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

Wednesday, August 4, 1999

9:00 A.M. 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 William V. Bell, Joe W. Bowser, and Becky M. Heron

Absent: None

Presider: Chairman Black

**Citizen Comment—John Jolly**

Mr. John Jolly, 904 Arnette Avenue, has requested time on the worksession agenda to speak to the County Commissioners about the Durham County Detention Center relative to concerns he would like addressed.

Mr. Jolly addressed the Commissioners about his concerns with the Durham County Detention Facility. The concerns he expressed were as follows:

- a) The inmates must deal with the detention officers' personal attitudes. The inmates suffer if the detention officers are having a bad day.
- b) The telephone service is expensive. Why is the detention facility not using local telephone companies?
- c) Canteen prices are too high. Are the canteen services put out for bid?

Chairman Black said the Sheriff's Department would review the concerns. A letter of response will be written to Mr. Jolly about his concerns.

**Citizen Comments—Don Hasselback, Joan Pepper, and Charles Rogers**

Mr. Charles Rogers and Mrs. Joan Pepper, members of the Nursing Home Community Advisory Committee, and Mr. Don Hasselback, Maintenance Director for Treyburn Rehabilitation and Nursing Center, have requested time on the agenda to discuss the need for a sign to be installed on Snow Hill Road to designate the location of Treyburn Rehabilitation and Nursing Center.

Mr. Hasselback addressed the Board to state the case in requesting an exception of the statute regarding placement of signs within the confines of the City of Durham. The problem is a lack of suitable signage to assist resident family members in locating the facility to visit their relatives. We would like to install a suitable sign with added aesthetics being neither oversized nor offensive, at the intersection of Torredge Road and Snow Hill Road. Visitors to our facility can't even see us until they reach the traffic circle. Since few people know where we are, they find the traffic circle only with great difficulty. We have been trying to gain approval to erect a sign and have received poor results. I am requesting a variance to erect the sign at some mutually agreed upon location at the intersection of Snow Hill Road and Torredge Road. I am also requesting that similar identifiers be added to the existing directional signage at Old Oxford Highway and Roxboro Road.

Ms. Pepper spoke in support of the sign request and urged the Commissioners to permit an identification sign near the entrance to the Treyburn Rehabilitation and Nursing Center on Snow Hill Road.

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Mr. Rogers also spoke in support of a sign at the entrance to the nursing home.

Chairman Black said the information would be submitted to the County Manager and County Attorney for consideration and disposition.

Mr. Dick Hails, Interim City-County Planning Director, discussed the sign location and stated that the request does not meet the requirements of the Sign Ordinance. A variance granted for locating a sign, particularly off site, is unlikely to meet the findings the Board of Adjustment must make to grant a variance there.

Vice-Chairman Reckhow suggested the Commissioners support the three suggestions that Dick Hails put forth in his presentation: 1) request that the North Carolina Department of Transportation consider a directional sign on Snow Hill Road; 2) request that the Torredge Road sign be enlarged; and 3) ask the City to install a street light at the entrance intersection.

Commissioner Heron said this matter involves safety and something needs to be done to improve the situation.

Chairman Black requested the letter be written to request the three items that Dick Hails and Vice-Chairman Reckhow discussed. This item should be placed on the City-County Planning Committee agenda in the near future.

#### **Solid Waste Management Informational Update by Local and State Officials**

The purpose of this presentation is to provide the Board of County Commissioners (BOCC) with a Solid Waste Management Informational Update. This will be a two-part presentation. Part one consists of a Solid Waste Management update from City, County, and State representatives. Part two will be presented at the September Worksession and will consist of a request by the Department of General Services to repeal the current Litter Control Ordinance adopted by the BOCC on May 26, 1987, and replace it with a more comprehensive Solid Waste Management Ordinance.

Mike Turner, Director of General Services, presented a brief overview of Solid Waste Management in Durham County and provide the BOCC with an update on the County's ten-year Solid Waste Management Plan.

Marc Powell, Durham County Waste Reduction Supervisor, presented a video on environmental concerns in Durham.

David McCary, Solid Waste Director for City of Durham, provided an update on behalf of the City of Durham.

Jim Conner, Chairman of the Durham Environmental Affairs Board (DEAB), provided an update on behalf of the DEAB.

Phil Prete, Environmental Supervisor II, Division of Pollution Prevention and Environmental Assistance, North Carolina Department Environment and Natural Resources (NCDENR), commented on the need for local enforcement.

Jim Hickman, Solid Waste Management Analyst, Division of Solid Waste Management, NCDENR, discussed waste reduction progress being made at the state level.

Resource Persons: Michael Turner, General Services Director, and Marc Powell, Waste Reduction Supervisor.

County Manager's Recommendation: Receive the Solid Waste Management Informational Update as presented.

The Commissioners asked Mr. Hickman several questions about the statewide program.

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Commissioner Heron said she feels the County is doing a good job relative to waste reduction.

No official action was taken on this agenda item.

### **Investment of Community Health Trust Funds Work Session**

Patricia J. Gravinese, Durham County Finance Director, made a presentation to the Board concerning recently approved local legislation. This approved legislation allows for investment of portions of the established Community Health Trust Fund in equity investments to the same extent that the State Treasurer is allowed to invest money credited to special funds. Furthermore, Ms. Gravinese will bring forth information and recommendations for a general investment plan that mirrors the Board's stated intentions when the Fund was established. Upon Board's direction to staff regarding investment philosophy, Ms. Gravinese will then draft a specific Investment Policy and Guidelines document for Board approval.

Ms. Gravinese is requesting that the Board accomplish the following during this worksession:

- Receive the presentation regarding the background, options available, and recommendations to achieve the investment objectives set by the Commission.
- Analyze and deliberate the key considerations of the report.
- Consider for approval the recommendations on asset allocation, earnings, reinvestment and utilization; authorize the County Manager to engage Davenport & Company LLC for financial advisory services to compliment Finance Department staff in attaining strategic investment initiatives (service contract to be brought back for approval during next regular board meeting).

County Manager's Recommendation: As the Board of Commissioners will recall, direction was given to pursue local legislation to invest in equities during this legislative session. Now that Durham County has this additional discretion, it is appropriate for the Board to determine the general investment strategy for the protection and growth of the proceeds of the lease agreement with Durham County Hospital Corporation and Duke University Health System. Ms. Gravinese is seeking direction so specific guidelines can be crafted, and financial advisory services can be obtained. Keep in mind that she is not recommending investment managers, at this point in time, as this will not be done until the Board's guidelines are approved. Financial advisory services will support the Finance Department in a broad range of financial decisions such as timing of debt issuance, refunding, etc.

### Verbatim

Black: We'll move on to the next item, which is item No. 4, "Investment of Community Health Trust Funds." Patty? Good morning.

Gravinese: Is this working? Good morning Madame Chair and Commissioners. I am pleased to be here this morning to discuss this next item. It's one of many positive initiatives that are being worked on by your staff here at Durham County. But first of all, I would like to go over a little bit of the background and recap some of the information that pertains to the lease that was entered into at Duke. Effective July 1, 1998, the County Commissioners entered into the 20-year lease agreement with Duke University Health System. This agreement contained several components which make up the net value of the business transaction. I would like to recap that information at this time. First the lease payments for the hospital facility are \$3.5 million per year of which ten years were prepaid on July 1, 1998 in the amount of \$23.5 million. The regular lease payment of \$3.5 million on an annual basis will begin in the 11<sup>th</sup> year. Second, EMS is partially being funded by Duke to the tune of \$1.5 million per year and that's over the lease term of 20 years. Third, Lincoln Community Health Center is also being partially funded by Duke at \$2.5 million per year over the 20-year lease term. Finally, the

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Certificates of Participation related to the recent hospital upgrade and expansion were defeased by Duke and that debt balance as of July 1, 1998 was \$26,970,000. If you calculate the net present value of each component and then add them together, the result is approximately \$103 million. That represents the total value of the transaction to Durham County as of July 1, 1998. The reason we are here today is . . .

Heron: Can I ask you one question? That \$103 million, is that over ten years we are talking about or over the 20 years?

Gravinese: That figure completes pieces of the transaction that I just went over and calculating their value as of July 1, 1998.

Heron: Okay. Thanks.

Gravinese: The reason we are here today is to discuss the broad plan and purpose of the Community Health Trust Funds. At the direction of the Board of Commissioners, the County pursued and was granted local legislation which allows us to invest these funds in the equity market according to the guidelines of G.S. 147-69. In developing a set of investment objectives, as well as recommending an annual funding allocation, it was my understanding that the primary goal would be to preserve the existing principal and, in fact, provide for growth of principal to a predetermined target over the 20-year lease period. It is very difficult to establish a target figure because if the County were to get back into the hospital business at the end of the lease term, it's hard to know exactly how that future business decision will manifest itself. What is important for the Board to think about, however, is that the decisions that you make with respect to the investment of the funds, the growth or the use of the principle, and the reinvestment or allocation of the annual earnings will impact the amount ultimately available for investment in a County-operated hospital. At this time, I would like to walk you through the booklet that was provided in the agenda package. Under "Objective and Responsibilities," there are three paragraphs basically—A through C. This section provides the Board with an understanding of the broad statement of investment objectives, management's assumption of the fiduciary responsibility, and the plan for utilization of investment managers to actually invest the funds. I would like to point out though, that the statement of investment objectives is a broad statement and we do need to prepare a more strategic, detailed investment plan for the money. And that will happen after staff receives direction from you today. Under the section, "Key Considerations," the first draft that you see is the "Historical Rates of Return and Volatility." This drafts shows what the lowest, the highest, and the average returns have been in the equities market over the past 50 years for selective portfolios. Throughout this presentation, the graphs you will see are based on the information contained in this particular graph. What's important to note about this graph is that the market, the returns themselves, the picture of portfolio performance, is not significantly different from a zero equities portfolio to a 50 percent equities portfolio. What you see is, you see relative stability in the performance and that's why when we ultimately get to the recommendations, we're looking toward a 50 percent equities portfolio and we can feel real comfortable in that. The next graph is the "Estimated Portfolio Returns and Volatility." This graph simply shows you what the County can expect to receive in annual earning based on historical averages and the initial principal. The next page, the graph is titled, "Worst Historical Returns." The purpose of this graph is to show the worst annualized returns for the S & P 500 over the past 50 years for different holding periods. The intent here is simply to show the Board that in any given year an equity portfolio is subject to risk of loss. That risk though, is mitigated for us by the fact that the other 50 percent of our portfolio will be in fixed income—which is less volatile. And also the G.S. 147-69 further restricts us in the types of stocks that we can invest in. So the legislation itself is, although it gives us more flexibility to move into the equities market, it is still restrictive which keeps us, gives us a little bit of security. The next page, the graph is titled, "Cumulative Earnings Based on Average Historical Returns." This graph compares the earnings growth of three different portfolios. One is without equities, one has 25 percent in equities, and one has 50 percent in equities. You can see there, our ability to invest in the equities market certainly increases our ability to realize greater earnings. Again, the comparison is based on historical averages and no allocation of earnings.

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Reckhow: Could I ask a question on this one?

Gravinese: Sure.

Reckhow: In this chart and I guess in the following chart, you are assuming in 2009 or so that the additional \$3.5 million per year will kick in and become part of this principal amount?

Gravinese: Yes.

Reckhow: Okay. I think that's important to note because it was the \$23.5 million that I believe we really wanted to set aside and grow so that we can recap the, I mean that was the original amount that was there in bank, and so as we look at this it may be possible that we can, when we get to it. Well, I just wanted to point that out because I think there is a distinction to some degree between the two pots of money. And I agree we should invest it all, but I am not sure it needs to be dealt with all the same. I'll get to that later.

Gravinese: Okay. The next two pages, "Allocation of Earnings." These two pages, in my opinion, are the most important pages in the booklet. These two pages give the Board a visual presentation of the effect on the portfolio growth of allocation decisions you want to make. Again, I'm not going to say a lot about these two pages. I think this is where a lot of the discussion will come from later. The next page is basically a synopsis of the legislation. I've simply gone through the legislation and pulled out the important points. I do have copies of the complete legislation if you are interested in them. The next two pages are also a synopsis of financial advisory services. These two pages give the Board an understanding of the benefits of financial advisory services. The assistance that Davenport and Co. will provide will make a big difference in the development in the specific and strategic investment policy and also monitoring the review process for the investment managers. In addition to the services specifically pertaining to the Community Health Trust Funds, the use of financial advisory services can benefit the County in many other ways. And I'd also like to point out that these services are being utilized in many of our jurisdictions in the state and are fully supported by the local government commission. My recommendations are based on careful review of analysis of this information provided in the booklet. The local legislation allows Durham County to invest up to 50 percent of the portfolio in the equities market. I would appreciate the Board's endorsement of the legislation by providing me the authority to invest up to the maximum of 50 percent. Keep in mind that a specific investment policy still needs to be developed with greater detail as to asset allocation. My recommendation on the annual allocation of earnings, my recommended 20 percent is conservative. I understand that. But yet it allows the Board to make an investment in the community health initiatives each year. Also at an increasing amount as we move forward. No matter what the Board decides, I would recommend that your decision be based on a percentage of earnings and not a flat dollar amount. The percentage will allow for greater flexibility, and really it also would consider any portfolio performance, whether it be greater in some years for good years and less so in not so good years.

Black: Patty, EMS is the one item that we have that should come out of that fund every year, right?

Gravinese: EMS is being funded separately from Duke.

Thompson: What the Chair is referring to is their policy discussion about expansion to EMS.

Gravinese: Oh, I'm sorry.

Thompson: And that would come out of that fund but that would be a Board determination every year.

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Black: Right, and that would be the only consistent item that we would have--I'm asking the question--that would need to come out of that fund and the rate, the amount of money that we need to think about having set aside for EMS from that fund would vary from year to year, or what would be the base amount and then we would have to add on, I'm sure, yearly?

Thompson: I don't have my list, but we had about \$800,000 last year but I think the Board's stipulation was that you looked at that as an annual type of decision making that you would make as you look through the budget, and that anything you funded out of that fund was subject to not being funded in the future. Not holding you, but I would look that each year we would be coming to you for an appropriation for EMS out of that fund for expansion.

Black: EMS is so important that it almost seems like we need to at least keep in mind that that might be the one constant that we would be funding out of that fund as we look at the percentage that we would want to reinvest back into the community from year to year. Okay, Patty, go ahead.

Bowser: Patty?

Black: Commissioner Bowser, did you want to ask a question? Go ahead.

Bowser: The recommendation that you made, you stated, I believe, allocation of 50 percent equity and 50 percent income is acceptable. I'm just wondering if Davenport and Co. helped you to make this recommendation, helped you to come to this conclusion?

Gravinese: We have been working through the graphs together and if you look at those graphs and analyze them, the legislation allows us to invest in up to 50 percent in the equities market, and given the fact the legislation is also restrictive, we can only invest in stocks that have certain income earnings performance and also provide dividends on an annual basis. That gives us even more security, if you will, to move into the equities market. And because of all that, I feel real comfortable in recommending 50 percent. If you're asking me if they told me that was a good idea, no. And I came to that conclusion.

Bowser: So you feel comfortable with their recommendation?

Gravinese: This is my recommendation.

Bowser: Your recommendation?

Gravinese: Yes, sir.

Bowser: Okay, at this point I am very leery of the market and I want to here from you how do you feel about that. You know we are getting ready to go into a new millennium and we don't know, the inflation is picking up, interest rates are being talked about every day, up and down, and anything could happen with this. And I want to know how do you feel about this since this is your recommendation.

Gravinese: There is no question that the market has seen . . .

Bowser: It's shaky.

Gravinese: Well, its also seen unusual gains over the past several years and there is also no question, in my opinion, that the market tends to adjust, it tends to correct itself. Those are all reasons to be concerned and to be conservative in what we do. We want to be careful with this money, we want to have a diversified portfolio that will allow us the ability to absorb losses if we need to, but will protect us and yet show growth over the long period. And that's what we are really looking for, is growth over the long period. I feel very comfortable with, and really my recommendation is that the Board give me the authority to invest up to 50 percent. That doesn't mean I'm going to go out tomorrow and put 50 percent of the money in the equities market. I think that as we are developing

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our strategic investment plan and the strategy, what we need to consider is how are we going to move into the market? Do we have a graduated movement into the market? Do we see how things are progressing? Do we consider the fact that the year 2000 is coming upon us and we want to be, perhaps hold back? Wait and see what happens? What I am asking for is the authority to go to the 50 percent. The investment plan that I come back to the Board with will be more detailed and have some of those specifics included.

Bowser: Okay. Once this money is invested, let's go back to Davenport & Co. What role will they play as far as protecting Durham County?

Gravinese: I want to answer that carefully because as we move into investing in equities, which is what we want to do and also certainly more risky for us, I'm not sure that there is any firm or any staff member that can fully protect the County. We are subject to . . .

Bowser: I didn't say fully protect. I said protect Durham County.

Gravinese: What we need to do is put together our monitoring and review process of our investment managers. That comes after we decide what investment strategies we want to support. The first piece is to put together the detailed investment plan. And decide whether or not we are going to put, of the 50 percent, are we going to put 25 percent in, you know, the high income, the high dividend yields, or move that around a little bit. And what we want to do with the other 50 percent as far as fixed income. The protection is going to come from being consistent in monitoring the portfolio, monitoring what the investment managers are doing, making sure that we are in compliance with the legislation.

Bowser: Okay. Well, let me say this to you. Again, this money belongs to the citizens of Durham and whatever we do with it I certainly hope that we will do everything that we can within our power to make sure that it is protected.

Gravinese: Yes, sir.

Bowser: And that just because we have this legislation before us, we, I would hope that we would not go out and do something that is unwise. And keeping in mind that the market, again, is very shaky, and I think America is unsure of itself from a financial standpoint today, and its going to be unsure for a while especially until next year begins and we see what happens with the next year. So at this point, we really have to think about all those things before we go out and utilize this legislation that was given to us this year.

Gravinese: And I absolutely agree with you. I'm very conservative in nature and I understand the need to be extremely careful in how we move forward in what we do. I definitely understand that.

Bowser: Right. And the reason I focused in on the Davenport & Co. is because it's a moneymaking organization, and I really don't feel it would have Durham County's interest at heart as we do. So the advice that you have taken from them, really take that advice and analyze and digest it and make a decision that you can live with.

Gravinese: The important thing to keep in mind there is that they are a third party and independent advisory. They will not, depending upon the relationship we establish and the negotiations that we go through, they wouldn't benefit from any portfolio performance.

Thompson: They're an advisor to the finance director, but we would have investment managers that they would help monitor the investment managers' performance who generate fees, so its an extra layer of safety. It's kind of confusing when you look at it. And Patty had to go through it about 3 times with me. But I understand it. There is a difference between a financial advisor and an investment manager.

Black: Ellen?

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Reckhow: Patty, I just want to clarify one thing. If we go back to the first chart, "Historical Rates of Return and Volatility," when you recommend the 50/50 split, are you assuming as laid out in this chart that 10 percent of the portfolio would be in cash and invested in treasury bills?

Gravinese: That's the way this graph is laid out. Actually, that will come into play when you have market movement, when you sell and you have some funds that are in a more liquid form for a period of time. I don't believe that this automatically assumes that we keep 10 percent liquid at all times.

Reckhow: Well, that to me. . . I drew some comfort from that because that's another safety measure and it also provides some liquidity which might be valuable to us if we ever had a real problem, short term problem, so I don't know. I mean I actually liked this breakout and I would encourage you to look at doing it that way because having it in three different types of investment increases the safety factor.

Gravinese: Yes, it does.

Black: Bill, do you have any comments or questions that you want to ask of Patty?

(Pause—change of tape)

Bell: . . . allocations of earning shows 80/20 piece. You don't have a page number to put on? This is the top chart.

Gravinese: It's the top of the second page of allocation of earnings, 80 percent reinvested and 20 percent expended.

Bell: So, for example it would mean in the Year 2000 we would have almost a half million dollars available for community health funds, is that correct?

Gravinese: That's correct.

Bell: What projection did you assume that this would grow at? You started off by showing average, lowest . . .

Gravinese: Yes, it is spreading at the historical rate using the 50 percent equities. The average is 9.35 percent.

Bell: Now I guess I'm asking, if you go to the third page where you show average annual earnings on \$23.5 million, estimated portfolio returns and volatility. That chart that you have there shows how the \$23.5 million could grow depending on whether we had lowest, average, or highest returns, right?

Gravinese: That's correct.

Bell: So I'm saying . . .

Gravinese: No, actually, that's 0 percent equities, 25 percent equities, and 50 percent equities.

Bell: No, but in terms of returns, the different graphs show if you have the lowest return, you get the first three bars, if you have average returns you get the middle three bars, and if you have the highest rate of returns it would grow at the bottom three? Is that correct?

Thompson: 50 percent equities is . . .

Bell: You don't change anything. I understand all of them are the same, it just shows how they would grow depending on whether we had the lowest rate of returns, average rate of returns, or highest rate of returns.



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Gravinese: That's right but the chart is based on average rate of returns.

Bell: So that's what I was asking. So the chart, the 80/20 is based on the average rate of returns.

Gravinese: Yes, it's based on average rate of returns.

Bell: Okay.

Reckhow: I want to follow up on where Bill is headed. I guess where I am concerned, and I want to be conservative too, but on the, I also want to be practical and on the 80 percent earnings reinvested invested 20 percent expended, where it would yield just under a half a million dollars for the year for our next budget year. The concern that I have is that we, in the current budget year, expended more than that out of the health fund because we funded capital improvements for EMS, we funded the Teen Outreach Anti-Pregnancy Program which was, I believe close to \$1/2 million expenditure, I mean \$1/4 million, I'm sorry, a \$1/4 million expenditure, and then we funded one school health nurse. And if you add those all up, I think it's in the 6 or, almost \$800,000. My concern is, that word from the manager that we may have additional capital needs for EMS, I would hope that we would fund the Teen Outreach Program for at least one more year because we need to give the program a chance to work and collect data on it. And I would hope we wouldn't pull the plug on the school health nurse. So if we just continue our current commitments, we may be in the 7 to 800,000 range, never mind the fact that we may have this new health foundation that is looking at what we want to do in terms of additional initiatives related to health. I've looked at this and wondered if we should be considering more towards a 40 percent expenditure but, MaryAnn and I were talking about this before the meeting, maybe we could create some type of a range and then evaluate it at some point in the fiscal year to determine based on experience with the fund to date, whether we are at the low end of the range or the higher end of the range in terms of expenditure. But if we were at 40 percent at least we would be accommodating commitments that we made this year and never mind anything else. Obviously, as this grows we would have more flexibility in later years. I would also point out though that after 2009, we get an infusion of the \$3.5 million yearly. I actually did not necessarily envision that that would be, I mean that, in the, the \$23.5 million as I view it is our nest egg that we should grow at least at the rate of inflation. And I wondered about having a chart here that estimated inflation and compared it to these investment earnings so we could see how much we have to grow beyond inflation. But the \$3.5 million, I think, gives us more latitude and more flexibility and that may not necessarily be needed to recapitalize the hospital for growing the \$23.5 adequately. Does that make sense?

Gravinese: Well, it does make sense but the one thing I'd like to point, well two things I'd like to point out, well maybe three. First of all, the recommendation also calls for a revisit of whatever you decide on a semi-annual basis which gives you the flexibility to increase or decrease, so that's no problem. As far as what we have already decided to spend out of the earnings for this budget year, we didn't have a plan in place and so that really is not going to impact what you decide to go forward with. I think the most important thing is to just decide exactly how you want to move forward with your spending the allocation of the earnings. But it is also important to note that the business transaction was worth about 103 million at July 1, 1998. Whatever decisions you make will impact what funds are available at the end of 20 years. And as you can see by all of these graphs, including the \$3.5 million kicking in in year 11, we'd grow the funds, let's see, the 50 percent earnings and 50 percent expended, you would grow that fund balance to about \$100 million. Now in 20 years, the questions is, is it going to take \$100 million to recapitalize the hospital. And if it doesn't, you will have to understand that you may need financing in order to do it, if you have to get back into the hospital business. And we can develop an investment plan and strategy based on any decision that you make and support that. You just need to consider what the impact of the ultimate funds available at the end of the 20 years will be.

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Black: I think, Patty, as we're looking at the inflation rate, we've also got to consider that it's a hospital. And the cost of medical equipment and to restart a hospital if we have to do that is going to be much more than the inflation rate. So I want to be very conservation in terms of looking at how we are going to grow that \$23 million and the \$3 million that we will start getting later. Certainly keep that in our minds in the mix. But not depend upon that, at this point in time, as we are making the policy for how we want to reallocate funding back to the community. I did say to Ellen earlier that I thought we might, instead of looking just at the 20 percent, look at a range in terms of what we would give back to the community from each year. And we would do that at the budget time. But we've got to, in looking at that range, I think we do have to keep in the mix, the fact that we've already allocated the 150, I think for the TOPS program, in addition the moneys for the EMS. So we've got to keep that there and then look beyond that, what would be the percentage that we want to look at, say for the year 2000 in our budget to allocate for the community. Bill had not finished. So I want to go back to Bill and give Bill a chance to do his talking.

Bell: Well, you've really answered some of the questions I was trying . . . The reason I was asking the questions initially was to make sure I understood what you meant by 80/20 and which graph we were looking at. And since that was going to be one of your recommendations, I just thought it was a bit premature just to recommend that we do an 80/20 without first knowing really what type of funds we want to have available for expenditures in the community, the health community. And I understand we are making assumptions, that these things can vary, but I just think once we make an assumption, whether we are talking about lowest return, average return, highest rate of returns, then it seems to me we ought to have some idea in mind how much we want to actually expend, whether it's \$500,000 or \$1 million. And once we've made that decision, then it seems it would be appropriate to decide what the investment strategy would be. That's the only comment. And I think the other Commissioners were speaking to that. And you . . . I understood your recommendation also says we can review this semi-annually, but they were the comments that I was going to make.

Black: Patty, what were you thinking about as it relates to . . .

Gravinese: I was just going to say that's basically where we were going is that the decisions have to be made by the Board and then we can move forward to whatever you want to grow the funds to and also spend and so forth.

Black: Patty, as you are moving ahead and getting reports back from Davenport, as well as from whomever we decide will be the money managers, how often will you receive reports from those entities?

Gravinese: That would need to be established as we develop our relationships and so forth. I would think it would be on a monthly basis.

Black: Okay. Because I will want the Commissioners to stay in the loop. Mr. Manager, you wanted to speak?

Thompson: Yes, to say the Finance Director has been instructed to be very conservative to give you all the options. And the reason for the 80/20 is to grow that principle as much as possible, but that's really going to be, as Commissioner Bell said, a policy decision that you really do need to think about. How much do you want to utilize because those numbers will impact the amount of money that the Finance Department can invest for us? And so it will actually impact that investment grid, too. So perhaps we can do some options at the same time that we're doing this. It's just that we want to keep into a loop if we want to move forward with this, is to look at it perhaps with the 40 percent expended, the 30 percent expended, and the 20 percent expended when we were looking at various investment options. You see what I mean Bill, it's kind of like a loop.

Black: Exactly. Okay.

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Thompson: The plan of action is to come back to the Board for selection or approval of a contract with Davenport for financial advisor if you can find it in your budget.

Gravinese: Yes, that's part of the recommendation and we may or may not need to come back to the Board depending upon negotiations and how we structure our relationship.

Heron: That is a notion I had jotted down here that we receive the report and authorize the County Manager to engage Davenport to work with the Finance Department.

Black: She didn't mean a motion but we want to go ahead and move it on so we will move this to the consent agenda . . .

Thompson: We had a fairly small amount of money for financial advisor in the budget and it may not require Board approval if we can keep the contracts within the scope that she has authority to sign anyway. So we may or may not come back to the Board with that portion. We definitely will come back with the specific investment strategies and also for investment managers.

Black: Okay, thank you very much. Thank you, Patty. Any more comments? Do you want to say anything else?

Gravinese: No, the only comment I, or the only question I have is, I want to make sure I'm clear as to what the Board's direction is going to be for staff and that would be granting the authority to move 50 percent of the equities into the equities market and then also up to . . .

Black: up to . . .

Thompson: (Inaudible—mike not turned on.)

Black: Exactly, 'cause I'd like to . . .

Gravinese: As long as I have that authority to move up to . . .

Black: But you are not moving the money yet, because you've got to come back to us with everything . . .

Gravinese: No, no.

Thompson: (Inaudible—mike not turned on.)

Black: You don't. That's my point. You don't have the authority yet but we understand what you are asking of us, because I also want to see the breakdown in terms of how you want to do the investment and if it's going to be the chart that you have already given us or, you know . . .

Gravinese: And do you want to see further information on moving toward 40 percent of spending?

Reckhow: Yes, I thought what the Manager laid out at the end was looking at somewhere between 20 percent and 40 percent expenditures so we would look at 20 percent, 30 percent, and 40 percent.

Gravinese: Okay.

Heron: That's going to have to be, I mean I think we can have some ranges there to work with but it's going to vary from year to year and just because the money is there, we don't need to be finding a way to spend it. That money can certainly go back into the original investment and that's where I'm coming from.

Black: Okay. Thanks a lot. Thank you, Patty. I want to move on then to item No. 5 . . .

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**Durham Community Shelter for Hope--Funding Advance**

As Board members will recall from the July 12, 1999 Board meeting, County Manager David F. Thompson recommended that the Durham Community Shelter for Hope receive an advance of \$40,682 from the annual County appropriation of \$150,000. This was not new money but an advance to keep them financially viable until this worksession. This advance was conditioned upon their Board working on a plan of action for financing the remainder of FY '99-'00 and to address any concerns raised by the County's internal auditor and/or budget staff.

County Manager's Recommendation: After this Board session, I asked budget staff to review the revenues and expenditures of the Shelter for the last fiscal year to get a quick picture of their cash flow to assist them in putting together a valid budget for this fiscal year. Internal audit also finished up their review and solicited responses from the Shelter to issues that were identified. Note that several of the enclosures that are listed below were received as the agenda was being prepared for mailing, and thus, I have not analyzed the documents fully. I will say that one thing that caught my attention was the increase in the new proposed budget based on last year's actuals. It has grown substantially. I have asked our Budget office to meet with the Shelter staff again prior to the worksession to document the reasons for the increases. I will be prepared to make a statement after further review of the findings at your Wednesday meeting and your listening to the comments of the Shelter Board. The enclosed items are as follows:

- Letter Dated July 26, 1999 from Durham Community Shelter for HOPE (corrective action outline)
- Letter Dated June 25, 1999 from DCSH on Emergency Session
- Summary of FY 1998-1999 Revenue and Expenses and FY 1998-1999 Adopted/Actual Budget
- County Internal Audit of Durham Community Shelter for HOPE

They are requesting an increase in the appropriation from the County in the amount of \$63,000.

County Manager David F. Thompson said that Mr. Alvin Johnson, Chairman, Durham Shelter for Hope, has some comments to make.

County Manager Thompson said he is going to request an additional 30 days to make a recommendation on the request for an appropriation. I cannot at this point, recommend an increase in the appropriation from the County due to a few things going on at the shelter. I have talked with Mr. Johnson and he feels with the normal appropriation from the County, the one-twelfth, they can go forward another 30 days. There are a number of things in the agenda package that we are concerned about, both to that board and to my office. There are some discussions that need to take place between Mr. Johnson's board and my office and probably the Presbyterian Council. I would like a 30-day extension for a recommendation from the Manager's office about any additional appropriation.

County Manager Thompson said this is a separate discussion from the need to renovate the existing shelter. Their board has gone on record as saying they want to first figure out the financial stability of their operations prior to moving forward with that project. We need to figure out the future of the emergency shelter, but at the same time, I am instructing staff to move forward with preparations of Request for Proposal (BFP) for the architectural services to move forward with that renovation.

The Commissioners asked several questions to which County Manager Thompson, County Attorney Kitchen, Mr. Alvin Johnson, and Reverend Haywood Holderness responded.

Mr. Scott Ben Hayes, Board member, reviewed the Fiscal Year 1999-2000 Cash Flow Budget.

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Commissioner Bell said we need more than a one-year budget. We should know how the County's money would be spent with a line item budget.

Vice-Chairman Reckhow requested that the administration be sure that all nonprofit organizations funded by the County submit their financial audits on a timely basis.

Chairman Black asked County Manager Thompson to complete his work on this matter and to put it on a worksession agenda at a later date for the Board's consideration.

Chairman Black commented the County Commissioners might want to appoint their representatives to the shelter board to be directly responsible to the Commissioners if we are going to continue investing in the facility. Mr. Thompson was asked to talk to the shelter board about this.

### **Policy Discussion on "Internet Access to Public Records"**

To receive a report concerning public access to GIS data on the Internet.

The Spatial Data Explorer, a GIS Internet program, has been on line and available to the public since July 1, 1999. The purpose of the program was to provide the public an easier way to find information about a piece of property.

After receiving concerns from the law enforcement offices, the Police Department, and the Sheriff's Office, and further evaluation of general public safety issues, a recommendation was made to the City and County Managers to withhold the name search capability until a policy addressing the way the City and County publish public records on the Internet could be put in place. The report explains different issues and possible options.

The issue has been discussed by the City Council during the Committee of the Whole meeting on July 15. The City Manager requested a special worksession with both the City Council and the Board of County Commissioners to be scheduled in the future to discuss the development of a countywide policy on Internet access to public records.

Resource Person: Michiyo Wagner

Chairman Black said this item will be deferred to the September 1999 Worksession.

County Attorney Kitchen will look at the legal issues on this subject.

### **Lease Agreement for The Durham Center**

The Durham Center (Mental Health) is in critical need of additional space due to increases in staff resulting primarily from State mandated services and grant awards. The additional space is also needed due to space formerly occupied by staff having to be converted to record and file storage space, consumer reception space, and information systems technology networking space. Additional space is also needed due to a reorganization that requires several key management, operations, and systems coordination functions to be co-located at one site.

The Durham Center will vacate 4,000 sq. ft. of currently occupied space at Carmichael Building (300 North Duke Street), allowing the Department of Social Services to occupy this space to meet its critical staff space needs (at no additional cost to the County). The Durham Center will also vacate selected space at 4 other sites (totaling 3,000 sq. ft.) to alleviate significant staff space problems at each site.

Several space options were investigated in the downtown area. Staff recommends leasing 13,300 sq. ft. at the old GTE building located at 200 North Mangum Street. The lease rate is \$11.95 per sq. ft. for a period of three years, which includes the cost of leasing forty parking spaces.

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Resource Person(s): Steven J. Ashby, The Durham Center  
Chuck Kitchen, County Attorney

County Manager's Recommendation: Please note the letter from DSS Director Hudgins that outlines a concurrent need of DSS for additional space that can be addressed utilizing the space that will be vacated by The Durham Center. The one-time technology costs are necessary due to the former utilization of Mental Health funds to provide this technical infrastructure in the Carmichael building which will continue to provide service to DSS in that facility. These costs will be covered by funds available in the PAYG account. Dr. Ashby will discuss the need for an additional appropriation of \$48,000 from County funds to cover his lease expenses that derives from an agreement prior to my administration which was not discussed during budget deliberations. The appropriation would have to come from the County's contingency funds that now stand at \$350,000.

The County Attorney is currently reviewing the draft lease. Any approval needs to be contingent on his office's final review.

County Manager David F. Thompson made introductory remarks about this lease agenda item. The GTE building is a good solution to this current problem. A lot of big decisions need to be made about the Carmichael Building before Social Services moves into the Mental Health area. This lease proposal relieves the space needs at the Department of Social Services. It keeps the Mental Health administration downtown. The proposal does not commit the County over a three-year period in the GTE building.

Mr. Thompson said this lease agreement does not benefit GTE in anyway.

The Commissioners asked several questions and made comments about the proposed lease agreement. Dr. Steven Ashby, Mental Health Director, responded to the questions and comments about the lease and financing the project relative to the additional appropriation of \$48,000.

Vice-Chairman Reckhow made a compromise suggestion in which she asked if Dr. Ashby could find the \$48,000 in his budget this year and then the Commissioners would fund it next year.

County Manager David F. Thompson stated his recommendation would be to appropriate the \$48,000 from contingency.

Vice-Chairman Reckhow said the County must look at the whole issue of parking for the long run.

Chairman Black directed the staff to continue to work on the proposed lease and bring the matter back to the County with two motions required. One motion would be to approve the lease and the other motion would be to approve moving the \$48,000 from contingency to pay for the lease agreement.

### **Burning of Debris and Trash**

Commissioner Heron has requested time on the agenda to discuss open burning of debris and trash and the problems that arise as a result of the burning.

Resource Person: Commissioner Heron

Commissioner Heron asked Jeff Batten, County Fire Marshal, how much more outside debris and trash burning is going to be allowed and what are we going to do to control the burning because of health issues that arise.

County Fire Marshal Batten said the ordinance could be strengthened. The possibility of the Fire Marshal's Office and volunteer fire departments issuing burning permits is being discussed. The ordinance can also be strengthened to prohibit burning of construction

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debris on the job site. The debris can be grinded into mulch or we could require pit burning.

Commissioner Heron said if the ordinances are strengthened, they must be brought to the Commissioners for consideration. We need to get better control of the burning because of health concerns.

**Closed Session—To Discuss a Personnel Matter and to Consult with the County Attorney**

The Board of County Commissioners will go into Closed Session to discuss a personnel matter and to consult with the County Attorney pursuant to North Carolina General Statute 143-318.11(a)(3)(4) and (6).

Commissioner Heron moved, seconded by Commissioner Bowser, to adjourn into Closed Session to discuss an industrial issue, personnel matter, and to consult with the County Attorney pursuant to N.C.G.S. 143-318.11(a)(3)(4) and (6).

The motion carried unanimously.

**Reconvene Into Open Session**

Commissioner Heron moved, seconded by Commissioner Bowser, to approve Charles A. Clark's appointment of Marvin Pope as the Acting Tax Administrator.

The motion carried unanimously.

**Adjournment**

Chairman Black adjourned the meeting.

Respectfully submitted,

Garry E. Umstead, CMC  
Clerk to the Board