

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

Tuesday, June 6, 2000

9:15 A.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

Interim County Manager Carolyn P. Titus opened the worksession. The Commissioners would have an opportunity to ask questions and would be given greater detail concerning the budget as well as the proposed Capital Improvement Program (CIP). Staff had prioritized the CIP projects as requested by the Commissioners at the last worksession and the Board would review staff's recommendations.

The first two follow-up items from the previous worksession were the compensation plan and charter schools performance data.

Ms. Titus hoped to receive the fund balance and grant information by the afternoon. Since yesterday's discussion regarding the compensation plan, Interim County Manager Titus struggled with addressing the Board's concerns about employees who may receive increases and are at or above the average market salary. She reviewed her recommendations.

Tony Noel and Diane Pearson from Human Resources were present at the meeting to answer questions.

Interim County Manager Titus presented the Commissioners an overview of the current compensation plan and the philosophy of the plan.

Ms. Titus said she would answer any questions the Commissioners may have with the hope that the compensation plan could be finalized by the June 26, 2000 Regular Session.

The Interim County Manager provided the Commissioners with information previously requested relative to longevity and the pay for performance plan.

The Commissioners asked questions and made comments about the compensation plan to which Ms. Titus and Human Resources staff responded. The Commissioners requested additional information. County Attorney Chuck Kitchen also assisted with the questions and comments.

A lengthy discussion was held about the County's pay plan.

Chairman Black asked the Commissioners to provide the Interim County Manager any additional information on thoughts about the pay plan before the proposed budget is adopted at the June 26, 2000 Regular Session. The information should be given to Ms. Titus as soon as possible.

### **Operating Budget—Board Discussion**

Carolyn Titus told the Commissioners that the requested schools information would not be received until tomorrow. The requested information follows:

- a) Actual allocations provided to charter schools by the Durham Public Schools;
- b) Administrative versus classroom positions in the budget;
- c) Delineation of the Safe School grant (\$2.6 million ) as to what it will pay for; and
- d) Analysis of the schools year-end fund balance for this year and projections for next year.

The Commissioners asked questions and made comments about the operating budget relative to Durham Public Schools and the charter schools. The Interim County Manager and budget staff responded.

Ms. Titus requested that information be distributed about the charter schools.

Claudia Odom, Budget Director, stated the packet includes performance comparison data on charter schools. The information came from the State Report Card on Education.

Chairman Black commented the charter schools are going to have to be accountable for how well their students are performing or not performing since tax money is supporting the charter schools.

The Commissioners should meet with the heads of the charter schools in the fall to discuss accountability, enrollment, what the schools are doing, and what the plans are to ensure that the students will achieve.

A lengthy discussion followed about charter schools and public schools. Staff responded to questions and comments.

Commissioner Bowser said that City government, County government, and the public schools system should set up a “hot line” to receive citizen complaints relative to waste, abuse, and fraud. He believes a lot of money could be saved.

### **Social Services Department**

Interim County Manager Titus asked Daniel C. Hudgins, Social Services Director, to make comments about pass-through funds in the Social Services budget.

The pass-through funds are: Medicaid, Work First financial assistance, food stamps, special assistance, child day care, energy, adoption assistance, and foster care.

The Commissioners asked questions and made comments about the Social Services budget to which Mr. Hudgins responded.

### **Durham Public Schools** (continued)

Commissioner Bell stated he is very much interested in the question that Chairman Black raised relative to contracted services. Commissioner Bell wished to know how much contracted services the school system has in its budget with Social Services, Mental Health, Public Health, etc.

Chairman Black said the public schools contracted services could be looked at during the next budget cycle. Any funding cut by the Commissioners would come from the contracted services account.

### **Capital Improvement Program (CIP)**

Interim County Manager Titus said she would like to start with an overview of the recommended CIP.

Budget Director Claudia Odom and Cheryl Lloyd, Director of Cooperative Extension, presented the overview.

Ms. Odom gave a brief history on the debt financing and projects the County has funded historically.

On November 4, 1986, Durham County voters approved \$120,600,000 in general obligation bonds for a variety of capital projects included in the CIP. A summary of this issue is presented below:

1986 Bond Issue

School Facilities	\$ 57,880,000
Museums, Art Centers	\$ 12,350,000
Public Buildings	\$ 10,890,000
Community Development	\$ 2,000,000
Parks and Recreations Facilities	\$ 1,500,000
Public Transportation Facilities	\$ 1,000,000
Law Enforcement Facilities	\$ 985,000
Sanitary Sewer Systems	\$ 27,080,000
Water Systems	\$ 6,915,000
Total authorized, 1986	\$120,600,000

In addition, on March 12, 1991, Durham County voters approved an education bond issue totaling \$131.9 million. Proceeds from the issue will construct and renovate public schools (\$125 million), add a wing to the NC Museum of Life and Science (\$3.8 million); and develop a \$3.1 million satellite campus for Durham Technical Community College.

Finally, debt service payments also paid for construction of the new Detention Facility that was financed with Certificates of Participation (COPs) sold on April 30, 1991. In 1997, these COPs were refinanced resulting in a reduction in the annual debt service.

No tax increase is anticipated for the Capital Financing Plan that includes debt service payments for FY 00-01. The portion with the county tax rate dedicated to fund the Capital Financing Plan has been reduced from 8.7 cents to 8.4 cents due to the decline in the debt.

The second part of the presentation included the CIP process as follows:

- Project Submission
- Department Presentations
- Public Input—Community Conversations
- Manager's Recommendation
- Board Discussion
- Public Hearing
- Adopted CIP

Ms. Lloyd gave a presentation on the two community conversations including the highlights of the sessions. This was the third part of the CIP presentation.

The Commissioners asked questions about the community conversation meetings to which Ms. Lloyd responded. Several Commissioners made comments.

Ms. Titus gave the County Commissioners an overview of the updated recommended CIP for Fiscal Years 2001-2006.

The summary follows:

1	General Government	\$105,322,202
2	Public Safety	\$ 9,923,674
3	Environmental Protection	\$ 3,760,000
4	Economic and Physical Development	\$ 2,125,000
5	Human Services	\$ 92,366,664
6	Education	\$208,164,934
7	Cultural and Recreation	\$ 39,920,566
8	<u>Enterprise Fund</u>	<u>\$ 60,316,626</u>
	CIP Recommended Total	\$521,899,666

The Interim Manager said that out of all these requests, staff has gone through and made recommendations to the Commissioners for a period of almost ten years.

Ms. Titus called Ms. Odom to review the FY 2000-01 Capital Finance Plan for the Commissioners.

The County currently dedicates the following revenues to the payment of debt and pay-as-you-go capital projects:

Article 40 and Article 42 one-half cent sales taxes;  
The County's share of the occupancy tax;  
Countywide property taxes;  
The appropriate pro rata share of the retail/wholesale tax reimbursement; and  
Enterprise revenues.

The County reserves up to 20 percent of these annually dedicated revenues for pay-as-you-go projects. In addition, the pay-as-you-go policy restricts dedicated property tax revenue to 20 percent of a maximum of five cents in countywide property taxes. The FY 2000-01 adopted budget proposes to reduce the portion of annual revenues reserved for pay-as-you-go from 20 percent to 10 percent. The savings shall be diverted to the annual operating budget in the General Fund.

Investment earnings on unexpended debt proceeds shall be restricted to the payment of debt. Investment earnings on amounts restricted for the payment of debt and pay-as-you-go funds shall bear the same restrictions as the principal amounts generating these investment earnings.

Excess funds, if available, within the debt service fund may be used to provide advance funding for capital projects pending bond sale or loans to the equipment leasing fund. Such advances or loans would be repaid with interest based on the monthly yield of the North Carolina Cash Management Trust short-term investment fund.

This policy applies to the governing board and administration of the county and may be revised from time to time by the governing board, as it deems appropriate to meet the changing needs of the county for capital financing.

The Commissioners asked questions and made comments about the financing plan relative to wastewater treatment and associated concerns. Staff responded.

Interim County Manager Titus reviewed the recommended CIP highlights for the Commissioners. The highlights follow:

- Sixty-three projects have been submitted for the five-year CIP with a total estimated cost of \$548 million.
- Twenty-eight projects are recommended for partial or full funding during FY 2001-2006 Capital Improvement Program.
- Although requests focused on FY 2001-2006, many project requests have implications beyond the FY 2006 time frame. In addition, the County's ability to pay for projects extended beyond 5 years. This outlook resulted in a 30-year debt capacity analysis. The *Policy on Financing Capital Projects* and capital finance model are discussed further in the recommendation.
- The BOCC directed staff to provide preliminary recommendations to the BOCC in April. The BOCC adopted the Master Facility Plan on March 27, 2000, which served as the driver of placing County facility related CIP requests. In addition to the Master Facility Plan, staff used original recommendations from a CIP committee formed during FY 98-99. Durham City-County Planning Department reviewed population data as it related to the Library Regional Plan. The 20/20 Committee and Durham Planning Commission will review the Durham County and Durham City Capital Improvement Program(s) to ensure project overlap.

CIP recommendation highlights include:

- \$18 million in COPs (Certificates of Participation) for the American Tobacco Project
- \$36 million in COPs for the Wastewater Treatment Plant renovations in January 2001
- \$124 million in general obligation bonds for voter approval in November 2001
- Two-thirds bonds issuance of \$13 million in July 2002
- \$19 million in COPs in FY 2003
- \$151 million of general obligation bonds for voter approval in November 2003
- \$55 million of general obligation bonds for voter approval in November 2005
- Two-thirds bonds issuance of \$18 million in July 2009
- Durham Public Schools forecasted a six-year need of \$172 million. Durham Public Schools amended its request to include an additional \$20 million dollars for a new elementary school construction. The revised request is \$190 million. \$177 million of this requires local funding. Staff recommends bond referendums to meet school needs as follows: \$51 million bond referendum proposed November 2001, \$47

million bond referendum proposed November 2003, and a \$55 million bond referendum proposed in FY 2006. Additional needs are met in the outlining years through future proposed bond referendums.

- Durham Technical Community College completed a master plan for building renovations, new construction, and technical improvements. Durham Technical Community College capital need are addressed in the Pay-As-You-Go Fund and the bond referendum proposed in November 2001. Additional needs are funded in the out years through proposed future bond referendums.
- The Library Board of Trustees capital improvement plan proposed \$38 million to improve the Main Library and replace existing, inadequate branches throughout the County. The Library Regional Plan ranked low in the original CIP review committee process. Library project financing occurs by bond and Pay-As-You-Go funding over a ten-year period.
- EMS needs are addressed through bank financing, bond financing, and the Pay-As-You-Go fund. The new construction of a Lincoln EMS station is funded in the proposed FY 2001-02 bond referendum.
- Information Technology projects are recommended with a level of funding of \$200,000 for FY 2001, \$600,000 for FY 2002, and \$700,000 per year beginning FY 2003 in the Pay-As-You-Go fund. This funding approach will address changing technology needs.
- Open Space Land Acquisition is recommended from Pay-As-You-Go funds for the Little River Land Acquisition project during FY 2001. During FY 2002, staff recommends an allocation of \$300,000 for land acquisition. FY 2003-2010 has recommendations of \$400,000 per year.
- The Museum of Life and Science requested \$1.1 million in Pay-As-You-Go funding during FY 2001. The requested funding is not available in the Pay-As-You-Go funds during FY 2001. Staff recommends partial bond funding for the projects. Staff recommends addressing this project with dedicated revenue from a proposed one-cent prepared food tax.
- The Durham County Track and Stadium received a low priority in the staff ranking process. Staff recommends this project be addressed with dedicated revenue from a proposed one-cent prepared food tax.
- Facility maintenance needs are funded FY 2001 with \$50,000. Subsequent year funding is budgeted at \$100,000 per year. This approach budgets for unexpected capital and maintenance issues as the County constructs and renovates new facilities.

The Commissioners asked questions about the CIP to which the County Manager and Budget Director responded.

Ms. Titus moved to discuss the staff recommended CIP for a five-year period and the Pay-As-You-Go plan.

The Commissioners asked questions and made comments about the CIP to which the County Attorney and Interim County Manager responded. The Deputy County Manager also assisted with the responses.

Commissioner Bell detailed the parking deck plans.

A lengthy discussion was held about the CIP which included questions, comments, ideas, and suggestions.

Ms. Titus and Ms. Odom were asked by the Commissioners to bring additional information back to the Board on several items in the CIP.

In order to look at financing the CIP, Ms. Odom reviewed for the Commissioners the Capital Financing Plan Model--Thirty Years Ending June 30, 2030.

Several questions and comments were made about the Thirty Years Financing Plan to which Ms. Odom responded.

Commissioner Heron recommended that the Commissioners establish a very large citizen task force to promote the CIP approved by the County Commissioners.

Vice-Chairman Reckhow suggested that the Adequate Facilities Committee be involved in promoting and selling the CIP. The committee already knows a lot about our capital needs.

The Commissioners discussed various financing plans for CIP funding.

### **Next Meeting Scheduled**

Chairman Black said the next meeting is scheduled for Monday, June 12, 2000 at 3:30 p.m. to prioritize the CIP projects. Additional discussions will be held about the budget. The compensation plan will be discussed. The additional funding for the schools will also be discussed.

Ms. Titus said other items for discussion would be Emergency Medical Services, fire chiefs, and the Planning Department.

No official action was taken or voted on at this budget worksession.

Respectfully submitted,

Garry E. Umstead, CMC  
Clerk to the Board