

May 22, 2000

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

Monday, May 22, 2000

5:00 P.M. Worksession

**MINUTES**

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

Present: Chairman MaryAnn E. Black, Vice-Chairman Ellen W. Reckhow, and  
Commissioners William V. Bell, Joe W. Bowser, and Becky M. Heron

Absent: None

Presider: Chairman Black

**FY 2000-2001 Recommended Budget**

The Durham County Interim Manager formally presented the recommended budget for FY 2000-01 to the Board of County Commissioners. This is in accordance with N.C.G.S. S. 159-12(b), the Local Government and Fiscal Control Act.

The FY 2000-01 budget presentation follows:

I am pleased to submit to you the Durham County recommended budget for Fiscal Year 2000-2001. As the County enters into the new millennium, this era will present fresh and exciting challenges ahead. The budget before you serves as a road map to meet those challenges and has been prepared for you in accordance with the Local Government Budget and Fiscal Control Act and General Statute 153A-82 as a balanced budget.

As a Board, you have provided leadership and vision for Durham County to progress into the next century. The two-year goals you adopted in FY 1999-2000 have provided clear direction and focus for Durham County staff to achieve success in meeting the challenges and issues facing our community. These goals served as the backbone of our successes this past year, allowing County staff to focus on issues of complexity requiring depth, and synchronization. These same goals serve as the blueprint of our future, mapping our successes of tomorrow.

**Board Goals**

The Board of County Commissioners established two-year goals in the FY 1999-2000 Strategic Planning Retreat:

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- City-County Merger Study
  - Citizen Task Force Review Completed
  - Charter Commission Established
  - Cost-Benefit Analysis in progress
  
- Human Services Study
  - Human Services Study presentation to BOCC May 22
  
- Smart Growth
  - Conducted a Smart Growth Conference in December
  - Initial planning of the Smart Growth Audit in collaboration with the City of Durham

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- Transportation
  - Adoption of TDM Trip Reduction Program
  - I-40 Congestion Management Study (Phase I scheduled for completion Spring 2000)
- Education
  - Appropriated funding for Lakeview School
- Taxes (Decrease Pressure on Property Tax Rate)
  - FY 1999-2000 budget included a one-cent property tax reduction

#### FY 1999-00 Accomplishments

- Successful Y2K conversion
- Receipt of GFOA Certificate of Achievement for Financial Reporting
- Internet access to all county libraries
- The Youth Coordinating Board facilitated a successful community collaboration resulting in a \$2.6 million grant from the US Departments of Health and Human Services, Education, and Justice
- Implemented the new Unified Child Care System in collaboration with Child Care Association, Operation Breakthrough, and Durham Partnership for Children
- Department of Social Services provided day care services for all Work First families who needed childcare and were involved in Work First job-related activities
- Established a state funded, six-bed group home of adolescence substance abusers
- The Durham Center (Mental Health) located two Social Workers at the Community Shelter for HOPE to provide services to the homeless
- The Public Health Department implemented a Teen Outreach Program (TOPS) in nine Durham Public Schools
- Adopted the Farmland Preservation Ordinance
- 1,524 homeowner, gardener, and landscaper requests for information were addressed by the Master Gardener hotline
- The Planning Department completed work with the Transportation Demand Management (TDM) Task Force, which involved developers, the Chamber of Commerce, environmentalist, and government leaders in addressing alternatives to traffic congestion in the I-40 corridor
- Completed a 20-year space needs analysis. A Master Facility Plan adopted by the BOCC
- Capital Improvement Program (CIP) document is scheduled for BOCC approval June 26, 2000
- Collaboration between the Youth Coordinating Board, DSS, Public Health, Mental Health, Youth Home, and Durham Public Schools to address at-risk youth challenges.

#### Financial Stability

The Board of County Commissioners has consistently held the financial stability of the County as a highest priority. To that extent, Moody's and Standards & Poors recently

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reaffirmed the County's AAA bond rating, the highest credit rating available to government jurisdictions. The rating industries are pleased with our key financial indicators, overall economic activity, and stable fund balance reserves. Durham County is one of only four counties in the State of North Carolina, and one of only 50 local governments (city, county, school, and special districts) in the nation to possess this Triple-A rating. This indicator of financial health allows Durham County to focus on short-term and long-term planning rather than day-to-day viability.

The annual audit for FY 1998-99 shows fund balance growing and exceeding the 8 percent funding minimum recommended by the Local Government Commission. Fund balance projections for the end of this year again show an upward trend. The audit figures demonstrate that the County successfully increased its fund balance available for appropriation by \$5,731,431 in fiscal year ending 1999. The chart below denotes a seven-year trend of the general fund balance history.

**Fund Balance History: General Fund**

	<i>Audited</i> FY Ending 06/30/1995	<i>Audited</i> FY Ending 06/30/1996	<i>Audited</i> FY Ending 06/30/1997	<i>Audited</i> FY Ending 06/30/1998	<i>Audited</i> FY Ending 06/30/1999	<i>Projected</i> FY Ending 06/30/2000	<i>Projected</i> FY Ending 06/30/2001
Reserved Fund Balance	\$15,818,038	\$17,464,462	\$15,794,621	\$18,780,073	\$19,714,437	\$20,000,000	\$20,000,000
Designated Fund Balance	14,122,274	7,011,789	5,373,763	6,558,924	7,825,829	8,300,000	7,300,000
Undesignated Fund Balance	<u>7,173,663</u>	<u>9,704,102</u>	<u>17,045,036</u>	<u>21,285,993</u>	<u>24,816,155</u>	<u>26,000,000</u>	<u>27,500,000</u>
Total Fund Balance	<u>37,113,975</u>	<u>34,180,353</u>	<u>38,213,420</u>	<u>46,624,990</u>	<u>52,356,421</u>	<u>54,300,000</u>	<u>54,800,000</u>
Total Expenditures	189,285,368	191,452,533	201,563,389	219,694,926	221,334,497	226,000,000	230,000,000
LGC Required 8% Minimum	15,142,829	15,316,203	16,125,071	17,575,594	17,706,760	18,080,000	18,400,000
Fund Balance Applied Toward 8%	21,295,937	16,715,891	22,418,799	27,844,917	32,641,984	34,300,000	34,800,000
Expressed as a % of Expenditure	11%	9%	11%	13%	15%	15%	15%
Moody's and S & P Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA

The projected fund balance for the fiscal year ending 6/30/00 totals \$54,300,000 or 15 percent in designated and undesignated funds. This exceeds the minimum Local Government Commission recommendation of 8 percent. This is a net growth of approximately \$2,000,000 even after using \$4.8 million in anticipated accruals to balance this fiscal year's budget.

The proposed budget includes approximately \$6.3 million of anticipated accruals from this year. The approach continues to maintain a healthy and stable fund balance of 15 percent and allows the County to avoid a tax increase. By having a healthy fund balance, Staff and the Board of County Commissioners can be more aggressive in budget projections and assume more calculated risks in the operational budget.

Expenditure Highlights

Personnel

Our county workforce is our most valuable asset in serving our citizens. To that end, we have, as in previous years, conducted an annual market study to determine the market value for benchmark positions. This year's study included surveying our competitors to

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determine proposed employee compensation for the 2000-01 fiscal year. Based on this study, the overall compensation plan is currently 2.44 percent behind the market with some individual classifications as much as 14 percent behind the market. Additionally, the study revealed that 77 percent of county employee salaries are behind the market average salary with the majority being 5 percent or more behind the market. In an effort to remedy this situation and possibly reduce the turnover rate, the recommended budget includes a 2.5 percent market adjustment at a cost of \$1,284,660 to keep salaries and salary ranges competitive. Given the low unemployment rate in the area along with increased competition for qualified applicants, attracting new employees and retaining our existing employees has become a priority. The budget continues the County's emphasis on performance pay, with funds available for employees who have achieved their annual workplan in a satisfactory manner. After the implementation of the market adjustment, it will be necessary to change the salary ranges for several classifications that are more than 5 percent behind the market based on the benchmark study. This adjustment, at a cost of \$93,336, will be effective September 4, 2000.

#### General Government

In an effort to ensure a successful revaluation of real property which will occur January 1, 2001, the recommended budget includes three additional Residential Appraisers, one Cadastral Mapper, and one Tax Technician. The State requires counties to do Revaluation at least once every eight years, and many counties are on a four-year cycle. Revaluation will adjust the tax base to reflect the true market value of real property as of January 1, 2001. In 1993, all property was valued at market. Any adjustments over the last eight years for home and landowners have resulted from additions to their property or a change in the property's use.

Continued changes in technology and basic growth demands for the wide area network (WAN), operating software migration, better customer service, and infrastructure support needs are the driving force in the recommended budget for Information Technology. The essential areas include the following:

- 1600+ devices at 25 different sites supported on the County's wide area network, expansion of County office space to new sites
- continued management of the growing County network and communication bandwidth
- web access to the County's Tax database
- document imaging
- use of online credit card payments for property taxes.

As you can see, the need for additional investment in technology is critical. The budget recommends \$284,217 to meet these critical IT demands. Of the \$284,217 recommended, \$148,440 is funded by pay-as-you-go funds.

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Within the current Geographical Information System (GIS), digital topographic and hydrographic data is currently not available for 40 percent of the County (mostly northern & eastern Durham County). Therefore \$80,000 is recommended in the GIS budget to cover approximately one-third of the uncovered area. Fiscal Year 2000-2001 will mark the second year of this three-year process, with the 2001-02 budget requesting \$100,000 to finish the project. The data will be used by 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, resulting in the limit of in-depth analysis.

### Public Safety

The recommended budget includes an additional 2.5 percent increase for the employees of the Sheriff's Agency in an effort to remain comparable with market salaries. The County began to support the full cost of Emergency Medical Services (EMS) in the 1998-1999 budget, after the service was transferred from Durham Regional Hospital as a part of the Duke-Durham Regional Hospital Lease Agreement. It was recognized that assuming the full costs EMS would be experienced over several fiscal years. Additionally, the County understood that operational enhancements to EMS would be needed for several fiscal years, causing significant budget increases. Fiscal Year 2000-01 is the second full budget year for EMS as a County department, and continues to have significant growth in its budget to support its needs. EMS received funding support from Community Health Trust fund in FY 1999-2000 and will continue to do so in the proposed Fiscal Year 2000-2001 budget.

The second component of Durham's emergency medical service is provided by five Volunteer Fire Departments throughout the county. This portion of our emergency medical service has not yet been addressed. These five volunteer fire departments—Bahama, Bethesda, Lebanon, Parkwood, and Redwood—provide ambulance and first responder service throughout the County. Currently the fire departments utilize their fire tax revenue to support county EMS services. For FY 2000-01, the recommended budget includes \$399,728 for reimbursements to four of the five volunteer fire departments for service delivery of EMS services outside of their tax districts. In addition, the recommended budget includes a \$200,000 contract with the Parkwood Volunteer Fire Department to provide increased paramedic coverage for a designated portion of the southern part of the county, thereby lowering response times. This arrangement frees up a paramedic currently stationed at Parkwood for utilization within Durham City limits, where response times are also high. The contract arrangement is a more effective approach to providing appropriate EMS service delivery in Parkwood and the southern area of the county.

### Social Services

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- An additional \$1.1 million is allocated to the Department of Social Services due to the increased cost associated with the Medicaid program.

Education

The North Carolina Association of County Commissioners conducts a survey each year of the funding provided to schools by each county. Once again, this survey illustrates that Durham County is continuing its leadership position among the 100 counties in North Carolina in providing financial support to the Durham Public Schools. During FY 1999-00, Durham County was ranked second in current (operating) expense per pupil.

Per pupil, funding does not reflect the educational goals or the differences in the communities. However, the per pupil indicator is a useful annual indicator to ensure that our school system is funded at an appropriate level.

The Board of Education is requesting \$8,286,641 in new funding for their FY 2000-01 local appropriation as shown below:

<u>Expenditure</u>	<u>Adopted FY 1999-2000</u>	<u>Requested FY 2000-01</u>	<u>Increase Over FY 2000-01</u>
Current Expense	\$63,840,956	\$71,127,597	\$7,286,641
Recurring Capital			
Outlay	500,000	1,000,000	1,000,000
Total	\$64,340,956	\$72,657,597	\$8,286,641

I am recommending that the current expense expansion budget be approved at an additional \$3,750,000 over last year's budget that will take the appropriation from \$63,840,956 to \$68,090,956. This is a 5.5 percent increase over last year's budget request. Durham County continues to be a leader in per pupil expenditure. The recurring capital outlay will remain at \$500,000.

Based on state projections, the recommended current expense allocation is \$2,194 per student for FY 2000-01. This allocation includes the projected ADM for Durham Public Schools of 29,201 and 1,602 projected charter school students.

Funding for Durham Technical Community College increased by \$110,000 in the operating budget which translates into a 3.5 percent increase and an \$200,000 in the pay as you go fund for additional capital expenses. The operational budget increase is a result of increased operational and maintenance expenses. The pay as you go cover expenses with building repairs on campus locations.

Revenue Projection Highlights

Property Taxes

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The FY 2000-01 projections are based upon an estimated total property valuation of 13,913,889,000. This represents a 4 percent growth rate. This value translates into property tax revenue of \$125,036,897. An additional \$3,717,340 is budgeted for prior year collections. The budget is based on a tax rate of 92.97 cents and a collection rate of 96.6 percent.

#### Sales Taxes and Other Licenses and Permits

Durham County has historically enjoyed increases in sales tax revenues of 6 – 9 percent over the last three years. The current budget included an estimated 6 percent increase overall, however, the first three-quarters are lower than recent growth trends. Therefore, the projected increase in sales tax revenues is 5 percent based on the year-end projection. The projected budget for sales taxes will remain flat in comparison to the adopted FY 1999-2000 budget. The 5 percent growth is based on recommendations issued by the North Carolina Association of County Commissioners, which cites an increase of 5 percent based on statewide estimates. Staff also recommends the County conduct a sales tax audit to ensure nonprofit and other entities are properly requesting Durham County sales tax reimbursements from the NC Department of Revenue. In FY 1997-98, the sales tax audit resulted in a reallocation to Durham County and the City of Durham of \$980,000. The County's proceeds grossed \$549,000.

#### Intergovernmental Revenues

The 12 percent increase in FY 2000-01 budgeted intergovernmental revenues in comparison to FY 1999-2000 is primarily due to increased public assistance funding. An amount of \$1,191,171 in additional county support is recommended in the Social Services budget to support projected growth in these mandated programs.

The lease to the North Carolina Department of Corrections for one pod in the county jail ended FY 1999-00; this is a \$281,282 of loss revenue. Additional revenue decreases occurred with the loss of COPS grant revenue totaling \$95,249 for the SCOPE unit. The Sheriff's Department recommended expenditure reductions to offset some of the loss revenue.

#### Conclusion

In the weeks ahead, staff looks forward to working with you to deliberate and discuss the recommended budget. Certainly, it is our aim to craft a sound financial plan for the next fiscal year. I am pleased to report that we can maintain a stable tax rate of .9297 cents. This was accomplished through the distribution of taxes between the General Fund and Capital Finance due to declining debt. This will result in a lower tax allocation to the capital financing for debt and pay as you go projects (8.4 cents) and a higher allocation retained for General Fund purposes (84.57).

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The Commissioners asked questions and made comments to which Ms. Odom responded. The Interim County Manager assisted with the answers.

Chairman Black requested total funding figures for the school system including federal, state, and local dollars.

**Presentation of Findings and Recommendations of the Health and Human Services Delivery Study**

The Board was asked to receive the presentation and report by Public Consulting Group in response to the following BOCC goal for fiscal year 1999-2000:

“To complete a comprehensive study that identifies and recommends best practices for delivery of health and human services to all citizens of Durham County.”

To accomplish this goal, the County Manager assembled a Leadership Team consisting of Department Heads from Public Health, Social Services, The Durham Center, Criminal Justice Resource Center, Cooperative Extension, Youth Coordinating Board, Library, and the County Attorney to develop recommendations that best meet the above-referenced Board goal. To that end, the Leadership Team engaged Public Consulting Group, Inc. (PCG) to conduct a delivery study of Durham County’s health and human services. In part, the scope of work for the study included the following:

“To evaluate what service improvements and management goals could be accomplished through an organizational restructuring of the health and human services system, including the departments of: Social Services, Public Health, and MH/SA/DD. The organizational models to be considered are: a) the county model used by Mecklenberg County; b) the human service model used by Wake County; c) the board model currently used by Durham; and d) a model developed through the study and input from stakeholders that will provide the best service in Durham County.”

Consultants from PCG, Inc. provided a presentation of the findings and recommendations and were available to answer questions related to the report.

Resource Person(s): Marc Fenton, Principal Partner, and Dennis Bothamely, Grant Blair, and Thomas Aldridge of Public Consulting Group, Inc.

County Manager's Recommendation: The Manager’s recommendation is that the Board receive the report and accept the presentation as information.

Interim County Manager Carolyn P. Titus introduced the subject matter as a reminder that several months ago the Board authorized a study by Public Consulting Group of our health and human services system. The Commissioners requested that the consultants report back to the Board regarding improvements and management goals including Mental Health, Public Health, and Social Services.

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Ms. Titus introduced the representatives of Public Consulting Group Inc. and called on Mr. Fenton to make the presentation.

Mr. Fenton presented an introduction and overview, which included project assumptions as follows:

1. The administration of DMHDDSA, DSS, and DPH services creates a “silo” culture that makes it difficult for clients and families to access services across agency borders.
2. There are opportunities for economies of scale and increased efficiency that cannot be met in the current organizational structure.
3. There is insufficient accountability for Durham County’s investment in health and human services. That investment is among the highest in the state (total \$59 million and \$295 per capita expenditures).

The next phase of the presentation was an overview of the summary of findings and recommendations as follows:

1. PCG recommends creating a Human Services Cabinet under the County Manager’s office to initiate human services planning and collaborative efforts in response to the goals of the County Commissioners.
  - » Deputy County Manager previously assigned responsibility for certain Human Services management activities.
2. PCG does not recommend a Durham County initiative to amend existing State law that would allow the County Commissioners to become a Human Services Board at this time.
3. The County Commissioners should define human service reporting requirements that would measure progress towards specific interagency goals that would be monitored and reported by the Human Services Cabinet.
4. The Human Services Cabinet should establish a “lead agency” model to assign and manage responsibility for clients requiring multi-agency involvement.
5. The Human Services Cabinet should create a work group to examine the current intake and evaluation process for new clients and design a human services approach to identifying eligibility requirements, assessing benefits, optimizing revenue, identifying agency responsibility, and creating cross agency training opportunities to support this new approach.
6. The Human Services Cabinet should conduct an analysis of third party and other payor responsibilities that could enhance revenue by adopting these recommendations.

Mr. Aldridge talked about the human services spending in Mecklenburg, Durham, and Wake Counties.

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The Commissioners asked questions and made comments to which the consulting staff responded.

**Adjournment**

Chairman Black adjourned the meeting at approximately 6:30 p.m.

Respectfully submitted,

Garry E. Umstead, CMC  
Clerk to the Board