

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

Wednesday, May 26, 2010

9:00 A.M. Budget Worksession

MINUTES

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

Present: Chairman Michael D. Page, Vice-Chairman Ellen W. Reckhow, and Commissioners Joe W. Bowser and Becky M. Heron and Brenda A. Howerton

Presider: Chairman Page

Engineering and Enterprise Fund – Glen Whisler/Joe Pearce

Chairman Page recognized Glen Whisler, County Engineer.

Soil and Erosion (S&E) Division

This Division administers storm water for Durham County as well as Jordan Lake. Engineering is proposing to increase S&E fees due to decreasing revenues. The proposed fee increase is approximately 5 percent. The last increase occurred in FY 2007.

Mr. Whisler explained that there is a higher fee proposed for larger sites to try to create an incentive not to have large disturbed areas.

He added that the proposed staff reductions would be re-evaluated if development activity increases.

Commissioner Heron inquired as to whether Mr. Whisler thought fees would take care of the costs of inspections. Mr. Whisler replied that the cost of erosion control is self supporting as much as possible.

Commissioner Bower asked if Wake County used the same logic to fund administrative costs of the program. If so, why is Durham County's so much more?

Mr. Whisler responded that he was not sure what Wake County used.

Commissioner Bowser remarked that "we fee developers to death." He hoped that our administrators would listen. He was concerned that these actions may impact development. He added that government should not assess fees as a revenue line.

Sewer Rates

There are three revenue sources for wastewater fees: monthly user fees, capital recovery fees, and Town of Cary fees. An 8 percent increase in fees is being proposed.

Mr. Whisler expounded on the need for the increased fees. We continue to see reduced sewer usage due to efforts in water conservation and the general economy impact (there are more vacant buildings). There are also some new costs to be incurred. In the past, Engineering worked with the State government to have inmates provide yard maintenance at the wastewater plant. That option is no longer available so the County will have to incur those costs now.

In addition, there is also a need for a Pretreatment Lab Technician/Lab Certification. This position would be responsible for fats, oil and great education program and great trap inspections; evaluation of hardness criteria based dissolved metals limits on permit allocations, including a revised Headworks Analysis; and permittee data collection, processing, compliance judgment and Pretreatment Annual Report preparation. If the lab technician is certified in the first year, the cost implications will be minor based on the savings and having faster results.

Mr. Whisler presented a chart showing all surrounding jurisdictions are proposed increases. The current fee is \$3.23 per ccf and the proposed fee would be \$3.49 per ccf.

History of Sewer Rate

The County took on a significant amount of debt, and the thought was that we would have to increase the rate in the amount of 10 percent. We have been able to keep the rates less than 10 percent. When we reached an agreement with Cary, there was extra revenue. The rates are reviewed closely each year. Chemical costs have been going up.

Enterprise Funds

All revenue is generated from customers. Manager Ruffin commented that the County reinvests the monies in the system. All funds have to be spent for the Enterprise Fund.

Vice Chairman Reckhow had questions about project management. Are we tracking or recertifying the energy savings in our buildings? Mr. Whisler responded that Engineering works closely with General Services and compiles costs for all buildings. She expressed disappointment that the performance contracting concept is still not underway. Mr. Whisler clarified that consultants and under contract and have been working on the project for the past six weeks.

Sustainability

Vice Chairman Reckhow referred to the Sustainability section. Greenhouse gases are already beginning to track higher than our targets. It is important that we do retrofits of older buildings. Mr. Whisler added that we are spending millions of dollars on energy bills.

Manager Ruffin stated concern that we are not tracking, but he is also concerned that the community is not tracking where it should be in reducing greenhouse gases.

Commissioner Heron asked if Engineering is still working with recycled water. Mr. Whisler affirmed the question. Some granting funding was received in this area. He added that he hopes to be on line by July 2011.

Directives

1. Vice Chairman Reckhow would like to see the data for building energy savings **related to LEED certified buildings.**
2. Vice Chairman Reckhow would like a full briefing on the building improvements and savings related to LEED certified buildings.
3. Vice Chairman Reckhow would like to see Tobin and the Sustainability Office more involved and partner with other agencies when she returns to work.

General Services – Motiryo Keambiroiro/Deborah Booth/ Don Hasselbach

General Services Director, Motiryo Keambiroiro highlighted the following budget projections for 2010-2011:

Administration	\$2,270,440
Buildings	\$5,208,132
Pest Control	\$ 53,363
Mail Room	\$ 99,258
Solid Waste	\$ 666,794
Animal Control	\$1,434,047 (one/third is for APS)
Vehicles & Equipment	\$ 101,268

Renovations at the Durham Memorial Stadium are nearing completion, according to Ms. Keambiroiro. She remarked on the amenities included in the renovations. There will be opportunities for receptions and other events, track and field events, catering, and expanded concessions.

General Services is requesting a Stadium Manager position to market the new facility and its capabilities. She proposed that the stadium may make \$90,000 in the short season. This would take care of the salary of the Stadium Manager.

Ms. Keambiroiro is also requesting two specialized maintenance positions to handle the maintenance of the new Human Services complex. The complex is scheduled to open in January 2011. She requests a maintenance technician to come on board to work with the Contractor before the building opens. The other position would be a mechanical specialist to handle plumbing, electrical, etc.)

Ms. Keambiroiro emphasized that she has not had a staff increase for several years, yet the square footage of County buildings continues to increase. One of her main concerns is that the additional square footage in LEED buildings will require qualified maintenance staff.

Vice Chairman Reckhow requested data to understand whether having the LEED buildings is a good investment. She challenged General Services to determine how to cut utility and energy costs.

Deputy County Manager Wendell Davis remarked that the County had prepared calculations on the buildings. The new buildings are “smart” buildings and require a higher level of expertise. He added that General Services has always been stretched, but once the Human Services, libraries, and courthouse are completed, two people will a big challenge.

Commissioner Bowser questioned the number of seats in the stadium and the expectations of the Manager? Ms. Keambiroiro responded that there are 3500 seats on each side of the stadium. The Stadium Manager is expected to market the stadium, contact schools for major programs, outreach, and contact businesses for business events.

Commissioner Bowser expressed concern about hiring a Stadium Manager when other colleges have their own stadiums and high schools. Mr. Ruffin indicated that the salary for the Stadium Manager is projected to be \$60,000 plus benefits.

Chairman Page questioned who would be responsible if a manager was not hired? He stated it was important to market the facility that we have to pay for.

Commissioner Bowser had a problem with putting that many jobs in General Services when children in the school system will be neglected.

Commissioner Heron commented that the stadium will be a first class facility and has to be managed accordingly. The stadium will be generating money for the county.

Chairman Page remarked that the schools have a responsibility as well as the county government. “We put more money in schools and non profits and do not take care of our own operations.” He pointed out that we agreed to support the stadium and need to follow through on the commitment in order to make the stadium work.

Vice Chairman Reckhow reiterated she needed more data. What are we spending? What are we receiving? She challenged General Services to generate review, have citizens more involved. She added that revenue tracking will be very helpful.

Commissioner Heron remarked that we have to promote the stadium.

Commissioner Howerton asked what does the analysis show that would indicate that people would use the stadium and cause the revenue to outweigh costs.

Ms. Keambiroiro responded that historically over the past 50 years, the stadium has not operated in the positive. Part of what we believe is that by enhancing the stadium, investing \$8 million, it is estimated that in the first short season, \$90,000 will be realized in revenue. She has contacted

Finance to ask that the stadium be segregated from the General Services general fund to make it easier to track performance.

Commissioner Howerton asked for further explanations about why people would opt to use the stadium. Chairman Page responded that the stadium cost less than some of the other stadiums and it is centrally located and accessible.

Chairman Page spoke about janitorial services. He indicated that we need to take advantage of inmates to assist with janitorial services. Ms. Keambiroiro responded that with State budget cuts, the State is using the inmates for labor. The local jail uses inmates for meal preparation and other jail duties.

Commissioner Bowser was excused at 10:50.

Ms. Keambiroiro reported that General Services pays approximately \$2 million in water bills for 35 County buildings. There will be a 5 percent increase in the next budget year.

Other expenses to be incurred in the next budget year include life safety issues in the Administration Building (\$13,900); replacing the roof of the Judicial Building (\$97,268); and Pod 5 repairs in the Detention Center (\$45,000).

Manager Ruffin commended Ms. Keambiroiro on her work as General Services Director.

Directives

1. Attorney Siler to look at Bill regarding jail administrators' inmate resources.
2. Manager Ruffin will get updates on LEED buildings.
3. Vice Chairman Reckhow called for more data on what we are spending and what we are receiving.

SWAP/Health Trust Fund – George Quick

This fund accrues on a monthly basis and is paid every six months (on the 15th of the seventh month). The last payment was March 15. As the economy improves, savings will decrease. However, we are still obtaining a savings. Based on that rate, it is suggested that \$2.6 million that we saw last year will not be seen in 2011. The County will probably see something in the \$1.5 million range. Per the Board's agreement, \$3.4 million is restricted and currently being held.

Health Trust Portfolio

**HEALTH TRUST
PORTFOLIO
As of April 30,
2010**

	MARKET VALUE	PERFORMANCE	INDEX	INCEPTION	INDEX
	4/30/2010	YTD		TODATE	

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FIXED INCOME					##
US TRUST					
MARKET	\$8,423,559.00	2.67%	2.84%	5.94%	5.37%
EQUITIES					#
WEDGE					
MARKET	\$4,976,791.00	43.01%	38.84%	5.29%	-0.49%
Grand Total	\$13,400,350.00				

There is currently \$8,423,559.00 in fixed income and \$4,976,791.00 in equity. In the area of fixed income, US Trust has under performed for the year to date time period. However, they have outperformed on an overall basis since the inception of the program.

Community Health Trust Fund

Community Health Trust

Prepared May 24, 2010

	06/30/09	REVENUES	EXPENDITURES	06/30/10
708 *	\$ 15,259,633.52	\$ 6,011,972.49	\$ 8,327,697.00	\$ 12,943,909.01
CAFR	\$			
FY09	<u>15,259,633.00</u>			
Rounding	\$ <u>0.52</u>			

Duke-County Agreement	\$ 3,950,000.00
Investment revenue	\$ 10,500.09
Investment earnings-Mgrs through April 30, 2010	\$ 2,006,389.06
DCVB operating lease	\$ 45,083.34
Transfer to general	\$ 3,763,517.00
Transfer to debt	\$ 4,564,180.00

Projected Balance June 30, 2010

\$
12,943,909.01

The value as of June 30, 2009 was \$15,259,633.52. \$4.5 million is debt services allocated from years ago. The current balance of the fund is \$12.9 million which does not include two months of interest which will be posted later.

Of the \$12.9 million, \$5.435,820 has been designated for debt service for the Health & Human Services Complex for FY 2014 in the CIP Plan. \$7 million is usable for funding.

Manager Ruffin elaborated that the \$7 million is much more available because we will not have to restrict funds for the hospital. The \$7 million has not been earmarked at this point.

Vice Chairman Reckhow clarified that we will be getting \$3.95 million from Duke Hospital under the new lease agreement.

Mr. Quick concurred and explained that after 2018, the lease payment goes away. He added that EMS and Lincoln monies are not part of this fund.

Manager Ruffin recommended that the revenue generated by the sale of the Home Health Agency be made a part of this fund.

Mr. Quick indicated that in the post fiscal year, he may have to come back and ask for an amendment to the SWAP policy.

Mr. Quick referred to the issue of the agenda action item on technology introduced at the May 24 Board of Commissioners' meeting. He offered further explanations about the process. He indicated that we use inter-fund loans until it is appropriate to go outside for a loan. The \$880,000 in vehicle replacement will be a portion of the \$5 million. He has already spent more than \$2 million. He indicated that he would like to close out this loan before the end of the year. He asked for permission to request \$4.7 million in loans.

Mr. Quick asked for direction from the Board on the process for funding approval on all similar projects.

Directives

1. Vice Chairman Reckhow requested staff to look at the scenario of taking the entire fund to use for debt on the Health and Human Services complex.
2. Look at other options for secure funding for small purchases besides borrowing.
3. Make sure all purchases are needed.

Capital Finance Plan – Pam Meyer/Keith Lane

Pam Meyer, Budget and Management Services Director; and Keith Lane, Sr. Budget Analyst presented the County’s Capital Finance Plan. It was stated that there are three projects scheduled next year that require County funding: Open space land acquisition (\$850,000); New Hope Creek/Hollow Rock (\$50,000); and Greenfire Parking Deck (\$900,000).

Carolyn Titus, Deputy County Manager, stated that she had a call in to Greenfire to ask if the deck will be needed at this time. The price includes the purchase of the land, the architectural design, and the deck. She will find out where we are in the process.

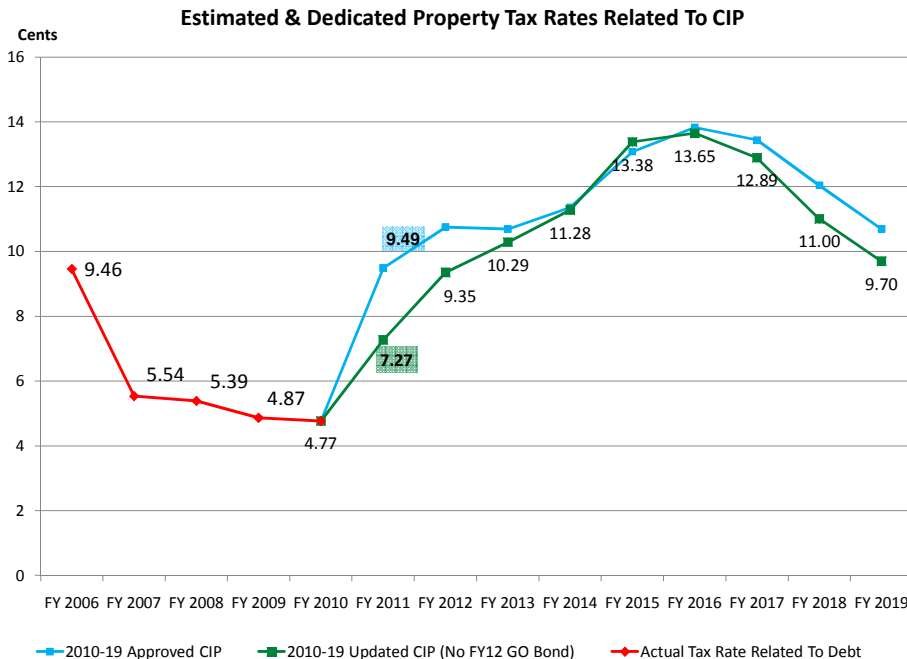
Vice Chairman Reckhow commented on the open space item. We have already taken a 10 percent reduction so if we start reducing open space, it would be taking a bigger hit.

Commissioner Heron added that farmers want to put land in protection right now.

Debt Service

Revenue received from the one time sale of property will not recur next budget year. The County lost \$11 million in revenue from this budget year to next year.

The graph below shows that the actual property tax paid is going down.



Directives

Vice Chairman Reckhow would like staff to check on the inflation clause for American Tobacco.

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Adjournment

There being no further business, Vice Chairman Reckhow adjourned the meeting at 12:15 pm.

Respectfully Submitted,

V. Michelle Parker-Evans
Clerk to the Board