

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

Friday, May 30, 2014

9:00 A.M. Budget Worksession

MINUTES

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

Present: Chairman Michael D. Page, Vice Chair Brenda Howerton and Commissioners Fred Foster, Jr., Wendy Jacobs and Ellen Reckhow

Presider: Chairman Michael D. Page

2014 – 2015 Durham Chamber of Commerce

Ms. Casey Steinbacher, President and CEO, Durham Chamber of Commerce (DCOC); Mr. Ted Conner, Vice President of Economic Development and Community Sustainability; Mr. John White, Vice President of Public Policy and Mr. Colin Tierney, Director of Digital Brand Marketing were present for the 2014-2015 DCOC budget presentation.

Ms. Steinbacher provided an introduction of the budget from the previous fiscal year and the proposed budget. She reviewed a PowerPoint presentation, *Greater Durham Chamber of Commerce: Durham County Economic Development Fiscal Year 2014-2015*. The presentation consisted of the following sections:

- Table of Contents
- Status of 2013 Initiatives
- Economic Development Recap 2013
- Web/Digital Strategy to Support Economic Development
- Website User Profiles Summarized
- Digital Objectives
- Telling the Durham Story Through Proactive Marketing
- So what is a "Story Studio?"
- Story Studio Funding
- Workforce Development Study: A Look at the Demand Side of the Workforce Equation
- Overview of Workforce Development Study
- 2014 Budget Request

Referencing the status of 2013 incentives portion of the presentation, Commissioner Reckhow asked if Durham County's return on investment (ROI) for job creation projects was based on the investment or the tax revenue. Ms. Steinbacher clarified stating the ROI was based on the actual investment. Commissioner Reckhow stated that it would be beneficial to review the ROI in terms of tax revenue. Ms. Steinbacher responded that such an analysis could be performed "after-the-fact" by the tax assessor once the improvements had been made.

Referencing slide four, Vice-Chair Howerton asked what types of businesses were included in the 57 percent of new jobs from new businesses. Ms. Steinbacher stated that there was a

spreadsheet distributed to the Board that documented types of businesses in question. She continued saying that the document tracked “new” versus “expanding businesses” and defined them by cluster--which clusters were creating the jobs. Mr. Conner confirmed the content of the document.

Vice-Chair Howerton questioned the use of funds that were appropriated to the DCOC for the purpose of researching business expectations related to job and skills development. Specifically, she asked about the use of funds allotted by the Board for Mr. Tierney’s position prior to his hiring on February 3, 2014. Ms. Steinbacher responded stating that some of the funds were used for “preparatory work” prior to Mr. Tierney’s arrival, and that the remaining funds were being held by the DCOC. Vice-Chair Howerton inquired about Mr. Tierney’s background with regard to economic development. Mr. Tierney stated that he held a bachelor of arts in public policy and that his professional career revolved around digital strategy, e-commerce and marketing. He continued saying that he had knowledge of policy and economic development, which allowed him to engross himself in the work performed by the DCOC. Vice-Chair Howerton asked how Mr. Tierney’s experience was related to the position for which he was hired. Ms. Steinbacher responded that much of what the DCOC did with regard to economic development involved marketing. She added the DCOC marketed business activity in Durham in order to bring prospective companies into the community. Ms. Steinbacher said that an increasing number of companies were approaching the DCOC with information that they had independently researched; thus the importance of the DCOC distributing marketable information about Durham to reputable sources.

Vice-Chair Howerton commented on the need for the aggressive marketing of Durham to potential businesses in addition to a website. Ms. Steinbacher stated that one of the initiatives of the DCOC was to present information about Durham in ways that would be useful to businesses that used economic development as a methodology to determine where they wanted to bring their companies. She continued saying that the website was not simply a website, but would be enriched with data that would be pushed out to multiple resources. Mr. Connor discussed the merits of telling Durham’s “story” in a consistent manner to clients.

Vice-Chair Howerton asked if the DCOC’s objective to “brand” Durham was different or complimentary to the branding activity at the Durham Convention and Visitors Bureau (DCVB). Ms. Steinbacher stated that the DCOC worked collaboratively with the DCVB. However, she noted that the DCVB was focused on visitors and conventions, whereas the DCOC was focused on businesses and business data. Ms. Steinbacher said that it was important to “intertwine” the concentrations of both organizations into one cohesive story about Durham.

Referencing slide 12, Commissioner Reckhow commented that it was her understanding that the FY2013-2014 budget request consisted of ongoing costs and one-time costs. She questioned the budget request for ongoing economic development digital strategy funds in the amount of \$40,000. Ms. Steinbacher stated that FY2013-2014 budget request consisted of \$85,000 for staff support and \$15,000 for marketing, and that the \$25,000 and \$40,000 funding requests were to be used for projects. Ms. Steinbacher recommended that the \$25,000 in funds be renewed for FY2014-2015 to support ongoing data analysis and strategy. Commissioner Reckhow suggested that the \$40,000 funding request be raised by the DCOC from private supporters. Ms.

Steinbacher clarified that DCOC actively raised funds to make up the organizations remaining budget and that the \$40,000 funding request included the \$15,000 for marketing; and added the \$25,000 for digital strategy to create one budget line item. Commissioner Reckhow suggested moving the \$25,000 into contingency and see if the remaining funds could be raised privately.

Commissioner Reckhow discussed the need for regular communication between the Board and the DCOC and for them to assist with efforts to recruit manufacturing representatives on boards and committees. She also stressed the need to coordinate and collaborate with regard to various community initiatives and programs.

Vice-Chair Howerton inquired if the City of Durham contributed \$20,000 for the DCOC FY2013-2014 budget for the study to be completed. Ms. Steinbacher replied stating that former County Manager Mike Ruffin was to request those funds from the City and that she was not involved in the decision making/funding process. She said that Mr. Ruffin communicated to her that even if the City did not contribute funding, that the study would still be conducted.

Commissioner Jacobs thanked Mr. Steinbacher and her team for the presentation given and expressed approval with the work of the DCOC. She asked if the DCOC would incorporate more social media into their marketing strategies, to which Ms. Steinbacher responded in the affirmative. With regard to the story studio, Commissioner Jacobs asked that the DCOC partner with local organizations such as The History Hub, The Center for Documentary Studies, et cetera. She discussed the need for adequate business representation on boards and commissions. She said that would be achieved by revising the Durham County Procedures for Citizen Appointments. In order to increase the effectiveness of the study report, Commissioner Jacobs recommended that it be distributed to various organizations such as Durham Public Schools, Durham Technical Community College, The Workforce Development Board, et cetera. She also discussed the need to assist local businesses with becoming a part of the global market. Commissioner Reckhow also urged the DCOC to hold seminars that provided information to businesses regarding foreign trade zones.

Commissioner Jacobs asked what effect the Durham County tax rate had on businesses considering relocating to or expanding in Treyburn Corporate Park. Mr. Ted Connor replied stating that the disclosure of the tax rate usually occurred later in the business development process, but was occasionally requested in the request for information (RFI). Ms. Steinbacher discussed the limitations on manufacturing sites in Durham County.

Referencing the increasing number of “luxury” apartment homes in Durham County, Commissioner Jacobs requested that the Board remain mindful of affordable housing in the county.

Chairman Page commented on the lack of funding from the City of Durham for the DCOC study. He continued by addressing the public opposition to the recommended tax rate increase and the requests for continued or increased services funded by the County. Chairman Page also questioned the number of people living in Durham who were actually employed in Durham. He stated that there were underserved populations in Durham who were unable to find local employment.

Ms. Marqueta Welton, Deputy County Manager, offered further clarification regarding the \$20,000. Ms. Welton recalled that former County Manager Ruffin was to discuss the City funding request with City Manager Tom Bonfield. She stated that the contingency money from the County was placed in the County Manager's budget, but had not been disbursed to the DCOC. She suggested that County Manager Davis discuss the current status of funding from the City with Mr. Bonfield. Ms. Steinbacher discussed her recollection of the funding request for FY2013-2014.

Commissioner Foster congratulated the DCOC on their work thus far. He reiterated the need for the DCOC's work on the development of a sports authority to leverage the various sports-oriented activities in Durham County.

Ms. Steinbacher inquired as to when the DCOC study report should be forwarded to the Board and staff. County Manager Davis stated the report should be distributed as soon as the final version was complete.

2014 – 2015 Tax Administration/Revenue Review

Ms. Kim Simpson, Tax Administrator and Mr. Keith Lane, Interim Budget Director, were present for the 2014-2015 Tax Administration/Revenue Review presentation.

Ms. Simpson provided an introduction of the budget from the previous fiscal year and the proposed budget. She then reviewed a PowerPoint presentation, *FY2014-2015 Revenue Review*. The presentation consisted of the following sections:

- Tax Base Variances
- Population Valuation % Growth (Graph)
- Property Tax "Natural" Growth
- Recommended FY15 Property Tax Rate
- FY2014-2015 Property Tax by Fund
- FY2014-2015 Sales Tax
- FY2015-2015 Article 46 (1/4 Cent) Sales Tax
- Revenue Highlights
- General Fund Revenues by Source (Graph)
- General Funds Fund Balance Percentage (Graph)
- Capital Improvement Plan Debt Funding
- Property Tax Rates Related to FY2014-2023 CIP (Graph)
- One Time Revenue Support

Referencing the FY2014-2015 County Manager's Recommended Budget, Commissioner Reckhow requested for clarification regarding the \$5 million tax revenue overage. She asked how much was collected by tax administration and generated by sales taxes. Mr. Lane responded stating that sales taxes would be collected for another four months, but that most over collection came from property taxes. Commissioner Reckhow cited the need for conservative planning with regard to anticipated tax revenue and County budgeting. She continued saying that such conservancy resulted in an annual tax revenue overage, which must be considered due to the proposed property tax increase. Ms. Simpson stated that FY2013-14 resulted in the largest tax revenue overage due to the incorporation of the NC Tag and Tax Together Program, but that the buffer was in place to protect the County against the unknown. Commissioner Reckhow discussed tax revenue with regards to new construction in Durham County. Ms. Simpson discussed the efforts of Tax Administration staff to accurately and timely value new construction projects.

Mr. Lane stated that \$11.2 million were budgeted during FY2014-2015 as a fund balance acting as a revenue source. He said that the fund balance was paid back to the County by under spending for expenditures and over collecting in property and sales taxes. Mr. Lane advised that if the collection rate was raised to 99.5 percent, that the fund balance should be reduced because over collection would not occur. He said that continued growth and valuation were the best scenarios.

Commissioner Howerton discussed her conversation with Ms. Simpson regarding tax revenue in surrounding counties. Ms. Simpson stated that counties projected growth and valuation in tax revenue as a result of the NC Tag and Tax Together Program, but such revenues were not immediately collected.

Commissioner Jacobs noted that the County expected tax revenues in the amount of \$3.7 million and that the Classification and Compensation Study would cost \$3.8 million (Phase I). Commissioner Reckhow clarified stating that the tax revenues were expected to be \$6.5 million in new property and sales tax revenues. Commissioner Jacobs asked if the County was required to make payment on debt service for the current fiscal year, to which Mr. Lane responded in the affirmative. Commissioner Reckhow asked how payment on the debt service would be addressed at the rate of 0.86 cents. Mr. Lane responded that a payment would be made of approximately \$2.7 million from other available revenue sources. He discussed an assessment of FY2014-2015 increased budgetary costs.

Commissioner Jacobs asked about the percentage of the fund balance that was represented in the proposed budget. Mr. Lane stated that \$10.6 was budgeted for FY2013-2014 and \$11.2 million was budgeted for FY2014-2015, a difference of approximately \$600,000.

Commissioner Reckhow commented on the amount of money that the County was expending for salaries and benefits. Mr. Lane expounded that the Budget & Management Services Office had been aware of revenue growth that was not keeping up with growing expenditure trends. He continued to say that there were many cost increases that needed to be offset by property and sales tax growth. Sales, property, and occupancy taxes make up 75 percent of total general fund revenue.

Commissioner Jacobs reiterated the need to determine the fiscal feasibility of departmental budget requests. Referencing County Manager Davis' FY2014-2015 recommended budget presentation, Mr. Lane noted that since 2008, there had been three tax increases related to debt service and schools. Accordingly, there had been no tax rate increases related to budgetary increases in County departments in a decade. Commissioner Jacobs commented that the Board needed to also keep FY2015-2016 in perspective with regard to budgetary allotments for the fiscal cycle in question.

Mr. Lane discussed the lack of available data regarding of sales tax collections. He stated that the largest months for sales tax collections were April, May and June. Data for the month of April would not be available until June 10. Commissioner Jacobs commented on how legislation from the General Assembly could affect Durham County costs and revenues.

Chairman Page inquired if funds followed charter school students who enrolled in Durham Public Schools (DPS) after the start of the traditional school year, to which Mr. Lane replied in the affirmative. He said that the approximate \$3,069 per-pupil student expenditure “followed” students and would return to DPS if a student was re-enrolled from a charter school. The Board discussed miscommunication regarding the return of funds to DPS for re-enrolled charter school students.

The Board discussed funding and revenue sources for Emergency Medical Services (EMS).

Commissioner Jacobs asked what amount of funds would be available if the fund balance percentage was set at 25 percent. Mr. Lane stated that he was unable to estimate what funds would be available as the current fiscal year data was still being collected. Commissioner Reckhow asked if a portion of the fund balance could be used to fund County vehicle purchases. Mr. Lane replied that a portion of the Risk Management fund balance was used to support one-time purchases of public safety vehicles and associated equipment.

Referencing slide 11, Commissioner Reckhow inquired if one of the sales tax figures represented funds from the quarter-cent sales tax that was dedicated to debt service. Mr. Lane responded in the affirmative stating that sales tax [article] 46 produced funds in the amount of \$2.3 million. She asked if the \$4.2 million that was being transferred from the Community Health Trust Fund for debt related to the Human Service Complex was sustainable. Mr. Lane stated that the transfers were built into the capital budget plan and would be used for no more than two years to address debt service on the Human Service Complex.

County Manager Davis commented on the need to address several issues including: outstanding 20-year debt, payment on the 10-year Capital Improvement Plan (CIP), strategic fiscal planning and the need for increased communication with DPS. Commissioner Reckhow expressed interest in reviewing ways to decrease costs within the budget in question. Commissioner Jacobs requested that staff research means for funding expenditures outside of increasing taxes.

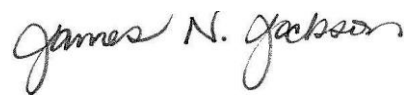
The Board discussed the need to differentiate between essential needs and requests that could be delayed.

County Manager Davis questioned if staff should be directed to review reductions and modifications to the recommended budget in light of a 2.73 cent tax rate increase, to which the Board agreed.

The Board discussed the scheduling of the remaining budget hearings.

There being no further business, the meeting was adjourned.

Respectfully Submitted,

A handwritten signature in cursive script that reads "James N. Jackson".

James N. Jackson
Deputy Clerk to the Board