

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

Monday, May 22, 2007

9:15 A.M. Budget Worksession

MINUTES

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

Present: Chairman Ellen W. Reckhow, Vice-Chairman Becky M. Heron, and Commissioners Philip R. Cousin and Michael D. Page

Absent: Commissioner Lewis A. Cheek

Presider: Chairman Reckhow

CIP Overview & Finance Model

Pam Meyer, Director of Budget and Management Services, reviewed CIP project details that were requested by Chairman Reckhow at the May 21 Worksession.

CIP Project Details

- FY08 Main Library Renovations
 - \$417, 282 for Radio Frequency Identification (RFID) Project (2/3s GO Bond funding)
 - \$300,000 for planning of renovations (County Contribution)
 - FY10 \$10,854,251 for renovations (2010 GO Bond Referendum)
- Civic Center
 - \$245,000 in FY07-08 is the County's share for conversion of exhibit halls to ballrooms and \$579,323 for HVAC replacement. (The City is paying 50% and Shaner Corporation is paying 33% of the HVAC work.) The FY08-09 amount is for roof replacement and the FY09-10 amount is for additional needs identified in the 2003 study.
- EMS Station #1
 - FY08 \$315,000 for new roof (2/3s GO Bond funding)
 - FY10 \$508,000 for bay expansion and new lift for vehicle repair (2/3s GO Bond funding)

Keith Lane, Senior Budget Analyst, presented to the Board the CIP Debt Funding flowchart for FY 2007-2008. The chart demonstrated how monies are transferred from the General Fund to eventually pay off capital projects or debt service.

Questions/Discussions

1. Estimated proceeds for State lottery funds of \$1,000,000 (Vice-Chairman Heron)
 - a. Lottery funds would be used to pay for debt services.
2. Recommendation to use Public Schools Building Fund (PSBF) proceeds of \$3,000,000 for special projects. (Chairman Reckhow)
 - a. PSBF proceeds are to be used for Durham Public Schools (DPS) debt service.
3. Usage of DPS fund balance of \$837,000 (Vice-Chairman Heron)
 - a. DPS fund balance would be used for debt service.
4. Discrepancy of cost per pupil—\$2,629 provided in the County Manager’s recommended budget presentation on May 21 and \$2,771 provided on page 214 of the budget book (Chairman Reckhow)
 - a. \$2,629 was last year’s amount per pupil; \$2,771 is the proposed amount for the upcoming fiscal year.
5. Department of Social Services Carmichael Building Debt Service
 - a. \$237,731 is spent in debt service. \$256,021 represents indirect costs that DSS charges for use of the building, which is used to offset debt service.
6. Proposition to dedicate monies received from sales of surplus properties to the capital finance plan (Chairman Reckhow)
 - a. Monies from sales are counted as tax revenue. Subsequent to a sale, City taxes (if within the city) or fire district taxes (if within the county) are paid, along with additional fees. Any monies remaining are applied towards taxes that are owed. A profit is occasionally made from a sale.

Directive

Place a footnote in the County Manager’s recommended budget on the County’s website to indicate that “per pupil funding” is the current year’s amount.

Revenue Overview

Ms. Meyer briefed the Board on Durham County’s sales tax. She distributed and explained a chart that outlines sales tax trends, a bar graph that illustrates the actual sales tax collected and estimated between 1995 and 2008, and a line graph that shows the sales tax history between 1995 and 2008.

Questions/Discussions

1. Alternative ways to distribute sales tax because of annexation (Vice-Chairman Heron)
 - a. Annexation does not affect distribution. The County signed an agreement with the City that allows for the County to receive 56.4% of sales tax regardless of any annexation.
2. Hold Harmless Revenue
 - a. County is expected to receive Whole Harmless revenue. The State is scheduled to release next year’s estimate soon.
3. Article 44—Point-of-Sale (Commissioner Page)
 - a. Article 44 is a half-cent tax that allows for Durham County to receive a quarter of a cent tax and is based on point of destination. The other

quarter is based on sales across the State and is given back to the County based on population.

Directives

Ms. Meyer to work with Deborah Craig-Ray, Assistant County Manager, to compile supporting documentation on the Hold Harmless revenue and submit to the Durham Delegation to ensure that it is appropriated.

Community Health Trust Fund (CHTF)

Ms. Meyer gave an overview of the CHTF and how the funds would be utilized.

George Quick, Finance Director, reported on the CHTF expenditures from FY 1999 – FY 2007. He stated that the balance/market value as of March 31, 2007 is \$23,777,669. Ten million dollars of the balance has been allocated for Human Services and \$4.5 million is expected to be expended by the end of this fiscal year. The current policy sets the expenditure level at 45% of the appreciated value of the Fund, as of December 31, for the fiscal year beginning July 1 of the following year.

Questions/Discussions

1. Earnings as of March 31
2. Brief discussion about funding for DurhamCAN
3. County's support of Lincoln Community Health Center (LCHC)

Directives

1. Mr. Quick to calculate CHTF earnings as of March 31 and submit to the Board at a later date.
2. County Manager to follow up on LCHC's implementation of the consultant's recommendations and its progress on minimizing lab costs.
3. Ms. Craig-Ray to follow-up with Representative David Price's office about providing an appropriation for architectural fees for the County.

Fund Balance

County Manager Ruffin stated that the County's goal each year is not to spend any of the budgeted monies in the General Fund. However, the goal would not apply this year because funds have been budgeted for several capital items. The goal would still be in effect for all other items.

Mr. Quick gave introductory remarks. He stated that the goal indicated in the Finance Policy is to move the fund balance to 15%. This year, it has moved from 13.67%; it is projected to be 14.15% by the end of this fiscal year. Mr. Quick informed that he would be coming back to the Board to revise the Policy. One of the proposed changes would involve the goal. Once the goal of 15% is reached, any funds achieved in excess of the 15% would be placed in the "pay-as-you-go" funds or used to fund one-time expenditures.

Susan Tezai, Deputy Finance Director, gave an overview of the General Fund process. She reported on the FY 2006 actual and FY 2007 projected fund balances.

Questions/Discussions

1. Anticipated increases for FY 2007 (Chairman Reckhow)
 - a. \$4,585,335 that is designated for subsequent years and \$3,490,011.97 that is designated for debt service. (The Net Unreserved has increased by \$1,825,353.60.)
2. Designating funds for future liabilities associated with the new accounting procedure (Chairman Reckhow)
 - a. The new accounting procedure would not require designating funds this year for future liabilities.

Directive

Place Discussion No. 2 on a fall Worksession agenda.

EMS Collections

EMS Director Mike Smith briefed the Board on EMS revenues and collections within the past four years. As of May 18, 2007, EMS exceeded its revenue expectations and collections for this year. Mr. Smith discussed improvements in EMS that contributed to the increase in revenues and collections.

Questions/Discussions

1. Collection methods (Chairman Reckhow)
2. Fees (Commissioner Page)
 - a. Basic Life Support (BLS) Fee—\$425 plus \$7 per mile
 - b. Advanced Life Support Emergency (ALSE) Fee—\$475
3. Medicare vs. Medicaid clients (Commissioner Page)
 - a. Approximately 40% have Medicare and 10% have Medicaid.
 - b. EMS is required to accept Medicare and file the claims. EMS is then reimbursed \$279. The difference between the \$349 allowed maximum and \$279 is billed to the client as a co-payment. Medicaid clients must call the EMS Medicaid specialist the following business day to have their case reviewed to determine if it was a medical necessity. If not, then EMS cannot accept Medicaid as payment. If it is, then Medicaid will pay \$107 towards the bill. The difference in the bill must be paid by the client.
4. Emergency Relief by Johnston Ambulance Service (Vice-Chairman Heron)
 - a. Johnston has been responding to a significant amount of calls, which has been exceptionally helpful to EMS.
5. Johnston Ambulance Service to provide charity care (Vice-Chairman Heron and Chairman Reckhow)
 - a. Since Johnston is franchised by the County, the Board may require them to provide some charity care. However, Johnston does not make a huge profit; many of its debts are written-off as uncollectible. The County must be cautious not to make business unprofitable for Johnston, which in turn may cause them to leave the County.

6. Medicare Reimbursement Increases for EMS
 - a. Ambulance industry has approached legislation with a bill to request an increase in Medicare reimbursements by 5% from January 2008 through December 2009 as a temporary fix.
 - b. The bill will be forwarded to Assistant County Manager Deborah Craig-Ray to be presented to the Board for its support.
7. Department Requested Net Expenditures (\$3,168,323) vs. Manager Recommended Net Expenditures (\$2,480,757) (Vice-Chairman Heron)
 - a. Department's request includes: 1) hiring of additional staff (currently 18 vacancies) due to extreme shortage of qualified individuals throughout the state; and 2) new software.
8. EMS budget request for service charges (Chairman Reckhow)
 - a. Discrepancy occurs between the revenue chart (which shows revenue increasing) presented to the Board and the requested amount indicated on page 129 of the budget book (which shows the revenue decreasing).
 - i. Revenue is anticipated to increase; however, the decreased amount on page 129 is due to last year's Medicare costs that must be repaid.
9. Establishing an EMS career program at high schools and colleges (Chairman Reckhow and Commissioner Page)
 - a. A health careers advisory committee is fairly active at Southern High School.
 - b. Many students opt for a career in nursing due to a vast shortage in the field. Salaries and benefits for nurses are generally twice as much as what is offered for EMS positions.
 - c. EMS staff is currently seeking methods to recruit students.
10. Pay increases to retain EMS staff
 - a. Human Resources Director Marqueta Welton, Mr. Smith, and staff are working on a retention plan and will report the details to the Board at a later date.

Directive

1. Mr. Smith to ask (not require) Johnston Ambulance Service about providing charity care and present findings to the Board.
2. Staff to revisit the EMS FY07-08 budget regarding service charge revenue to help alleviate property taxes.

Adjournment

There being no further business, Chairman Reckhow adjourned the meeting at 11:07 a.m.

Respectfully Submitted,

Yvonne R. Gordon
Deputy Clerk to the Board