

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

Tuesday, June 1, 1999

5:00 P.M. County Manager's Budget Message

**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

**Opening of Budget Session**

Chairman Black called the Budget Session to order.

**Schedules**

Chairman Black asked the Commissioners to consider the July schedule for the  
Commissioners' Board meetings at this meeting if we have time.

Chairman Black also asked the Board members to look at dates to evaluate the five  
people we evaluate. They are as follows:

David F. Thompson, County Manager  
Charles Clark, Tax Administrator  
Willie Covington, Register of Deeds  
Worth Hill, Sheriff  
Chuck Kitchen, County Attorney

**County Manager's Budget Message**

As is the tradition, the Manager presents the upcoming proposed Manager's Budget for  
the County of Durham, and likewise the start of the County Commissioners' very  
intensive review of those recommendations, if tradition holds us well. The budget  
document has a break down of each one of the funds and also the appendix, which will be  
very valuable to you as Board members, in that in the appendix you have what was  
actually funded by position, by vehicle and equipment. Also included is a list of the

Manager's recommendations, which we have discussed from time to time. On the nonprofits, we do have a listing of the Manager's recommendation on the nonprofits funding. The Commissioners will receive tomorrow the workplans of each department. The County Manager submits this budget to the Board of County Commissioners as stated in the transmittal letter.

The transmittal letter follows in verbatim:

June 1, 1999

The Honorable Members  
Durham County Board of Commissioners  
Durham County Administrative Complex  
200 East Main Street  
Durham, North Carolina 27701

Dear Durham County Commissioners:

I am pleased to submit the Durham County Budget for fiscal year 1999-2000. As our community enters the 21<sup>st</sup> Century, we are well prepared to meet the financial and operational challenges that Durham County will face.

North Carolina General Statute 153A-82 requires that a County Manager has the legal responsibility to prepare and submit to the Board of County Commissioners no more than a balanced annual budget. We in Durham County government have long recognized, however, that the expectations of both this Board and the Durham County far outweigh the meager "balancing act" that the statute requires. We all share the expectations that this budget serves as a tool by which Durham County Government meets the daily needs of its citizens as well as advances the adopted goals of the Board of County Commissioners. County Staff understands that the requested funding comes from the citizens we serve; this creates an obligation on our part to be extremely cost-conscious. As employees of the citizens of Durham County, we realize that duly elected officials bear ultimate responsibility for maintaining and enhancing the quality of county services in a fiscally responsible manner. While you certainly have a duty to examine and the right to alter our recommendations, it is important that you are confident that you have been provided with all data relevant and necessary for you to make informed, competent decisions.

Before discussing the proposed budget, it is important for the Board and our community to reflect on just a few accomplishments of Durham County government during this current fiscal year. Please note the following:

- Assertively managed an operating and capital budget in excess of \$340 million dollars that has resulted in fund balances growing within the last 3 years from 8% of expenditures to 15% of expenditures. This is with a 2 cent tax rate decrease that was implemented this FY 98-99.
- Implemented a true "pay-for-performance" compensation plan while maintaining a strong benefits package for 1,900+ county employees.
- Treated 148,690 linear feet of drainage ditch with 2,322 gallons of mosquito larvecide.
- Negotiated incentive packages that will result in major industrial expansion and relocation. Most notable are Tivoli Systems, Inc., with a \$34 million dollar plant and 500 new jobs, Freudenberg Nonwovens with an \$85 million dollar expansion and 85 new jobs, and Aisin AW, Ltd. with a \$100 million dollar plant and 500 new jobs.
- Maintained and enhanced the County's AAA Bond Rating. One of only four counties in the State of North Carolina to possess the highest rating.
- Successfully administered the final transition of Durham Regional Hospital to Duke University Medical Center through a lease agreement, which included our assuming management of Emergency Medical Services.
- Made public Internet access available at all library locations by June 30, 1999 as part of the Board's goal of developing an information system technology for citizen access.
- Reduced the Work First cash assistance caseload by sixteen percent (16%).
- Established the Truancy/Probation/Triad Unit with COPS grant funds and hired six (6) deputies to begin the community-policing program.
- Successfully installed a new Tax Appraisal system in preparation for the upcoming revaluation.
- Successfully managed the transfer of Emergency Management Services from the City of Durham to Durham County Administration.
- Utilized 4,512 hours of labor referred from the Criminal Justice Center to clean 1,622 miles of roadway. Utilized 2,109 hours of Teen Court/Restitution Juveniles labor in cleaning 684 additional miles of roadway.
- Began serious deliberations on the feasibility of City/County consolidation.

- Approved staff recruitment of 24 volunteer litter wardens to assist Durham County with reporting and monitoring community cleanup events.
- Approved new interlocal tax agreement with additional financial incentives from the City of Durham.
- Discovered more than sixty million dollars in unlisted taxable business personal property through audits.
- Received two National Association of County Officials' Achievement Awards for program accomplishments.
- Completion of Geographic Information System mapping project and oversight of system becoming operational.
- Completion of a needs assessment to determine the components of a comprehensive customer service program.
- Developed a contingency plan to address the information system, computer hardware and network needs of all county departments and agencies in preparation for the Year 2000.
- Eliminated a backlog of termination of parental rights cases which now allow children to be eligible for adoption in a timely manner.
- Conducted six (6) neighborhood cleanup projects that gathered over 200 tons of debris.
- Received an American Red Cross award for county support of their programs and initiatives.
- Conducted "Community Conversations" to gather input directly from citizens in their own communities about services needed.
- Assisted 962 landowners with tree insect and disease problems through Division of Forest Resources.
- Established the long-term supervised living arrangements for six (6) substance abusing mothers and their children.
- Kept 86% of Work First Employment Services participants off welfare for one (1) year.
- Implemented pilot project of "Teen Outreach Program" through Health Department.

- Established a Youth Coordinating Board, an office which brings together elected and appointed officials to begin collaborate and coordinate comprehensive youth strategies.
- Received award from Governor's Work First Business Council for community collaboration.
- Reorganized the structure of County Government in order to operationalize more efficiently the newly adopted goals of the Commissioners.

### ***FINANCIAL STABILITY***

The preservation of the County's financial stability remains the highest priority of the proposed budget. It is extremely difficult to execute short and long term plans if the focus is on our day-to-day viability. Fortunately, Durham has been in a positive financial position over the last several years due to the Board's recognition of the importance of creating a buffer in fund balances. Stated reasons for keeping a strong fund balance is that it provides working capital, it is a source for emergency funding, and it allows the County to take advantage of opportunities that require immediate cash financing. As County Manager, I would like to add another reason I feel is just as important. By having a healthy fund balance, the Staff and the Board of County Commissioners can be more aggressive in budget projections and assume more calculated risk in the operational budget. This was a major factor in the board's decision to reduce taxes by two cents this fiscal year. It is my position that I do not advocate creating or maintaining excessive balances at the expense of our taxpayers.

During this fiscal year's budget preparation, we projected a FY Ending 6/30/98 total fund balance of \$43,200,000 with an undesignated and designated fund balance (8% calculation) of \$27,200,000 which was projected to represent approximately 13% of our expenditures. Note in the chart below that the final audit figures show that these two fund balances had \$27,844,917 in them. These two funds that are sometimes referred to as fund balance available for appropriation grew by \$5,326,118 in one fiscal year. Our audit shows that our total fund balances grew from \$38,213,420 to \$46,624,990 in one year.

**Financial Trends: General Fund Balance**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>
	<b>FY Ending</b>	<b>FY Ending</b>	<b>FY Ending</b>	<b>FY Ending</b>	<b>FY Ending</b>	<b>FY Ending</b>
	<b>6/30/95</b>	<b>6/30/96</b>	<b>6/30/97</b>	<b>6/30/98</b>	<b>6/30/99</b>	<b>6/30/00</b>
<b>RESERVED FUND BALANCE</b>	15,818,038	17,464,462	#####	#####	19,000,000	19,500,000
<b>DESIGNATED FUND BALANCE</b>	14,122,274	7,011,789	5,373,763	6,558,924	8,000,000	9,000,000
<b>UNDESIGNATED FUND BALANCE</b>	7,173,663	9,704,102	#####	#####	25,000,000	26,000,000
<b>TOTAL FUND BALANCE</b>	<u>37,113,975</u>	<u>34,180,353</u>	#####	#####	<u>52,000,000</u>	<u>54,500,000</u>
<b>TOTAL EXPENDITURES</b>	189,285,368	191,452,533	#####	#####	#####	#####
<b>LGC REQUIRED 8% MINIMUM</b>	15,142,829	15,316,203	16,125,071	17,575,594	18,000,000	18,080,000
<b>FUND BALANCE APPLIED</b>						
<b>TOWARD 8%</b>	21,295,937	16,715,891	#####	#####	33,000,000	35,000,000
<b>EXPRESSED AS A % OF</b>						
<b>EXPENDITURES</b>	11%	9%	11%	13%	15%	15.5%

**Note:** The chart does not include any fund balance accrued through the Health Trust Fund. However, in our audited statements they will occur as part of fund balance.

*The projected fund balance for the fiscal year ending 6/30/99 totals \$52,000,000 or 15% in designated and undesignated funds. This exceeds the minimum Local Government Commission recommendation of 8%. This is a net growth of approximately \$5,375,010 dollars even after using \$3.2 million in anticipated accruals to balance the FY98-99 budget.*

*The proposed budget includes approximately \$4.7 million dollars of anticipated accruals from this year. I believe this is still conservative for the following reasons:*

- *From FY ending 6/30/97 until FY ending 6/30/98 our total fund balances grew by \$8,411,570 with an estimated utilization of \$1.7 million in projected accruals.*
- *From FY ending 6/30/98 until FY ending 6/30/99 our conservatively projected increase is \$2.5 million even with the \$4.7 million dollar utilization of anticipated accruals that are included in the budget.*

- *The expenditure side of the proposed budget is relatively flat, and thus, growth in our fund balances will not be mandatory.*
- *Even in maintaining the fund balance as it is today with no reversions, we would remain close to 15% in designated and undesignated funds, if we stay on budget.*
- *These projections do not take into account any accruals to fund balance that will be booked from the Durham Regional Lease.*

*I would caution the Board against appropriating any amounts of fund balance above this recommendation because revenue and expenditure projections have been budgeted aggressively this fiscal year to preclude a tax rate increase.*

*The following chart is an illustration of the possible impacts on the County's finances by the Durham Regional Hospital Lease. Remember that this is a prepaid lease so that the County can book 1/10<sup>th</sup> of the lease amount each year for the first ten years. The investment earnings are just for illustration and only reflect 5% annual interest. As I was preparing this message, I received good news that the North Carolina Legislature approved our bill for allowing Durham County to invest our lease payments in equity investments. Staff will be coming to the board in the near future with recommendations on this issue. Thus, the numbers on this chart shows are conservative and are for illustration purposes only.*

DUKE REGIONAL LEASE: ANALYSIS OF FUNDS BY SOURCE						
A	B	C	D	E	F	G
FISCAL YEAR ENDED 30-Jun	CASH BEGINNING BALANCE	LEASE ACCOUNTING REVENUE	INVESTMENT EARNINGS	DCVB USE/ REPAYMENT	CASH ENDING BALANCE	LEGAL AMOUNT AVAILABLE 4 APPROP
1999	23,485,000	1,621,200	<b>1,200,000</b>	(512,898)	24,172,102	2,308,302
2000	24,172,102	1,750,896	<b>1,200,000</b>	56,103	25,428,205	3,006,999
2001	25,428,205	1,890,968	<b>1,300,000</b>	54,852	26,783,057	3,245,820
2002	26,783,057	2,042,245	<b>1,300,000</b>	53,578	28,136,635	3,395,823
2003	28,136,635	2,205,625	<b>1,400,000</b>	57,277	29,593,912	3,662,902
2004	29,593,912	2,382,075	<b>1,400,000</b>	55,688	31,049,600	3,837,763
2005	31,049,600	2,572,641	<b>1,500,000</b>	54,067	32,603,667	4,126,708
2006	32,603,667	2,778,452	<b>1,500,000</b>	57,418	34,161,085	4,335,870
2007	34,161,085	3,000,728	<b>1,600,000</b>	55,457	35,816,542	4,656,185
2008	35,816,542	3,240,786	<b>1,700,000</b>	53,463	37,570,005	4,994,249
2009	37,570,005	3,500,000	<b>1,900,000</b>	56,450	43,026,455	5,456,450
2010	43,026,455	3,500,000	<b>2,100,000</b>	54,100	45,180,555	5,654,100
2011	45,180,555	3,500,000	<b>2,300,000</b>	56,700	47,537,255	5,856,700
2012	47,537,255	3,500,000	<b>2,400,000</b>	54,000	49,991,255	5,954,000
2013	49,991,255	3,500,000	<b>2,500,000</b>	56,300	52,547,555	6,056,300
2014	52,547,555	3,500,000	<b>2,600,000</b>	58,300	55,205,855	6,158,300
2015	55,205,855	3,500,000	<b>2,800,000</b>		58,005,855	6,300,000
2016	58,005,855	3,500,000	<b>2,900,000</b>		60,905,855	6,400,000
2017	60,905,855	3,500,000	<b>3,000,000</b>		63,905,855	6,500,000
2018	63,905,855	3,500,000	<b>3,200,000</b>		67,105,855	6,700,000

*For the purposes of this analysis, it is assumed that no funds are appropriated and that the balances are allowed to grow at the maximum amount. Column G consists of the annual amount of revenue earned (accounting definition); in addition, the interest earned on the invested balance, plus the Durham Convention and Visitor's Bureau repayment amounts. While this amount can technically be available for appropriation, doing so would actually be spending principal and would not allow a fund balance to grow. Growth will only occur to the extent that you allow accumulation of revenue, earning, and repayments in columns C, D, and E.*

During the current year, staff revisited the bond rating agencies in New York and the agencies have reaffirmed the County's Triple-A rating. This is the highest credit rating available to governmental jurisdictions. Durham County is one of four counties in the State and one of only 50 local governments (city, county, school, and special districts) in the nation to possess the Triple-A rating. The rating agencies were pleased with our key financial indicators, overall economic activity, and the positive fund balances that the County has been able to accumulate.

**Fiscal Year 1999-2000 Budget Process**

At your planning retreat in January, the Board commended county staff for their successful efforts at accomplishing Board goals established in December 1997 and February 1998. These goals included:



- Increase jobs (Work First) to move people from welfare to work;
- Lower crime by 6% by the Year 2000;
- Develop an information system technology for citizen access;
- Assist the school system in meeting its educational goals;
- Enhance revenue streams by evaluating our fee structure;
- Beautify Durham County; and
- Reduce Teen Pregnancy

The Board instructed staff to continue efforts with these initiatives as a part of the daily operations and efforts of County government. At your January 10, 1999 planning retreat, the Board established new goals for FY 1999-00 to move County government to greater levels of organizational efficiency and effectiveness in meeting the needs of our citizens. These new goals included:

- **“SMART GROWTH”**  
To implement the “smart growth” recommendations of the 20/20 plan, by increasing housing and jobs in the center city and corridors and preserving open spaces.
- **HEALTH/HUMAN SERVICES**  
To complete a comprehensive study (including merger, financial, governance, and organization, supports and barriers) that identifies and recommends best practices for delivery of health and human services to all citizens of Durham County, that is the envy of North Carolina.
- **CITY-COUNTY MERGER**  
To establish a City/County Merger Commission by the second quarter of 1999, and to deliver a final report by second quarter 2000, in collaboration with the City of Durham.
- **TRANSPORTATION**  
To enhance revenue sources to address transportation needs throughout Durham County, in collaboration with the City and NC legislators.
- **EDUCATION (On-going)**  
To help increase the graduation rate for high school students
- **TAXES (On-going)**  
To decrease pressure on the property tax rate by increasing the property tax base and other sources of revenue.

The Board supported a County staff recommendation to have a series of “Community Conversations” throughout the Durham County community to gain feedback on the new goals and objectives as well as gain input from the citizens on the County’s operating

budget. A series of seven (7) Community Conversations took place across the County from January 26 – February 4, 1999. Although many topics were discussed from the conversations, several consistent comments focused on the areas of economic development, government services and community outreach. These topics suggested that the Board goals and objectives were consistent with those of the Conversation participants.

A department head retreat was held February 10, 1999 to develop departmental and organizational goals and objectives consistent with the new goals and direction established by the County Commissioners. At the February 15, 1999 Board Budget Retreat, the Board gained feedback from staff on the Board's goals and further defined the intent and direction for the upcoming years. This comprehensive approach in planning will help in moving us move forward with greater efficiency. As department heads prepared their budgets for FY 99-00, they were asked to include descriptive narrative, integrated work plans, timelines, performance measures and two-year budget forecasts to identify emerging budgetary and community service delivery needs.

### **Expenditure Highlights**

#### **Compensation**

Competitive salaries were a critical part of the budget planning process. Durham County's new "Pay-for-Performance" Plan is in its second year of implementation. It ensures that employees have a way to move through the salary ranges based on meeting expectations as established through a work plan. It has focused employees and supervisors on work plans and has provided a formal system of meaningful feedback tied to pay adjustments. An across the board (ATB) recommendation is easier to administer, but does not ensure accountability or guarantee a measurement of productivity. We are committed to continuing this process in this year's budget. Pay for Performance is budgeted at a cost of \$1,044,967.

Although it was clear that it would take several years to ease the severe salary compression experienced by the majority of our employees, I believe our efforts need to be escalated. With unemployment rates in our community falling to less than two (2% percent), there exists no readily available pool of applicants for most of our jobs. It is a buyers market, heightened by often-cutthroat competition for well-trained employees. To retain our current employees and hire new employees at market rates, it will be necessary to implement internal equity adjustments at a cost of \$1,658,761. Equity adjustments will occur July 23, 1999. This will prevent the often times necessary practice of hiring new employees at higher salaries than our current workers even through they have less experience. We value our employees who have been here for the duration haul and it is time we compensate them adequately.

As in previous years, our new compensation plan includes an annual market study that surveys our competitors for what the market is compensating. Market adjustments will

occur effective October 1, 1999. It will be necessary to implement market rate adjustments at a cost of \$637,257.

**General Government**

Within the general government function, numerous initiatives are funded in support of Board goals.

January 1, 1999 was the effective date Durham County began using the North Carolina PIN system as the official parcel identifier for property identification in the City/County GIS system. With Durham's growth creating more activity in the real estate market and the additional requirements in maintaining the GIS, a cadastral mapper is budgeted in the revaluation fund for the proper and timely maintenance of GIS data. The appraisal effort is currently underway with in-house staff to assess our 90,000 parcels. The Tax Department will be able to place better values on the land component factoring in size, shape, type, water & sewer service, and drainage through use of the GIS data.

With digital topographic and hydrographic data unavailable for 40% of the County (mostly Northern & Eastern Durham County), \$80,000 is recommended in the Geographic Information Systems budget to cover approximately ¼ of the uncovered area. Future budgets will contain \$100,000 each of the next several years to complete digital coverage of the County. The data will be used by the Tax Assessor's offices for property appraisal, by the Soil and Water Conservation department for field study, and by Environmental Engineering for erosion control and utility facilities management. These departments currently use hard copy maps produced by the USGS in 1987, which limit in-depth analysis.

Continued growth in the County wide area network (WAN), better customer service, and infrastructure support needs are the primary factors in the recommended budget for Information Technology. With over 1000 devices at 25 different sites supported on the County's wide area network, expansion of County office space to new sites, upcoming network projects for the Register of Deeds, DSS, Library and Board of Elections and expanded implementation and use of the telephone systems (voice mail, automated menus, etc) by departments the need for additional investment in technology is critical. The budget contains \$277,203 to meet these increased demands. Of the \$277,203 dollars recommended for improved technology needs, \$138,000 is funded in the pay-as-you-go-fund.

The Register of Deeds Automation Project will be completed in FY 1999-00 and will spur major changes in recording, storing, and providing access to information. This office will implement the installation and operation of the Register of Deeds Document Management and Imaging System scheduled to be completed in FY 1999-00. This system client server will provide in-house storage and access to data. It will also provide Internet access of over forty (40) years of archived information. This automation marks is one of most significant technological upgrades that Durham County has ever

undertaken. With the new automated environment, Register of Deeds will be responsible for system operation, back up, maintenance, and general troubleshooting. A Network Administrator position is recommended to support the Register of Deed's efforts.

One Administrative Officer I position is recommended for General Services to support development and management of the departmental operating budget and CIP. This position will be shared with General Services, Animal Control, and Environmental Engineering and is budgeted to start January 1, 2000.

The County's successful litter pickup Day Reporting Supervisor that has been supported by grant funds for the last two years will no longer be receiving grant funds. In order to keep it running, funds for a Crew Leader position are recommended. These funds will continue the County's "clean community" projects.

As a service department, the Finance department relates to the changing needs of Durham County. It is through effective and efficient financial management that quality resources can be appropriated to provide optimal services to the community. The strategic plan of the Finance Department supports the goals of the County Commissioners' providing proper financial management of the County's resources. A part-time position is recommended for maintaining our accounts payable function and for administration of the County's procurement card program.

### **Public Safety**

Numerous initiatives are funded in an effort to reduce crime and maintain the public safety of Durham County residents.

The Sheriff's budget has four (4) Deputy Sheriff Officers recommended to staff the proposed new Juvenile and Family Court. Duties of the new deputies include bailiffs in the courtrooms, transporting adults and juveniles to and from court and detention centers. Additional recommended staff for the Sheriff's Department includes a Deputy Sheriff Officer to handle civil executions and a Grants Administrator. The Grants Administrator position is totally funded through grant funds. The Grants Administrator will oversee the technology improvement grant awarded to the Sheriff's department through the COPS MORE federal grant funding. This technology project is a major capital initiative that is funded in the pay-as-you-go-fund. Total costs for the COPS MORE project are \$1,331,439, of which \$338,000 is a local match requirement. This project is reflected in the pay-as-you-go-fund.

A new position is recommended to cover a new program being offered at the Criminal Justice Resource Center during FY99-00. This new position, Substance Abuse Counselor II will be the treatment provider for Drug Treatment Court clients. Drug Treatment Court will pay for services offered at the Criminal Justice Resource Center and the revenues are expected to be approximately \$50,000. This will offset the entire cost of the

position. The operating budget for the Criminal Justice Center is reduced by 17% compared to FY98-99, and is a result in of a deduction in costs of Miscellaneous Contract Services in the areas of Employment Services and Education. While the Criminal Justice Center was able to hold most of its budgeted line items constant, a rent increase occurred because of the department's relocation to 102 East Main Street.

As part of the 1998-99 budget, the County began to support the full cost of Emergency Medical Services, with control of the department transferred from Durham Regional Hospital. It was understood that the first year's budget for this department would be transitional, and that the full costs of the department would be experienced over several fiscal years. In addition, the County understood that operational enhancements to EMS would be needed which would cause significant budget increases for several fiscal years. With that in mind, I am recommending two new positions, one position increase of 0.48 FTE, two new response vehicles, four replacement ambulances, and replacement/upgrades of various EMS equipment.

One new position is a Supply Clerk to order inventory, and distribute all medical and other supplies for all EMS bases and volunteer fire departments throughout the County. Distribution of these supplies is done twice a week for regular restocking and whenever necessary for any particular EMS squad. Presently there are no specific employees to distribute supplies, so any available employee is used. This increases overtime costs and limits the efficient deployment of existing positions. Durham Regional Hospital took care of all supply needs for EMS previous to the County taking over the department.

An EMS Education Coordinator position is also being recommended to support the continuous training and certification needs of over 500 County EMS employees and volunteers. This position will also support citizen education opportunities concerning improper use of EMS services. With better information EMS costs can decrease, and more importantly, provide quicker response times to citizen emergencies.

Two new response vehicles are recommended to alleviate strain on EMS resources throughout the County. By focusing these vehicles' use on the County's southwestern area, Durham inner city, and some volunteer districts, answers to emergency calls by ambulances in other districts will decrease significantly. Staffing of these vehicles will be accomplished with an existing Operations Supervisor and a Senior Paramedic. It is expected that these vehicles will help reduce overall EMS response time throughout the County.

The replacement of four ambulances continues the scheduled replacement of vehicles after seven years of use and/or 100k to 130k miles. Use of such vehicles for any longer significantly increases the amount of downtime these vehicles experience due to repair. Also, warranties support from the truck manufacturer ends at 100k, increasing repair costs.

Replacement and upgrade recommendations for EMS include \$56,166 for new EMS uniforms, which are presently rented at \$70,000 a year. Rental savings will cover the cost of purchasing all uniforms within three (3) years. Improvements in material quality, cleaning, and compliance with new OSHA regulations are the main reasons for this purchase. Support for the replacement of seven (7) new Cardiac monitors and three (3) new ambulance stretchers will cost \$72,000, and continue scheduled replacement of these items. The new Cardiac monitors are also an upgrade from those presently in use and will provide better patient information to Paramedics. Funds are provided to replace two HVAC systems at the central EMS station, which have been recommended for replacement by the County Engineer.

As per my previous discussions with the Board of County Commissioners, my recommendation is to utilize a portion of the interest earned from the Health Trust Fund to assist with the funding of the EMS function as it is a vital provider of community health services on a day-to-day basis.

Continuing the County's replacement of dilapidated vehicles, one truck and one animal carrier is recommended. Funds for a new Animal Care Technician position at the Animal Shelter are recommended due to an increasing numbers of stray dogs and cats housed at the Shelter. At times, the shelter may be up to a 100% over capacity for weeks. In addition, increases in the number of County Animal Control Officers have had a direct upward impact on the number of animals the Shelter has and will continue to accept.

### **Environmental Protection**

Eight (8) new positions are being recommended to man container sites at Parkwood, Bahama, Redwood, and Rougemont, which the present contractor (BFI) will no longer support. After bids from other contractors were compared against expected County costs, it was decided that the County could man the sites less expensively than any other provider while also improving customer services. A total cost of \$157,937 for County takeover of the convenience center program includes the purchase of four (4) new containers.

### **Economic/Physical Development**

The Planning Department focused its efforts on the board's goal of "Smart Growth." The recommended budget supports the funding of two planner positions to implement the Resource Protection Ordinance. Durham City will pay 50% of costs associated with these positions.

The Economic Development Investment Fund, which includes allocations from the General Fund and the Enterprise fund, will decrease \$53,128 for fiscal year 1999-00, but will increase \$768,731 for fiscal year 2000-01. Industries driving these increases include Esai Pharmatechnology, Sphinx Pharmaceuticals, IBM, Aisin AW Company, and

Freudenberg Nonwovens. Total projected industry support for upcoming years is as follows:

- FY 2000 \$286,870
- FY 2001 \$233,742
- FY 2002 \$981,263
- FY 2003 \$684,000
- FY 2004 \$864,990
- FY 2005 \$797,120

### *Human Services*

A major expense of this budget is the increased financial cost associated with consent/court ordered care. Two Million (\$2,000,000) dollars is budgeted for the cost associated with serving children in out-of-county placements. It is our intent to implement changes through developing a continuum of care for children that will keep them in Durham County with an appropriate level of wrap around services. This should impact this expenditure positively as we progress through this fiscal year.

The Public Health Department continues to react to the changing dynamics in the health care industry. The recommended budget supports funding for a new Dentist, Dental Assistant and dental equipment from expanded Medicaid receipts. Two additional School Health Nurses and five additional Health Educators to expand the school health and TOP programs are funded in the budget through the Health Trust Fund. The Public Health Department is also completing the upgrade of its software system this year at a cost of \$180,000.

The operating budget for the Department of Social Services will reflect a decrease due to expected expenditure and revenue decreases in Medicaid and other state and federal funding. Therefore, the DSS recommended budget will be \$4 million lower than the adopted budget for FY 98-99. As in previous years, public assistance funding continues to require significant local resources. \$647,379 dollars in additional county support is recommended in the Social Services budget to support projected growth in these mandated programs. Four (4) child support agents are recommended at no cost to the county. To support the board's goal of increasing the graduation rate for high school students, a School Social Worker position is recommended. The School Social Worker is supported with grant revenues, and does not require additional local county funding.

Although The Durham Center (Mental Health Department) requested no additional local funding, it is important to note several changes in the expenditures and revenue streams for the agency. The significant budget reduction in The Durham Center is primarily due to several statewide impacts established because of Federal and/or State government policy and funding. Changes include the elimination of \$3,000,000 of the projected capitalization revenue and expenditures associated with the Carolina Alternative Medicaid Initiative. Additional revenue losses resulted in a net reduction in State

allocated funds of \$838,468. The Durham Center is transferring \$1.2 million from its restricted reserve to establish sufficient total revenue for what it has proposed as continuation expenses.

The Youth Coordinating Board became operational in August 1998. Since that time, the Board has embarked on several new initiatives. The first is the Communities that Care project, an initiative of the Governor's Crime Commission. The Durham Youth Coordinating Board will receive \$80,000 to enhance the protective factors for youth while decreasing risk factors, such as the availability of drugs, academic failure in elementary school, etc. This initiative brings a large number of youth service agencies together to develop comprehensive prevention and intervention strategies for youth based on shared data collection and utilization.

**Education**

*Durham Public Schools*

The Commissioners directed staff during the budget process last year to establish greater collaboration between the schools and County during the school budget development. As a result, the BOCC school liaison, school board chair and staff met over several months discussing changes in the format for budget documentation and the anticipated needs that Durham Public Schools would be bringing forward.

The North Carolina Association of County Commissioners conducts a survey each year of the funding provided to schools by each county. Again, this survey illustrates that Durham County in continuing its leadership position among the 100 counties in North Carolina by providing financial support to the Durham Public School System. During 1998-1999, Durham County was ranked as follows in support of our local schools:

<b>FY 98/99</b>	<b>Total School Resources Per Pupil</b>	<b>Current (Operating) Expense Per Pupil</b>	<b>Capital Expense Per Pupil</b>	<b>Debt Service Per Pupil</b>
<b>Durham County</b>	<b>#2 at 2,629</b>	<b>#2 at \$2,038</b>	<b>#17 at \$601</b>	<b>#6 at \$584</b>
<b>State Average</b>	<b>\$1,304</b>	<b>\$879</b>	<b>\$936</b>	<b>\$236</b>

I always caution County Commissioners on the use of statistics such as the ones above. They are just indicators of what other systems are providing in per pupil funding. They do not reflect the complexities of the various systems and the educational goals that the systems are trying to accomplish in their communities. However, this per pupil funding



statistic is useful to ensure our school system is being funded at appropriate levels in comparison to other systems.

The Board of Education is requesting a change in their local appropriation as follows:

<b>Expenditure</b>	<b>Adopted FY 98-99</b>	<b>Requested FY 99-00</b>	<b>Increase over FY 98-99</b>
Current Expense	\$59,280,956	\$65,290,138	\$6,009,182
Recurring Capital Outlay	\$500,000	\$500,000	\$0
<b>Total</b>	<b>\$59,780,956</b>	<b>\$65,790,138</b>	<b>\$6,009,182</b>

It is important to note that the Board of Education was anticipating that they would appropriate 2.5 million dollars from fund balance in the upcoming year to balance their FY99-00 current expense budget. After discussions with the Superintendent and Finance Director, another \$400,000 was estimated to be a safe addition to this appropriation from fund balance to balance their budget.

Based on state projections, the current expense allocation for the current year is \$2,028. This is based on the actual enrollment as of the 10<sup>th</sup> day of 29,238 pupils. Durham Public Schools projects the FY 99-00 ADM (Average Daily Membership) at 29,252 including charter school pupils.

Although there is a small increase in the projection of additional pupils for FY 99-00, the major new costs associated with this budget is a 7% increase in teacher salaries proposed by the state and the supplemental salary increases recommended by the Durham Public Schools School Board and Superintendent.

I am recommending that the current expense expansion budget be approved at an additional \$4,560,000 over last year's budget that will take the appropriation from \$59,280,956 to \$63,840,956. This is a 7.6% increase over last year's budget request. Although this appears to be a significant increase, the recommendation takes into consideration costs associated with the increased salary efforts of the School System. If we add in the agreed additional appropriation from their accumulated fund balance of \$400,000, we arrive at an increase of close to \$5,000,000.

Funding for Durham Technical Community College increased by \$200,000 in the operating budget and \$400,000 in the pay as you go fund for additional capital expenses. The justification for this increase is to allow the college to provide pay increases for employees paid directly from county funds and to pay for increased costs associated with maintaining expanded campus facilities. The \$400,000 allocated in the pay as you go fund is to cover expenses associated with roof replacements that has been anticipated in their facility planning.

**Culture and Recreation**

Library funding supports additional technology upgrades and operational expense increases of approximately \$181,000. Included in the total, is a recommended FTE increase of four positions totaling .69 FTE.

The Museum of Life and Science requested an additional \$431,821 for operating and capital needs. I am recommending an increase of \$69,700. Capital requests previously funded in last year's operating budget are now funded in the pay as you go fund in the amount \$150,000.

**Debt Service**

***Capital Financing Plan - Debt Service and PAYG***

Due to the refinancing of the Jail Certificates of Participation (COPs) and overall declining debt service cost, revenue earnings that are higher than anticipated, and an appropriated fund balance of \$565,415 the tax rate recommended for the capital financing plan is 8.7 cents. This tax rate is 1.4 cents lower than the current year tax rate dedicated to capital financing. The allocation for pay as you projects is recommended to remain at 10%.

**Revenue Highlights**

***Property Taxes***

The FY99-00 projections are based upon an estimated total property valuation of \$13,717,300,000 including tax discoveries. This projection is based on a 4% increase in valuation on current year projected final valuation. The value translates into property tax revenue of \$125,034,224. The budget is based on a stable tax rate of 93.97 cents and assumes a 97% collection rate

***Sales Taxes and Other Licenses and Permits***

Sales Taxes are estimated to meet budget projections estimated for the current fiscal year. The projected growth rate for sales taxes is 6% for the point of sale and two half-cent taxes.

Revenues received from Grading Permit charges were significantly under the budgeted projection of \$300,000 for FY 1998-99. The unexpected decrease in these revenues was due primarily to a decrease in the average size of sites being permitted and the number of sites needing permits (Grading Permit charges are based on the size of sites). For FY 1999-00 the recommended Grading Permit revenue projection is \$220,000 which includes a 10% Grading Permit fee increase.

***Intergovernmental Revenues***

The decrease in FY 98-99 budgeted intergovernmental revenues in comparison to FY 99-00 is approximately \$4,315,914 is primarily due to anticipated revenue and expense reductions associated with decreases in Medicaid and other federal and state funding.

This overall budget reduction directly affects the Department of Social Services overall budget. Although there are overall projected decreases in Medicaid, increases in public assistance costs required a local match of \$647,379.

The Sheriff's Department was recently rewarded the COPS MORE Technology grant. The grant award was for \$998,579, with a required \$332,860 county match. The project will be used to implement Wireless Mobile Data Network, Computed Aided Dispatch (CAD), and Geographical Information Systems (GIS) into the Sheriff's Criminal Justice Integrated Network (CJIN) system. Project funds will also be used to hire a contracted, temporary project coordinator to implement and manage the project.

### **Charges for Services/Miscellaneous Income**

The significant change in the charges for services and user fee category is associated with the projected revenue and expenses for Carolina Alternatives Medicaid Managed Care initiative for The Durham Center. Three million dollars (\$3,000,000) were budgeted for the initiative in anticipation of program implementation. Although The Durham Center budget projected revenues and expenses associated with this initiative, no expenses were incurred during the previous year. Therefore, the three million-dollar reductions have no impact on service delivery for The Durham Center. The Public Health Department budgeted anticipates an additional \$362,430 in anticipated Medicaid revenues. The Elections Department projected increased \$120,900 due to anticipated reimbursement and fees for elections next year.

### **Conclusion**

I am pleased to report that we can maintain a stable tax rate of .9397 cents. This was accomplished through the distribution of taxes between the General Fund and Capital Finance Fund due to declining debt. This will result in a lower tax allocation to the capital financing for debt and pay as you go projects of (8.7 cents) and a higher allocation retained for General Fund purposes (85.27).

The budget includes several items that will take the County towards the goals that the Board has set for the upcoming fiscal year. As in every budget process, many requests remain unfunded; approximately 13 million dollars was reduced from the requested budgets. I am looking forward to discussing the specific initiatives with the Board and Department Heads during your deliberations in weeks ahead. We will have work sessions to discuss the recommended budget in detail and to construct a sound financial plan for next year.

Respectfully submitted,

David F. Thompson  
County Manager

DFT/CMO

