

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

Wednesday, June 6, 2001

9:00 A.M. Budget Worksession

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., and Becky M. Heron

Absent: None

Presider: Chairman Black

Health Care Trust Fund—Allocation of Earnings

The Board was requested to determine the amount of Health Care Trust Fund earnings to allocate to the Fiscal Year 2001-2002 operational budget to fund healthcare needs in the community. The County's financial advisors, Davenport & Company, LLC, along with staff, presented a report on earnings and a methodology to determine an appropriate amount to allocate utilizing the proposed Health Trust Fund Investment Policy.

The policy calls for the following steps to be undertaken to determine the allocation of the Health Care Trust Funds on an annual basis:

1. Determine the investment earnings for the previous calendar year.
2. Recommend a portion of the earnings from the previous calendar year to be allocated for reinvestment and a portion for expenditure in the next fiscal year.
3. Approve the budget allocating earnings to be expended to meet healthcare needs in the community.

The financial advisors prepared basic financial projections for reinvestment to ensure the future value of this portion of the Duke-Durham Regional Lease agreement. The three projections follow:

1. Reinvest 45% of Earnings – based upon current market factors, the minimum amount required to produce an equivalent amount in the future; allocate 55% for expenditure.
2. Reinvest 55% of Earnings – allocate 45% for expenditure.
3. Reinvest 65% of Earnings – allocate 35% for expenditure.

The Board previously made it clear that the highest priority is to preserve the principal amount and to invest the Health Care Trust Funds in a manner that generates a high rate of return. Preservation and growth of the principal is of highest importance due to the fact the Board may at some point need to re-acquire the asset from Duke. The question at hand was how can Durham County grow the fund and preserve these resources while meeting healthcare needs in the community?

The Board of County Commissioners was requested to formally approve the Health Trust Fund Investment Policy as presented in December of 1999. Furthermore, the Board was requested to implement the policy by a) reviewing Calendar Year 2000 earnings, and 2) determining the allocation of earnings for expenditure in the upcoming 2001-02 Fiscal Year.

Resource Person(s): Carolyn P. Titus, Deputy County Manager; Susan Fox-Kirk, Interim Finance Director; Jessica Brown-Linton, Investment Manager; Jaime Traudt, Financial Consultant, Davenport and Co. LLC; and Sean Eikert, Financial Consultant, Davenport and Co. LLC

County Manager's Recommendation: The Manager recommended that the Board formally adopt the Health Trust Fund Investment Policy and proceed with its implementation. It is recommended that the Board approve allocating 35 percent (\$886,717) of the Calendar Year 2000 investment earnings for expenditure for Fiscal Year 2001-2002, and reinvesting 65 percent of these earnings in an effort to grow the principal amount as recommended by the financial consultants.

Chairman Black called on Deputy County Manager Carolyn P. Titus to begin the Health Care Trust Fund presentation.

Ms. Titus began the presentation by introducing Mr. Traudt, Mr. Eikert, Ms. Fox-Kirk, and Ms. Brown-Linton.

Deputy County Manager Titus said the Board has not met since last July regarding the Health Care Trust Fund investments. The policy was presented to the Commissioners in December 1999. However, the Board never adopted the policy, and formal approval is required. The Board must determine an allocation of earnings from the investment. The earnings of investments for the year 2000 will be reviewed. The County maintained a small piece of interest earning money (\$900,000) that has been managed in house. The \$900,000 is not included in the \$2,500,000 calendar year earnings.

The Commissioners asked questions and made comments about the \$900,000 investment to which the staff responded. Deputy Manager Titus called on Mr. Traudt to present the Community Health Trust Fund Investment Program.

Mr. Traudt discussed the following about the Durham County Community Health Trust Fund: history, purpose, objectives, approach, and investment manager performance. He also discussed the investment earnings and expenditures, allocation of earnings since inception, and earnings allocation options.

The Commissioners asked questions and made comments to which Mr. Traudt responded.

County Manager Ruffin and County Attorney Kitchen also assisted with the questions and comments.

The Commissioners had a lengthy discussion about the earnings allocation options. The discussion centered on the amount of earnings to reinvest and the amount to expend.

Chairman Black asked Deputy Manager Titus to get copies of the document showing last year's allocation to Commissioners Heron and Bowser for their review. We will come back to this discussion after they have an opportunity to understand how the Health Trust Fund and the nonprofit applications work hand in hand.

No official action was taken on this agenda item.

Greater Durham Chamber of Commerce

Mr. Thomas J. White, President/CEO, Durham Chamber of Commerce, thanked the County Commissioners and expressed his gratitude and appreciation for their past support. We have had two wonderful years. Outlook North Carolina has ranked Durham County No. 1 in the state in economic development.

Mr. White introduced Dave Hughey, 2001 Chairman of the Board of Directors. He also introduced Ted Conner, Vice President, Economic Development, who in turn introduced the Chamber of Commerce staff to the Board of County Commissioners.

Mr. Conner's comments pertained to the role the Chamber plays in economic development activities in Durham County. County Manager Ruffin said the Chamber's proposed 2001/2002 funding request was \$171,140--an increase from \$105,000 in the current year. The County Manager suggested the request be set at \$135,000. The position of economic development director in County government will not be filled. The Chamber of Commerce will be the economic developer for Durham County Government.

Vice-President Phillip Vereen, Governmental Relations, Durham Chamber of Commerce, highlighted the role of the Chamber in cultural, educational, and civic endeavors.

Commissioner Bowser expressed concern about Durham's identity. He asked that Chamber of Commerce officials help correct the situation. Durham should be well known.

Commissioner Reckhow said the State Senate's proposed budget would suspend the Historic Tax Credit in 2003. She asked that Chamber of Commerce officials look into this economic development issue to see if it could be restored.

City-County Planning Department

Vice-Chairman Reckhow asked Bonnie Estes, Assistant Director, City-County Planning Department, to explain to the Commissioners how the proposed cuts in Planning's budget will affect its workplan.

A power-point presentation was presented to the Commissioners with the following graphs:

- Department Mission
- Contribution to City/County Goals
- Organizational Chart
- Core Services – Administration
- Core Services – Comprehensive Planning
- Core Services – Development Management
- Core Services: Major New Init. I
- Core Services: Major New Init. II
- Budget Allocation
- Financial Summary
- Funding Sources
- Fees and Expenditures
- Fee Comparisons
- Workload Indicators
- Performance Indicators
- FY 2001 Accomplishments
- FY 2002 Highlights
- FY 2002 Major Changes

The Commissioners asked questions and made comments to which Ms. Estes responded.

County Manager Ruffin told the Commissioners that he was pleased the budget could be reduced by \$200,000 to \$653,461. This figure includes funding for Mike Giles' position. Our cost could go down if there is a reduction in compensation. The City may add some additional funding to this budget before the budget process is completed. The Center of Region project cost will have to be built into this budget at some point.

Commissioner Reckhow said the Small Area Plan process must be revisited.

Stormwater Management Plan

Vice-Chairman Reckhow called on County Engineer Glen Whisler to make a presentation to the Commissioners concerning the Stormwater Management Plan.

After the presentation, the Commissioners asked several questions about the plan to which Mr. Whistler and County Attorney Kitchen responded.

Vice-Chairman Reckhow asked Mr. Whisler to revisit the Board in two weeks with a proposal for the Stormwater Management program and the Erosion Control program to become self sufficient.

No official action was taken on this agenda item.

Downtown Durham Inc.

County Manager Ruffin told the Commissioners that Downtown Durham Inc. requested \$55,000 in the FY 2001-02 proposed budget. The County Manager recommended \$50,000--the amount the organization is receiving in the current year.

President William A. Kalkhof, Downtown Durham Inc., made the budget presentation on behalf of Downtown Durham Inc.

Vice-Chairman Reckhow asked permission from the Board to authorize the County Manager to send correspondence to the Durham Delegation in Raleigh this afternoon in support of the Historic Tax Credits.

Mr. Kalkhof thanked the Commissioners for their financial support through the years.

Mr. Kalkhof's presentation concerning the work and activities of Downtown Durham Inc. was taken from the Organization's Annual Report 2000-2001.

No official action was taken on this agenda item.

General Services

General Services Director Michael Turner began his presentation by introducing the General Services Department's management team.

He thanked the Commissioners for the opportunity to present his budget and for their support during the past year.

Mr. Turner's presentation involved a detailed review of the following six budgets for which the General Services Department is responsible.

- General Services – Administration
- General services - Public Buildings
- General Services - Pest Control
- General Services - Mail Room
- General Services - Environmental Protection
- General Services – Animal Control

The Commissioners asked several questions and made comments about the budgets. Mr. Turner and his staff responded to the questions and comments.

Vice-Chairman Reckhow asked the Commissioners to support a \$5.00 increase in the recycle program so the program will not be funded from the General Fund. The total cost would be \$60.00 per year per household.

After some discussion, the Commissioners concurred to raise the fee by \$5.00 per year. The increase would generate \$61,150 in new revenue for the program.

Mr. Turner told the Commissioners that the inmate labor to help with the grounds upkeep and the solid waste roadside pickup has not been available since last November, which is the equivalent of losing two employees. All of the inmates are kept busy in the Durham County Detention Center.

Vice-Chairman Reckhow said the Commissioners should have a serious discussion with Sheriff Worth Hill about the inmate labor program. This is a financial loss for Durham County and could cost the County approximately \$200,000 per year.

Commissioner Heron said it is essential to install the generator in the Animal Control Shelter due to natural disasters. The generator will cost \$32,485.

County Manager Ruffin said he would schedule a meeting to discuss the solid waste program fee increase and the additional maintenance employee. A list will be made of budget items that have not been finalized.

Vice-Chairman Reckhow said Animal Control Department employees should focus more on customer service due to the complaints the Commissioners are receiving.

Commissioner Bowser asked several questions about dog bites to which Mr. Turner responded.

No official action was taken on this agenda item.

Human Resources--Employee Compensation

Human Resources Director Jackye Knight and her staff made a lengthy presentation to the Board of County Commissioner concerning the employee compensation plan for FY 2001–2002.

The Human Resources Department proposed a maintenance budget that prepares for the fifth year of a long-term plan to overcome years of non-competitiveness in the market.

The Commissioners asked questions and made comments to which Ms. Knight responded.

Tony Noel, Classification, Compensation, Recruitment, and Selection Manager, made his presentation that included the benchmark survey, pay plan in terms of the market, workforce indicators, cost of living comparisons, compensation complaints, and exit interview data. Mr. Noel presented the following 2001-02 compensation recommendation:

2001-02 Compensation Recommendation

| | |
|--|-------------------|
| Implementation of Benchmark Study | \$ 413,531 |
| Continuation of Pay-for-Performance | \$ 1,171,107 |
| Implementation of Phase II of Internal Equity Study (April 2002) | \$ 226,059 |
| Fund Performance Bonus (for employees exceeding expectations) | <u>\$ 133,702</u> |
| Total Employee Compensation Package Cost | \$ 1,944,399 |

The Commissioners asked questions and made comments to which Mr. Noel and Ms. Knight responded.

Durham County Government Employee Benefits

Debbie Davidson, Benefits Manager, presented a power point presentation to the County Commissioners. The presentation included the importance of benefits, cafeteria plan, how the cafeteria plan generates funds, employee suggestions for benefit changes, categories of health coverage, health insurance increases, average employee health insurance cost, family health insurance cost, and out-of-pocket benefit costs for employees.

The Human Resources Department recommended increasing the credit to \$165 in January 2002 at a cost of \$360,000.

The Commissioners asked questions and made comments about the benefits to which Ms. Davidson and Ms. Knight responded.

No official action was taken on the employee benefits agenda item.

Durham County Mementos

Chairman Black and Commissioner Bowser asked that the mementos given by Durham County on special occasions and to visitors be upgraded to a better quality.

County Manager Mike Ruffin said he would handle that request.

Adjournment

Chairman Black adjourned the worksession at approximately 3:00 p.m.

Respectfully submitted,

Garry E. Umstead, CMC
Clerk to the Board