax release and refund report as presented and authorize the Tax Administrator to adjust the tax records as outlined by the report);
- * (d) Budget Ordinance Amendment No. 01BCC000065 FY 2000-01 Occupancy Tax Payment to Durham Convention and Visitor's Bureau (DCVB) (approve the budget ordinance amendment in the amount of \$400,000 to the Durham County Convention and Visitors Bureau budget); and
- * (e) Durham County Juvenile Crime Prevention Council--Recommendation for FY 2001-02 JCPC/DJJDP Program Funding (approve the Juvenile Crime Prevention Council's Program Funding Recommendations for FY 2001-02).

The motion carried unanimously.

Regarding Consent Agenda item 3(e), Vice-Chairman Reckhow requested that the Board be provided a description of what the program agencies do and how they are using their funding. The chart provided for backup only indicates the program agencies and the amount of funding to each.

*Documents related to these items follow:

Consent Agenda 3(a). Street Annexation Petition—Belk Street (Northaven Subdivision) (adopt the resolution to approve the addition of Belk Street [Northaven Subdivision] to the state's road maintenance system subject to the certification of eligibility by the appropriate officials of the NC Department of Transportation).

The resolution follows:

NORTH CAROLINA STATE DEPARTMENT OF TRANSPORTATION
REQUEST FOR ADDITION OF STATE MAINTAINED
SECONDARY ROAD SYSTEM

North Carolina

County of Durham

Road Description: Belk Street (.35 miles SW of the intersection of US 501 and Route 1631 in Northhaven Subdivision)

WHEREAS, the attached petition has been filed with the Durham Board of County Commissioners requesting that the above described road, the location of which has been indicated in red on the attached map,* be added to the secondary road system; and

WHEREAS, the Board of County Commissioners is of the opinion that the above described road should be added to the secondary road system, if the road meets minimum standards and criteria established by the Division of Highways of the Department of Transportation for the addition of roads to the system:

NOW, THEREFORE, BE IT RESOLVED by the Durham Board of County Commissioners that the Division of Highways is hereby requested to review the above-described road, and to take over the road for maintenance if it meets established standards and criteria.

CERTIFICATE

The foregoing resolution was duly adopted by the Durham Board of County Commissioners at a meeting on the 31st day of May, 2001.

Witness my hand and official seal this the 1st day of June, 2001.

/s/ Garry E. Umstead
Clerk, Board of Commissioners
County of Durham

*In the office of the Clerk to the Board.

Consent Agenda 3(b). Property Tax Releases and Refunds (accept the March 2001 property tax release and refund report as presented and authorize the Tax Administrator to adjust the tax records as outlined by the report).

Due to property valuation adjustments for over assessments, listing discrepancies, duplicate listings and clerical errors, etc., the report details release and refunds for the month of March 2001.

Releases & Refunds for 2000 & 2001 Taxes:

Real	\$ 1,786.53
Personal	\$ 2,970.83
Registered Vehicles	\$ 31,337.22
Vehicle Fees	\$ 400.00
Solid Waste Fees	<u>\$ 55.00</u>
Total for 2000 & 2001 Taxes and Fees	\$ 36,549.58

Prior Years (1989-1999) releases and refunds, for March 2001 are in the amount of \$7,988.13.

Total Current Year and Prior Year Releases and Refunds \$44,537.71

(Recorded in Appendix A in the Permanent Supplement of the May 31, 2001 Minutes of the Board.)

Consent Agenda 3(c). Property Tax Releases and Refunds (accept the April 2001 property tax release and refund report as presented and authorize the Tax Administrator to adjust the tax records as outlined by the report).

Due to property valuation adjustments for over assessments, listing discrepancies, duplicate listings and clerical errors, etc., the report details release and refunds for the month of April 2001.

Releases & Refunds for 2000 & 2001 Taxes:

Real	\$ 2,024.63
Personal	\$ 2,608.25
Registered Vehicles	\$ 32,554.46
Vehicle Fees	\$ 380.00
Solid Waste Fees	<u>\$ 165.00</u>
Total for 2000 & 2001 Taxes and Fees	\$ 37,732.34

Prior Years (1989-1999) releases and refunds, for April 2001 are in the amount of \$6,186.00.

Total Current Year and Prior Year Releases and Refunds \$43,918.34

(Recorded in Appendix B in the Permanent Supplement of the May 31, 2001 Minutes of the Board.)

Consent Agenda 3(d). Budget Ordinance Amendment No. 01BCC000065 FY 2000-01 Occupancy Tax Payment to Durham Convention and Visitor's Bureau (DCVB) (approve the budget ordinance amendment in the amount of \$400,000 to the Durham Convention and Visitors Bureau budget).

The budget ordinance amendment follows:

DURHAM COUNTY, NORTH CAROLINA
 FY 2000-01 Budget Ordinance
 Amendment No. 01BCC000065

BE IT ORDAINED BY THE COMMISSIONERS OF DURHAM COUNTY that the FY 2000-01 Budget Ordinance is hereby amended to reflect budget adjustments for the Durham Convention and Visitors Bureau.

GENERAL FUND

	<u>Current Budget</u>	<u>Increase</u>	<u>Decrease</u>	<u>Revised Budget</u>
<u>Expenditures</u>				
Economic & Physical Development	\$ 4,802,065	\$400,000		\$ 5,202,065
<u>Revenues</u>				
Intergovernmental	\$202,129,674	\$400,000		\$202,529,674

All ordinances and portions of ordinances in conflict herewith are hereby repealed.

This the 31st day of May, 2001.

(Budget Ordinance Amendment recorded in Ordinance Book _____, page _____.)

Consent Agenda 3(e). Durham County Juvenile Crime Prevention Council-- Recommendation for FY 2001-02 JCPC/DJJDP Program Funding (approve the Juvenile Crime Prevention Council's Program Funding Recommendations for FY 2001-02).

DURHAM COUNTY JUVENILE CRIME PREVENTION COUNCIL
 April 25, 2001 Recommendation for JCPC Programs Funding
 For FY 2001-2002

PROGRAM	2000-2001 Awarded	2001-2002 Request	JCPC Approved 4/25/01	LEVEL		
				I	II	III
Advocacy for At-Risk and Delinquent Children	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	X		
Deontee Emergency Shelter	\$ 14,144.00	\$ 11,144.00	\$ 18,144.00	X	X	
Durham Striders	\$ -	\$ 45,000.00	\$ -	X		
Durham Youth Enrichment	\$ 12,000.00	\$ 17,000.00	\$ -	X		
Edgemont (New Horizon)	\$ 25,000.00	\$ 55,000.00	\$ 17,000.00	X		
Juv. Court Psychologist	\$ 48,137.00	\$ 48,137.00	\$ 63,137.00	X	X	
Parenting of Adolescents	\$ 92,321.00	\$ 192,883.00	\$ 126,685.00	X	X	
PROUD	\$ 40,052.00	\$ 40,052.00	\$ 40,052.00	X	X	
Rites of Passage Youth Empowerment	\$ -	\$ 48,000.00	\$ -			
Rites of Passage	\$ 18,100.00	\$ 22,268.00	\$ -	X		
Sisterhood Agenda	\$ 13,100.00	\$ 15,000.00	\$ -	X		
TEEN COURT (see program breakout below)1						
Teen Court	\$ 46,209.00	\$ 46,300.00	\$ 46,600.00	X		

Restitution	\$ 56,437.00	\$ 56,500.00	\$ 56,500.00	X	X
West End Community Center	\$ -	\$ 50,625.00	\$ -		
Trinity House	\$ 108,208.00	\$ 108,208.00	\$ 108,208.00	X	X
Youth Court	\$ 11,754.00	\$ 11,500.00	\$ 11,500.00	X	X
PROGRAM TOTAL	\$ 503,462.00	\$ 785,617.00	\$ 505,826.00		
JCPC Admin Costs/Board Dev.	\$ 2,500.00		\$ 10,136.00		
TOTAL	\$ 505,962.00		\$ 515,962.00		

1 Teen Court breakout for FY 2001-2002: Teen Court \$46,600 and Restitution \$56,500

Agenda Adjustments

Commissioner Reckhow added an item for comment. She referenced the proposed state budget cuts to mental health programs at the state level and some state budget cuts that would affect local mental health programs. If the state doesn't provide services for troubled youth, the deaf, and the seriously mentally impaired, the services would have to be provided at the local level.

The Chairman requested that a letter be drafted for her signature which would protest the state's program cuts as inappropriate if not accompanied by funding to provide alternative services. She asked that Dr. Ashby, Director of The Durham Center, be contacted for information to include in the letter as to how much money goes into providing those services. The cuts to local programs should also be protested.

Hearing on Possible Removal of ABC Board Members

The Board of Commissioners began the hearing on the possible removal of the Durham County Alcoholic Beverage Control Board. The hearing was conducted in accordance with the resolution adopted by the Board at its last meeting on May 14, 2001.

Chairman Black advised that the hearing would be conducted in accordance with special due process rules. The Clerk to the Board administered the oath to all parties who would provide testimony at this hearing.

The Commissioners were asked if they could rule fairly and impartially without a conflict or bias that would require their withdrawing from this proceeding. All Commissioners answered in the affirmative.

Chairman Black asked that any Commissioners having any information or special knowledge about the case that may not come out at the hearing to please describe that information for the record so that interested parties would know and could respond. The Chairman and Commissioners reported their contacts by telephone, in person, and at ABC Board meetings they had attended.

Chairman Black stated that, in this hearing, the Board of Commissioners would first consider a written request from Mary E. Williams, ABC Board Chairman, to continue the hearing since she could not be present. The County Attorney presented an order to this effect. The Chairman called for Commissioner comments to this request. The five

Commissioners expressed their opinions regarding either proceeding with or continuing the hearing.

The question was raised whether the Commissioners could make attendance at this hearing compulsory. The County Attorney advised that the Board cannot compel someone to appear at this hearing because it does not have subpoena power. Appearance is voluntary. Commissioner Bowser requested that the record reflect that it appeared to him that Mr. Mike Wendt was not present because the Board did not want him to question Mr. Wendt.

The Chairman called for a motion for the hearing to proceed. Any action would be taken after receiving all evidence.

Commissioner Reckhow moved, seconded by Commissioner Heron, to proceed with the hearing (in the absence of ABC Board member Mary Ellen Williams and mediator Mike Wendt) with the understanding that the Board would wait until it hears all evidence before deciding to either continue the hearing to June 4, 2001 or to make a decision.

The motion carried with the following vote:
Ayes: Black, Cousin, Heron, and Reckhow
Noes: Bowser

The Chairman advised that the Board would next hear the evidence. First, they would receive information from the County Manager. Then the ABC Board members would be permitted to explain why they should not be removed and could call any witnesses they wish. Witnesses can be cross-examined following their testimony. Any attorneys present should not testify but may summarize a client's case. All giving testimony should clearly identify themselves for the record.

Commissioner Reckhow moved, seconded by Commissioner Heron, that the Board not accept additional information based on mailings, phone calls, or personal contacts, beyond this hearing.

The motion carried with the following vote:
Ayes: Black, Cousin, Heron, and Reckhow
Noes: None
Absent: Bowser (out of the room when the vote was taken.)

The County Manager identified himself and submitted eight exhibits (A-H) to enter into the record for the Board to consider. He briefly referred to each.

Chairman Black gave the Commissioners an opportunity to ask questions of the Manager regarding Exhibits A-H. There were no questions from the Commissioners.

Chairman Black gave ABC Board members Mr. Horton and Mr. Randall an opportunity to cross-examine the County Manager about the information he presented. Mr. Randall had questions for the County Manager regarding the exhibits; Mr. Horton did not.

The ABC Board members were next given the opportunity to give evidence. Mr. Randall stated his case and entered into evidence information he provided Mr. Wendt during a meeting at his (Randall's) home. Commissioner Bowser asked that the tapes of the Commissioners' meeting referred to by Mr. Randall to be pulled for clarification of his statement regarding mediation attendance. Mr. Horton stated his case as evidence. Neither Mr. Horton nor Mr. Randall cross-examined the other.

Commissioner Bowser began the cross-examination of ABC members. He began with Mr. Randall. Mr. Randall submitted an audiotape of an ABC Board meeting as evidence to Commissioner Bowser's questions regarding the purchase of a vehicle for the ABC Board. Mr. Randall entered letters into the record.

Commissioner Reckhow moved, seconded by
Commissioner Cousin, to take a five-minute break.

The motion carried unanimously.

The hearing reconvened following the break.

Commissioner Reckhow moved, seconded by
Commissioner Heron, to continue the ABC hearing until
June 4, 2001 at 2:30 p.m.

The motion carried unanimously.

Chairman Black asked Vice-Chairman to continue the meeting in her absence, as she had to leave the meeting due to a prior commitment.

County Manager's FY 2001-2002 Recommended Budget

The County Manager presented highlights of the proposed budget. The following is the text of the presentation.

May 31, 2001

The Honorable Members
Durham County Board of Commissioners
Durham County Administrative Complex

200 East Main Street
Durham, North Carolina 27701

Dear Durham County Commissioners:

The Fiscal Year 2001-2002 Recommended Budget for Durham County is \$507,184,293 which represents a 6.33% increase over the current budget of \$476,993,542. As you will soon learn, much of that increase is tied directly to the cost of continuing the current levels of service. Consequently, while there is very little in the way of new initiatives, it's important to recognize that Durham County already provides services and levels of service that are second to none in North Carolina. I am very proud of that distinction and grateful to be part of an organization that enjoys an outstanding reputation among its peers not just for the services we provide, but also for how we provide them.

This has been a year unlike any I've experienced since I became a county manager. Before I looked at the first budget request, I was facing a deficit of over \$12 million dollars. I think everyone already knows about the \$3.25 million for the inventory tax reimbursement payment that was due last month, but very little attention has been focused on some of the other increases or reductions that also had to be factored:

- A \$2.4 million increase in Medicaid and other new county match requirements for the Department of Social Services and the Health Department;
- A \$2.1 million increase in debt service due to the transfer of debt from the county's enterprise fund to the general fund in the Fiscal Year 2000-2001 for sewer lines donated to the City of Durham;
- A \$1.5 million reduction in appropriated fund balance;
- A \$3 million reduction in inter-fund transfers; and
- Largely due to recent investment earnings, a \$277,226 reduction in Community Health Care Trust Funds.

In spite of these challenges, I am pleased to report that I am presenting a balanced budget to you; one that continues current services and maintains those services at current service levels; one that is sensitive to the needs of those who are in crisis; one that continues to make public education a high priority; one that will improve morale among county employees; one that seeks to eliminate unnecessary costs; and one that will continue to preserve the excellent financial reputation we enjoy.

I am also recommending a budget that reflects the goals you approved in February of this year. As you review my proposed budget, you will find example after example of how these goals are being implemented. Undoubtedly, there will be some who will read this message, but have yet to hear about your goals for the 2001 Calendar Year. I have restated them below:

- To invest in our community and our citizens by the successful implementation of the Capital Improvement Program
- To enhance community livability

- To help prepare our citizens for the jobs of the future by working with the school system, the business community, Durham Technical Community College and other related agencies
- To provide for more efficient and effective county services

Before I move on to more specific issues, I want to extend my personal appreciation to all of those who have worked so hard to help me put this recommendation together. I want to especially recognize the contributions of Pam Meyer, Budget and Management Services Director, and her staff: Keith Lane, Bill Renfrow, Marcia Margotta, and Kim Cook. I am also grateful for the able assistance that Deputy County Managers Wendell Davis and Carolyn Titus have made, as well as our Human Resources Department, led by Jackye Knight. Acclimating to a new manager and a new budget director is a chore in and of itself; putting a budget recommendation together as you are learning more about them, their management styles, and their approach to budgeting made this year's budget preparation process an even greater challenge. Thank you for biting your tongues!

Finally, one other clarification should be mentioned: Next year's recommended budget appears to be much higher than the current year's budget because previous budget messages have focused more on the general fund in spite of the fact that our budget has twenty-one (21) other funds. That's understandable inasmuch as the general fund is where the cost for the vast majority of the county's services is reported and often is the fund by which the media compares and contrasts Durham County's budget with other counties. However, as you will see in this message, over \$75 million are reported in one of those 21 other funds. With that said, next year's recommended budget for the General Fund is \$430,893,195, 8.45% more than the current budget of \$397,314,774.

I think you will find that the increase necessary to fund my recommended budget for the General Fund compares very favorably with what other county managers have already recommended. I have reported it in the following table, along with the increases and decreases for the other funds that comprise our budget:

Fund	Current FY 2000-2001	FY 2001-2002 Requested	FY 2001-2002 Recommended	% Increase/ Decrease
101 - General	\$ 397,314,774	\$443,154,549	\$430,893,195	8.45%
102 - Self-Insurance	\$ 1,553,100	\$ 1,824,522	\$ 1,824,222	17.46%
125 - Capital Finance Plan	\$ 27,393,823	\$ 27,278,729	\$ 27,278,729	-0.42%
150 - Cafeteria Plan	\$ 7,227,418	\$ 7,208,460	\$ 7,208,460	-0.26%
213 - Bethesda FD Fund	\$ 885,780	\$ 1,107,800	\$ 1,107,800	25.06%
214 - Lebanon FD Fund	\$ 549,711	\$ 517,134	\$ 517,134	-5.93%
215 - Parkwood FD Fund	\$ 823,477	\$ 993,000	\$ 993,000	20.59%
216 - Redwood FD Fund	\$ 381,618	\$ 403,700	\$ 403,700	5.79%
217 - New Hope FD Fund	\$ 7,197	\$ 7,918	\$ 7,918	10.02%

219 - Eno FD Fund	\$ 15,980	\$ 20,235	\$ 20,235	26.63%
221 - Bahama FD Fund	\$ 216,140	\$ 337,375	\$ 337,375	56.09%
222 - Special Park District Fund	\$ 410,395	\$ 436,544	\$ 436,544	6.37%
224 - Emergency Services Tele. System	\$ 1,305,302	\$ 1,562,922	\$ 1,562,922	19.74%
225 - Special Butner Fund	\$ 20,890	\$ 6,102	\$ 6,102	-70.79%
250 - Reappraisal Reserve Fund	\$ 518,001	\$ 130,000	\$ 115,000	-77.80%
304 - Debt Service Fund	\$ 23,695,538	\$ 25,797,868	\$ 25,797,868	8.87%
660 - Water and Sewer Fund	\$ 8,289,592	\$ 4,318,800	\$ 4,318,800	-47.90%
662 - Water & Sewer Debt Srv. Fund	\$ 3,055,706	\$ 979,522	\$ 979,522	-67.94%
705 - George R. Linder Memorial Fund	\$ 30,250	\$ 250	\$ 250	-99.17%
708 - Community Health Trust Fund	\$ 1,163,943	\$ 886,717	\$ 886,717	-23.82%
770 - L.E.O. Retirement Trust Fund	\$ 35,028	\$ 71,600	\$ 71,600	0.00%
868 - Equipment Leasing Fund	\$ 2,099,879	\$ 2,417,200	\$ 2,417,200	15.11%
Grand Total	\$476,993,542	\$519,460,647	\$507,184,293	6.33%

It shouldn't go without notice that requests were \$12.4 million more than what I was able to recommend. That level of reduction will often jeopardize current service levels. However, our department heads worked diligently with us to make sure that the deep reductions I have proposed will not reduce current service levels. I cannot over-emphasize how closely they have worked with our staff to accommodate these reductions. Many of our department heads were hoping that the county's growth would permit them to address some additional needs this year, but all that came to a screeching halt when the State started handing its problems off to us. In spite of their disappointment, they handled the bad news with the professionalism that makes our county's organization special.

While next year's recommended budget is largely a hold-the-line budget, it is also a very different budget from this year's budget. Consider, for example, the following initiatives and changes that have been proposed:

- Full Funding for the Durham Public Schools: Our school system has been and continues to be a major priority in our community. I cannot think of a better way to spend our money than to invest it in our children. Accordingly, I have recommended a \$3 million increase in funding for current expense for the Durham Public Schools and a \$1 million increase for capital outlay. Unfortunately, counties always seem to argue more about school funding than anything else. Hopefully, my recommendation will enable you to have a more constructive dialogue with the school system about other issues of equal importance.

- Increased Funding for Durham Technical Community College: While I was not able to recommend full funding for DTCC, I have recommended the same percentage of increase that I recommended for the Durham Public Schools, 5.9%. All of the \$182,301 increase is for current expense. No increase in additional funding for capital outlay has been recommended; however, keep in mind that Durham Tech is a major beneficiary from last year's statewide bond referendum.
- Restoration of the STARR Program in the Criminal Justice Resource Center: I am recommending that \$181,771 in funding be transferred from The Durham Center's appropriation in order to restore the STARR Program. That transfer will enable the program to be run out of the Criminal Justice Resource Center and will prevent any further reductions in the program without the approval of the Board of County Commissioners. I expect that some questions will be raised as to whether you have the authority to reduce the appropriation to mental health in order to underwrite the cost of the program in another department. However, I do not believe my recommendation is a violation of any "maintenance of effort" threshold and, therefore, is not in contradiction of the statute.
- Elimination of 39 Positions: I have recommended the elimination of 39.63 positions. Most of these positions are vacant, some of which have been vacant for more than a year. However, the money for them, over \$1.5 million, has remained in departmental budgets, some of which has been used for other purposes. That money will now be used to defray the cost of increases we are experiencing organization-wide and will help to keep the property tax rate as low as possible.
- New Positions: Twelve (12) new positions are recommended. Three (3) of those are grant-funded positions: A case manager for the Criminal Justice Partnership; a dental assistant in Public Health; and a social worker in the Department of Social Services. The remaining nine (9) positions will require county funding: Six (6) positions to facilitate the transfer of the STARR Program to the Criminal Justice Resource Center; a legal advisor in the Sheriff's Department; a stormwater administrator in the Engineering Department; and a cartographer for the Board of Elections.
- Phase-Out of Wheel-Chair Transportation Services in the Emergency Medical Services Department: I recommend that you close this service on September 30th. Three employees will be affected and our Human Resources Department is already working with them to prepare for the transition. It should be noted that when we began providing wheel-chair service in 1994, there were no other providers. Today, there are currently four private providers. I cannot recommend continuing a service, which operates at a deficit of around \$133,000, especially when private providers seem ready, willing and able to meet the need. In fact, the private sector's involvement in the provision of wheel-chair transportation services raises questions in my mind as to whether the continued provision of this service is a violation of the public purpose doctrine. It certainly begs the question

as to why we should contribute tax dollars to help defray the cost of a service when existing private providers can meet the need.

- Non-Profit Funding: I appreciate so much what these organizations mean in our community and wish we had more resources to help them. But the plain truth is there just isn't enough money to go around. Consequently, I was barely able, with a couple of exceptions, to fund the organizations we currently fund. Those are as follows:

<u>Organization</u>	<u>Requested</u>	<u>Recommended</u>
Eno River Association	\$ 20,000	\$ 13,000
ARISE	\$ 50,000	\$ 29,190
Council for Senior Citizens	\$ 129,118	\$ 125,000
Shelter for H.O.P.E.	\$ 170,000	\$ 150,000
Literacy Council	\$ 25,000	\$ 15,000
Women's Commission	\$ 12,250	\$ 3,500
Family Counseling Services	\$ 15,000	\$ 15,000
Genesis Home	\$ 30,000	\$ 20,000
Meals on Wheels	\$ 21,000	\$ 10,000
Planned Parenthood	\$ 25,000	\$ 4,653
Radio Reading Services	\$ 4,500	\$ 3,722
Rape Crisis	\$ 30,000	\$ 20,000
Senior Aides	\$ 40,000	\$ 30,000
Senior PHARMAssist	\$ 120,000	\$ 90,000
Triangle Hospice	\$ 30,000	\$ 8,000
Women-In-Action	\$ 33,000	\$ 32,500
Communities In Schools	\$ 20,000	\$ 10,000
Middle School After School	\$ 90,000	\$ 90,000
Workforce Partnership	\$ 25,000	\$ 15,000
Child Advocacy Commission	\$ 31,500	\$ 31,500
Child Care Services Association	\$ 33,040	\$ 20,000
Child and Parent Support Services	\$ 9,548	\$ 9,270
Durham Companion	\$ 6,500	\$ 5,000
Infants and Young Children with Special Needs	\$ 10,525	\$ 10,525
Teen Court and Restitution	\$ 35,000	\$ 35,000
Operation Breakthrough	\$ 126,358	\$ 100,000
Project Graduation	\$ 6,000	\$ 6,000
TOTAL	\$ 1,148,339*	\$ 901,860

* Total does not reflect actual amount requested. \$1,610,244 was requested from 39 non-profit organizations.

Only 27 were recommended for funding.

I do have one recommendation with regards to non-profit funding. Non-profit organizations seem to become so dependent on county dollars. In fact, a sense of entitlement accrues after several years and makes it more difficult to wean these

organizations from county funding. They no longer make their pitch and then hope for it. Instead, they develop a working philosophy that they cannot continue to exist without us. Hopefulness turns into entitlement. The irony is county funding actually works against the charitable quality that they need to raise the funds necessary to advance their interests. It is not as healthy of a partnership as it appears and it is not in their best interest for it to continue for very long. I encourage you to review how we fund them.

- Scholarships for the Watts School of Nursing: Many of our citizens do not receive the medical attention they need. They are underserved and the state of their health will ultimately reflect on all of us. I have been working with Chairman Black, Rich Liekweg, and Carolyn Titus to provide an incentive to diversify our nursing work force to serve those who are underserved. I have recommended \$17,500 to fund the first year of five (5), two-year scholarships to the Watts School of Nursing. This program will train registered nurses who will be used to train nurses to work in hospitals and clinics that will reach out to those in our community who are not receiving adequate medical services.
- Employment of a Federal Lobbyist: Cities and counties across the country have realized that their national lobbying groups can only lobby for the general interest of cities and counties. A specific interest can only be championed through a strategic lobbying effort, one that can see that money is added to an appropriation bill in order to fund a program or need of particular interest to Durham County. The City of Durham, Wake County, and Mecklenberg County have employed lobbyists and each has benefited from those relationships. In other words, they have been able to secure funding for special needs. I have included an appropriation of \$48,000 to pursue such a relationship and believe that we will also benefit in the years ahead.
- Cafeteria Plan Contribution for Employees: This is without question the most significant concern among our work force. We simply do not provide enough benefit dollars to enable our employees to purchase the benefits that most other local governments provide for their employees. Currently, county employees receive a \$150 credit per pay period. However, past increases in health care costs and projected increases of 10%-12% in 2002 have eroded the ability of the \$150 credit to purchase needed benefits, particularly for those employees with families. I have recommended an increase of \$15 per pay period for each eligible employee beginning in January of 2002.
- Employee Compensation: This is the category of funding about which I worry the most. So many times, budgets are balanced on the backs of county employees in order to fund other needs that the manager chose not to recommend. I trust that will not be the case here because I believe what I have recommended for our employees is not only modest, but it is also deserved. Our compensation plan is complicated. It is also a high-maintenance plan because it does not offer across-the-board increases, which means we must constantly re-evaluate our salaries to

make sure we are competitive with other cities and counties against whom we compete and whose minimum salaries increase each year because they do award across-the-board increases. Another reason we have a high-maintenance pay plan is the amount of time our supervisors spend developing and monitoring work plans that are used in our performance appraisal program. Performance appraisal means much more here than in other jurisdictions because we essentially pay only for performance.

Our compensation plan is based on board-adopted policy and contains three major components:

	FY 2002	FY2003 Annualized
1. Benchmark Study Increase	\$ 413,531	\$ 413,531
2. Internal Equity Increases:	\$ 226,059	\$ 904,236
3. Pay for Performance:	\$1,171,107	\$1,730,569

It should be noted that the cost of internal equity adjustments represents the second step in a five-step plan approved by the Board of Commissioners in 1998. I understand that Step 2 was not funded because sufficient funds were not available, so I am recommending that you resume its implementation. For those who may not be familiar with the term, internal equity represents adjustments within classes of positions where employees with considerably more experience are being paid less, or equal to, or only slightly above what other employees with considerably less experience are earning. Increases for internal equity-related raises will not be effective until April 1, 2002 and will cost \$226,059. The amount I have reported is an annualized cost.

Pay-for-Performance increases, sometimes referred to as movement-through-the-range increases, have also been annualized. The actual cost for these raises next year is estimated at \$1,171,107 since our employees do not receive those raises until their anniversary dates of employment, and then only if their performance meets or exceeds expectations. The annual cost of these increases is more likely to approximate \$1.73 million.

I have also recommended the reinstatement of a funding component that will award after-tax bonuses of \$500 to approximately seventeen percent (17%) of the work force, each of whom must achieve the "exceeds expectation" rating on their performance appraisals. By the way, you approved this component in your FY 2000 Budget, but later used the funds to accelerate the implementation of the internal equity plan. I ask that you reinstate it so we can recognize those who go way beyond the call of duty in their service to our citizens.

I mentioned at the outset that the compensation package I am recommending is modest. I believe this characterization is a fair one because the cost of this year's package is only 2.9% of this year's payroll, and only 4.7% when annualized. In addition, keep in mind that all employees do not receive increases from each of the components.

- **Fund Balance:** Most counties and cities appropriate fund balance largely to avoid artificial increases in the property tax rate. The goal is to spend very little, if any, of what is appropriated. That's a very difficult standard to achieve in a year when the state handed us a \$3.25 million shortfall and gave us only four months to manage it. And while I was told that we would spend some of our fund balance when I arrived, I do not believe that we will spend any additional fund balance in spite of the fact that the state did not remit our last installment of our inventory tax reimbursement payment.

Financial Trends: General Fund Balance

	<i>Audited FY Ending 6/30/97</i>	<i>Audited FY Ending 6/30/98</i>	<i>Audited FY Ending 6/30/99</i>	<i>Audited FY Ending 6/30/00</i>	<i>Projected FY Ending 6/30/01</i>
Reserved Fund Balance	15,794,621	18,780,073	19,714,437	21,947,865	21,947,865
Designated Fund Balance	5,373,763	6,558,924	7,825,829	14,473,211	13,200,000
Undesignated Fund Balance	<u>17,045,036</u>	<u>21,285,993</u>	<u>24,816,155</u>	<u>14,147,109</u>	<u>9,320,304</u>
Total Fund Balance	38,213,420	46,624,990	52,356,421	50,568,185	44,468,169
Total Expenditures	201,563,389	219,694,926	233,284,037	260,568,011	243,965,583
LGC Recommended 8% Minimum	16,125,071	17,575,594	18,662,723	20,845,441	19,517,247
Fund Balance Applied Toward 8%	22,418,799	27,844,917	32,641,984	28,620,320	22,520,304
Expressed As A % Of Expenditures	11.12%	12.67%	13.99%	10.98%	9.23%

As you can see, our fund balance has been dropping over the last couple of years, although we continue to enjoy a rate well above the Local Government Commission's standard of eight percent (8%). It's a difficult balance to strike because too much will bring citizen criticism that we should spend down our fund balance and lower property taxes. Too little can adversely affect our bond rating. I believe any number between nine percent (9%) and fourteen percent (14%) is the range in which we should remain.

Revaluation and Property Taxes: I think I've saved the best for last.

I have been extremely pleased with the quality of this year's revaluation. It's very different from the one we had in 1993 and while many of our homeowners were surprised when they first received their notices, the relatively low number of appeals suggests that the value was pretty much what they thought the market would bear.

Revaluation is a difficult concept to understand. It represents a shift in the burden of taxation from public service company property and personal property (automobiles, boats, recreational vehicles, machinery, and equipment), both of which are appraised every year, to real property, which in Durham County is only appraised every eight years. So even when you equalize the property tax rate, some taxpayers' bills are going to increase because the burden of taxation has shifted from other classes of property to real property. In Durham County, for example, revaluation is responsible for a 31.47% increase in our tax base. The "revenue-neutral" rate is \$.7072, a 31.47% reduction from the current tax rate of \$.9297. However, homeowners with increases in real property value greater than 31.47% would see an increase in their property tax bills with a revenue-neutral tax rate.

But our tax base has also grown some over the last year, growth that has nothing to do with revaluation. In fact, our Tax Administrator projects that growth at seven percent (7%). Here's a summary of how revaluation and growth impact our tax base:

	<u>FY2001</u>	<u>FY2002</u> (Revalued)	<u>FY2002</u> (Growth)	<u>Percent</u> <u>Increase</u>
Real Property	\$ 10,009,832,306	\$ 14,400,000,000	\$ 15,400,000,000	7%
Auto Value	\$ 1,416,085,274	\$ 1,416,085,274	\$ 1,458,567,832	3%
Personal Value	\$ 2,014,508,635	\$ 2,014,508,635	\$ 2,271,021,511	13%
Public Service	\$ <u>507,685,697</u>	\$ <u>507,685,697</u>	\$ <u>522,916,268</u>	3%
Total	\$ 13,948,111,912	\$ 18,338,279,606	\$ 19,652,505,611	7%

One of the best ways to avoid the "sticker shock" associated with an eight-year revaluation cycle is to revalue more frequently, something that is permitted by North Carolina law and very appropriate for a county growing at a pace like Durham County. Steve Crysel, Tax Administrator, and I both agree that a four-year revaluation cycle makes good sense for our county. I encourage you to give it your very careful consideration. No additional staff increases will be necessary to implement a shorter cycle and the technology required is no different. In other words, we are prepared to move forward tomorrow.

The question that I have yet to answer is, what is the recommended property tax rate for FY 2002? I have recommended a tax rate for next year of \$.73, a 3.2% increase over the revenue-neutral rate of \$.7072 and the lowest property tax rate that Durham County has had since 1950. Yes, I agree that \$.73 was a lot more in 1950 than it is today, but many of you remember when Durham County had a tax rate of \$1.33. We are headed in the right direction and below what I have seen neighboring managers recommend. In fact, we no longer deserve the distinction as a county with high property taxes. That truth is evidenced by a review of what's going on around us and statewide:

FY 2002 Property Tax Rates For Selected North Carolina Counties

<u>County Rate</u>	<u>FY 2001 Rate</u>	<u>Proposed FY 2002</u>
Durham	.9297	.73
Orange	.9290	.815
Chatham	.85	.75
Wake	.564	.564
Granville	.735	.775
Person	.67	.67
Mecklenburg	.73	.795
Cumberland	.90	.90

The media likes to use the standard of what the owner of a \$150,000 home will pay next year compared to what he or she paid last year. That's misleading, but the answer is that last year the owner of a home valued at \$150,000 would have paid \$1,394.55. Next year, that same property owner will receive a tax bill of \$1,095. Obviously, revaluation distorts the comparison, so lets take several real-life examples from Durham County tax records:

<u>2000 Value</u>	<u>2001 Value</u>	<u>Percentage Increase</u>	<u>2000 Tax Bill</u>	<u>2001 Tax Bill</u>	<u>Percentage Increase</u>
68,800	97,101	41.1%	\$ 639.63	\$ 708.83	10.8%
64,808	121,999	88.2%	\$ 602.52	\$ 890.59	47.8%
180,500	231,477	28.2%	\$ 1,678.10	\$ 1,689.78	.6%
200,200	264,416	32%	\$ 1,861.26	\$ 1,930.24	3.7%
310,300	426,076	37.3%	\$ 2,884.86	\$ 3,110.35	7.8%

Obviously, how much the taxpayer will pay depends on how much his or her value appreciated in relation to the general increase of real property in our county,

which remember, is 31.47%. Any property that realized a 31.47% increase will see a 3.2% increase in their tax bill, the amount by which the property tax rate has been increased over the revenue-neutral rate.

But there's another important characteristic of our population that we often overlook, especially when we revalue real property. The *News and Observer* reported on May 24th that Durham County had the lowest homeownership rate among the six Triangle counties, 54.3%. If that's true, then the property taxes for almost half of our citizens will dramatically decrease since they only pay taxes on personal property, primarily automobiles. For example, the owner of a \$20,000 vehicle paid \$185.94 this year. Next year, the owner of that same vehicle will pay only \$146.00, a 21.4% reduction. That's not the case in Person County and Roxboro where the managers have recommended no adjustments to their property tax rates in spite of revaluation. Again, we are headed in the right direction!

Finally, there are other property tax rates about which our citizens are concerned. Durham County has seven special tax districts for fire service, each of which have property tax rates that this year ranged from \$.0515 to \$.09. Next year five of those seven districts have requested that you keep their rates at the same level. The Lebanon Fire District is the only district that has requested a revenue-neutral tax rate. The Redwood Fire District has requested a reduction in its tax rate, but the reduced rate is above the revenue-neutral rate.

The following is a summary of tax rates for those Fire Districts serving Durham County:

District	FY 2001 Tax Rate	FY 2002 Requested Tax Rate	FY 2002 Revenue-Neutral	% Increase
Bahama	\$.06	\$.06	\$.039	53.4%
Bethesda	\$.055	\$.055	\$.045	22.2%
Lebanon	\$.08	\$.059	\$.059	None
Parkwood	\$.09	\$.09	\$.071	26.7%
Redwood	\$.085	\$.075	\$.065	15.4%
Eno	\$.0515	\$.0515	\$.037	39.2%
New Hope	\$.0515	\$.0515	\$.038	35.5%

It should be noted that the Eno and New Hope Fire Districts serve Orange and Durham counties. The agreements between the two boards of county commissioners calls for the Orange County Board of Commissioners to set the rate and provides that the Durham County Board will approve the same rate for the Durham County portion of the districts.

Sewer Rates: Finally, I have recommended a 5% increase in the sewer rate for customers served by the Triangle Wastewater Treatment Plant. This increase is necessary to pay for additional debt service issued this year to upgrade the treatment process. I anticipate that the upgrade and expansion project will begin

this summer, especially since the county has received the final environmental clearance necessary.

Conclusion

I look forward to working with you on next year's budget. I believe I have proposed a budget that makes sense and have earnestly tried to highlight and underscore what I consider to be most important. But the truth is when you get right down to it, all of it is important.

My staff and I invite your questions and stand ready to assist you as you begin to familiarize yourselves with the recommendations that have been made.

With highest regards, I am

Sincerely,

Michael M. Ruffin
County Manager

Adjournment

Following the County Manager's presentation, Vice-Chairman adjourned the meeting at 6:27 p.m.

Respectfully submitted,

Garry E. Umstead, CMC
Clerk to the Board

GEU:SBP