

May 31, 2012 Budget Worksession

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

Thursday, May 31, 2012

9:30A.M. Budget Worksession

MINUTES

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

Present: Chairman Michael D. Page, Vice-Chairman Ellen W. Reckhow, and Commissioners Brenda A. Howerton, and Pam Karriker

Absent: None

Presider: Chairman Page

Chairman Page called the special budget Worksession to order.

FY2102 Fund Balance Estimate

George Quick, Finance Director, and Susan Tezai, Deputy Finance Director, presented this item. Mr. Quick explained that the fund balance report was divided into the following categories:

- Non-spendable – includes inventories and pre-paid expenditures
- Restricted – required to be restricted by statute
- Committed – BOCC has authority to commit
- Assigned – figure used to balance the budget
- Unassigned – available for use with no specific purpose

Manager Ruffin commented that the goal is not to spend from the Unassigned category. This amount is at 2008 levels.

Mr. Quick stated that any monies that are left over after June 30 go into the Unassigned portion of the Fund balance.

Chairman Page questioned the funds for Mental Health. Mr. Quick clarified that the \$627,479 were restricted funds from the State. As of July 1, the County will write a check to Alliance Behavioral Healthcare.

Managed Care – The \$5 million balance is the balance of \$8 million that has been appropriated by Durham County and Wake County for the transition. Durham County has put \$4 million in and the MCO has spent \$3 million. The other \$4 million is to be transferred from Wake County to Durham County prior to the end of the fiscal year.

Mental Health - The \$1,045,930 is projected to be unspent. Mr. Quick will ask the Board to uncommit this amount and drop the Mental Health committed fund back to the Unassigned category. This amount does not reduce the MCO's liability.

Mr. Quick pointed out that there will be a contract with the MCO that says at the end of the year, if all of the funds are not spent, the balance will represent pre-funding for the following year. If on a consistent basis, the County gives pre-funding, it will signal that there is a need to revisit the amount of the funding.

Vice Chair Reckhow expressed concern about the MCO under spending. The Manager stated that Allied has asked the County to maintain status quo funding for this year. The County agreed to do that. The County will receive quarterly reports from Allied. There is no trend to use to determine their spending at this point.

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Other Post Employment Benefits (OPEB) – The policy says that once the fund balance reaches the goal of 25 percent, the funds above the 25 percent can be used for a one-time non-recurring expense or made a part of funding OPEB. Mr. Quick explained that this figure represents approximately \$5.2 million. In addition, there is an annual required contribution. \$7.4 million is set for the annual required contribution. He recommended adding \$5.2 million.

Vice Chair Reckhow expressed concern about moving toward reaching \$92 million. Mr. Quick responded that it is the direction we are moving to. It is important for the County's bond rating. Manager Ruffin stated that the Bond rating agencies expect to see something done in all counties.

Ms. Tezai added that there is no financial impact on the County by using this method.

Chairman Page questioned Education: Article 46. Manager Ruffin responded that the education funds are committed for education and not designated for Durham Public Schools.

Revenue Summary – Key Revenues

Ms. Pam Meyer, Budget Director, highlighted the following:

- less than ½ percent increase in the budget
- increased value \$3.35 million
- increased collection rate to 98%
- left tax rate flat
- \$3.9 million new dollars to go in General Fund
- Tax bills will be divided by property tax

Ms. Meyer discussed sales tax. Article 39 (statewide sales tax) is doing very well. One percent goes to all counties. Article 46 (quarter cent sales tax for education) all goes to Durham County. Articles 40 and 42 (one half cent – part of what is collected goes to the City of Durham and City of Raleigh) – supports debt in Capital Finance Plan.

The Board discussed the need to re-negotiate the Interlocal Agreement for the percentage of sales tax received by Durham County. Manager Ruffin stated that the agreement will be prepared before December 31.

Ms. Meyer explained the Article 46 breakdown. Keith Lane, Sr. Budget Analyst, stated that the County has not collected monies from the Article 46 at this time.

Vice Chair Reckhow commented that it was her understanding that going for a first tap on future growth would be to pre-K. The target is to always have \$400,000 for pre-K.

Manager Ruffin clarified that future years will be funded from growth—not the Fund balance.

Vice Chair Reckhow requested to have information on past funding for pre-K. She expressed the need to have a better understanding about how the money is being spent for Durham Public Schools. She added that the Board of County Commissioners need to see the DPS budget when it is adopted.

ABC Board – There was discussion about the amount of funds the County receives from ABC revenue. Ms. Meyer indicated that the ABC revenue was about \$17,000 higher than last year. Manager Ruffin will ask Emily Page, ABC Director, to explain.

Vice Chair Reckhow requested a breakdown of profit distribution among the 10 top counties for ABC.

Capital Finance Plan

Keith Lane, Sr. Budget Analyst, discussed the plan. He highlighted the following:

- Debt service next year will be \$56.6 million
- Debt service is paid from General Fund (sales tax), Capital Financing Plan Fund, State lottery funds, SWAP fund, and interest on Capital Projects

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- Used the extra revenue to keep the tax rate flat

Vice Chair Reckhow pointed out that the County received higher lottery funds which were used to offset Capital fund before the State cut the funds.

Commissioner Howerton questioned the debt brought forward. Ms. Meyer responded that an annual financial report is on line. There is also a 10-year CIP model which shows projections. Manager Ruffin committed to send Commissioner Howerton a five-year analysis.

Mr. Lane further explained the process debt process. Debt service is expected to rise in the future because many of the projects will be completed.

Vice Chair expressed concern as to whether we should be more conservative with spending this year.

Durham Public Schools

Dr. Becoats, Superintendent; Board of Education Chair Minnie Forte-Brown, Vice Chair Heidi Carter; and DPS Board members, Natalie Beyer, Leigh Bordley, Nancy Cox, Fredrick A. Davis, and Omega Curtis Parker addressed the Board.

Dr. Becoats presented highlights for the budget. He discussed comparison of student demographics, the budget shortfall, and budget priorities. Priorities included:

- Preserving teaching positions;
- Alignment to Strategic Plan 2012-13 initiatives;
- Continuation of school based support teams;
- Pre-Kindergarten; and
- Providing 21st century technology to the classroom.

According to Dr. Becoats, the budget shortfall for 2012-13 will be approximately \$21.3 million. He explained how the budget shortfall would be handled. Dr. Becoats commented that using the Fund balance was not the ideal way to budget—and this would be a one-time occurrence.

Dr. Becoats thanked the Board for their support. He also proposed that the Board of Education meet with the Board of County Commissioners on a quarterly basis to continue dialogue throughout the year.

For the 2013-14 fiscal year, there will be a projected \$25.3 million shortfall. This may result in potential elimination of instructional programs and the potential elimination of staff.

In discussing pre-Kindergarten, there will be an expansion of four additional classes. The total cost is \$757,000.

Chair Forte-Brown thanked the Board for their support. She reiterated the shortfall for next year, and asked that the County remember the pledge to assist with funding in 2013-14.

Commissioner Howerton asked about FedEd jobs. Dr. Becoats replied that the jobs represented funds received from the Federal Government. Those funds will not be available in the future.

Manager Ruffin asked for an alternative spending plan that will show the effect of not funding projects. Dr. Becoats recommended that the Boards discuss the issue during one of their meetings.

Vice Chair Reckhow shared news about a possible increase in sales tax for next year. There is possible positive news from Raleigh regarding the discretionary division. She asked how the money would be spent. Dr. Becoats responded that recommendations had not been developed at this point. She also requested to see the budget before it is adopted by the Board of Education.

Vice Chair Reckhow expressed the desire to memorialize that the County is building on the two pre-K classes previously funded with the expansion of the four pre-K classes.

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Commissioner Karriker stated that she looked forward to working collaboratively with the school board.

Chairman Page welcomed the opportunity to meet more often to take proactive approaches to work thru the shortfall.

The Boards further discussed demographics. They also discussed the process of selecting children for pre-K.

Chairman Page asked for an explanation on the distinction between Head Start and Pre-K. Ms. Laura Benson, Partnership for Children, explained that the Partnership plays a role in determining which children need which program. Headstart is based on income; NC Pre-K is based on a coalition of income and school readiness; and Pre-K is based on school readiness.

The expansion of four classes will add approximately 75 students. There are approximately 1200 applications.

The Boards briefly discussed the status of WG Pearson Magnet School. Dr. Becoats explained that the magnet school program is being phased out. Chairman Page asked that the Board be kept in the communication loop regarding the use of the building in order to be able to answer citizens' questions regarding its use.

The Board expressed the desire to focus on the issue of the achievement gap, and the literacy issue during the quarterly meetings.

Chairman Page commented on the need to have discussions prior to action on community buildings and schools before the action is taken.

Vice Chair Reckhow asked Ms. Benson to outline plans for the 1200 applications. Of the 1200 applications, the Partnership is currently planning for 420 NC Pre-K slots. 54 slots were added for a total of 474. The House budget could translate to 1700 slots. The Partnership is awaiting direction from the State.

Dr. Becoats will forward the plan for spending capital monies to the County Manager.

The Board of County Commissioners recessed for lunch. Following lunch, the Chair called the afternoon session to order.

Public Health

Ms. Gayle Harris, Public Health Director, distributed copies of the Community Health Assessment to the Board.

Ms. Harris acknowledged Public Health board members and the leadership team. She referenced the Community Health Assessment. Durham County has agreed to collaborate with Duke on the Assessment.

Highlights included:

- Performance measures – infant death rates; health disparities; sexually transmitted disease rates have increased; urgent dental needs; TB rates have decreased, but remains a problem; general inspections is estimated at 85 percent this year (auditor recommends 3 additional people to be 100 percent compliant)
- New positions and associated costs – pharmacist to provide medications for the Jail Health program; Health Department able to buy medications on State contract at cheaper rate; Health Department will order medications and bill CCS, Inc. Pharmacist would be budget neutral; school health project – (3) Public Health Nurse III positions needed for elementary schools. Mr. Robert Brown, explained the need for an Environmental Health Specialist to implement mandated Falls Lake Nutrient Management strategies. The person would initially gather data and build and create a baseline.
- Positions previously funded by grants – Processing Assistant IV needed to provide coordinator support to the mobile dental unit. The grant will end June 30; Public Health

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Preparedness Coordinator to support needed preparedness activities not covered by grant assessment (25%).

- Budget adjustments – transferring funds between cost centers (pharmacy supplies); and
- New fees – lab tests (25% above Medicaid reimbursement); medical nutrition therapy, group visit (30-min - \$8.98); EPSDT screenings (25% above Medicaid reimbursement); mobile food unit/ push cart plan review - \$75.

Vice Chair Reckhow asked about the status of Durham Connects. Ms. Harris responded that Durham Connects is housed at the Center for Children and Family Health. There were several logistics which made the move more feasible.

Vice Chair Reckhow asked what overhead is currently being charged out of the \$250,000 provided by the County. Ms. Harris will get the information. The Health Department did not charge overhead. Ms. Harris will also get the number of newborns affected by the service.

Project BUILD

Manager Ruffin commented that this program was producing some good data.

Ms. Delphine Sellars, Cooperative Extension Director, and Dr. Kedrick Lowery thanked the Board for their support.

Dr. Lowery reported on Project BUILD. He presented the following:

- The program has been in existence since February 2009
- Project BUILD is a research based model
- The program has served over 173 young men and women
- Results driven
- Increase positive activities
- Create intervention plans for participants with six categories
- Outreach worker for each participant to complete intervention plan
- 81 current participants aged 14-21
- 7-9th grade has high percentage of participants
- Only 7% of the participants become re-offenders

Dr. Lowery shared testimonies from participants. Other successes include the number of dropouts who re-enrolled in the education system as a result of Project BUILD.

Manager Ruffin stated that the Project receives \$46,000 County dollars. The request is to increase funding by \$18,000 for a County investment of \$64,000 in the total budget. The total budget is \$177,510. The City also contributes to the program. Ms. Sellars indicated that the increase is needed to serve siblings of the participants who often emulate their older siblings.

Dr. Lowery defined “terminated” – after one year or until probation is over. The participants are terminated after one year, but do remain longer if the need exists.

Ms. Sellars indicated that Cooperative Extension uses a holistic approach in working with families. Commissioners commended Cooperative Extension on the super services it provides in the community.

Dr. Lowery reported that a vast majority of the participants have major deficits related to reading. Vice Chair Reckhow suggested working with the Literacy Council and other partners.

Human Resources

Benefits

Ms. Marqueta Welton, Deputy County Manager/Interim Human Resources Director, and Ms. Diane Pearson, Benefits Manager, presented the following benefits information:

- For second year, 85% of the employees participated in the Health Risk Assessments (HRA)
- Majority of participants maintained or decreased their risk factors

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- Small increase in medical claims this year—2.4%. Attribute to Wellness Clinic and HRAs
- Will increase hours of Wellness Clinic and add another provider
- Health Stat came in less than what it would have cost us to bring in house

Ms. Pearson indicated that the focus should be placed on keeping the current risk factor instead of increasing the risk.

Employees can use Wellness Clinic during work hours and have no co-pays. There is an increase in employee use.

Ms. Welton pointed out that once the Human Services Complex is complete, there will be exercise facilities on site.

Human Resources will continue to educate employees regarding health benefits.

The Board discussed the health risk assessments, and attributed the assessments and Wellness Clinic use to lower claims costs for the County.

Vice Chair Reckhow inquired about the status of the Duke Health Plan. Mr. Ruffin responded that the County is self insured. Blue Cross Blue Shield (BCBS) is not responsible for paying facility fees. BCBS is a 3rd party administrator. The County administration recommended absorbing the facility fees, beginning July 1, 2012. Duke will not waive the fee.

Vice Chair Reckhow requested to have a high level meeting before any announcement is made to staff. Manager Ruffin will set up a meeting.

Customer Service – Perfect Service Initiative (PSI)

Ms. Welton spoke about the initiative. The initiative is intended to improve Durham County's quality of service by immersing employees in a new service model which focuses on providing quality service and treating internal and external customers as VIPs.

This initiative ties in to Goal 5 of the Strategic Plan. It is an investment in a culture change in the County. Changes in consistency, creating a commitment to a new service philosophy, and designing a delivery system that focuses on employees are some of the components of the initiative.

Chairman Page questioned why Human Resources did not send a response to applicants when they are not selected. Board members concurred with his concern. He felt this was a big part of customer service. Ms. Welton responded that the number of applications received would be an extreme burden on staff, and there was also a postage issue.

Vice Chair Reckhow suggested that the staff person write an email and blind copy applicants who didn't get the job. Ms. Welton will follow up on the issue.

Ms. Welton shared that the County will use the Disney approach to quality service. Trainers will be sent to the Disney training facility and will become the core team to develop and train an ad hoc customer service training team for the County.

Laura Jensen shared her experience with the Disney training.

Human Resources requested three Customer Service Ambassador positions to implement the Perfect Service Initiative – two greeters in the County Administration building; three greeters in the Health and Human Services building; and one greeter in the Tax Administration office.

Manager Ruffin commented that changing the attitude at the same time as changing the County's brand would complement each other.

Commissioner Howerton emphasized the need to provide the quality customer service to internal customers.

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Vice Chair Reckhow asked staff to revisit the number of Greeter positions. She also felt it would provide an opportunity to work with CJRC participants to provide training to those individuals. Mr. Ruffin stressed the need for adequate staffing to accommodate the large number of customers who come into the Human Services complex. There is also a need to accommodate the Spanish-speaking population. Manager Ruffin indicated that the positions would be funded through a savings by eliminating existing security in the buildings.

Ms. Welton stated that one of the positions may not cost the County at this point. The Federal Government has a program and will fund a position for a senior to serve as Greeter for two years.

Adjournment

There being no further business, Vice Chair Reckhow adjourned the meeting at 2:50 p.m.

Respectfully Submitted,



Michelle Parker-Evans
Clerk to the Board