

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

Monday, March 16, 2015

1:00 pm Budget Retreat

**MINUTES**

Place: Criminal Justice Center, 326 E Main Street, Durham, NC

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

Absent: None

Other Attendees: Wendell Davis, County Manager; Michelle Parker-Evans, County Clerk; Lowell Siler, County Attorney; Martha Marshall, Consultant; Ray Gronberg, Herald Sun Reporter; Executive Leadership Team – Lee Worsley, Deborah Craig-Ray, Drew Cummings, Cora Wilson, Tammy Baggett, Gayle Harris, Gudrun Parmer, George Quick, Claudia Hager, Greg Marrow, Richard Edwards, Michael Davis, Dionne Hines; Kim Simpson, Tax Administrator; and Budget Staff – Keith Lane, Kim Connally, and Andy Miracle

Chairman Page called the meeting to order. He welcomed everyone to the budget retreat and called on the County Manager to proceed.

**Introduction**

Manager Wendell Davis shared an overview of what the retreat would cover including updating the Board on Managing for Results (MFR) and NACo economic trends. He indicated that progress was slow but steady. Compared to our peers across country, we were better off than many other jurisdictions. Regarding population estimates, the region was expected to grow by 1 million in the next 15-20 years. In summary, Durham County had a stable economy, was in a solid fiscal condition, but had experienced a slowed revenue growth over the past five years. In light of current economic trends, a changed budgeting strategy was required to manage short and long-term priorities. The Manager asked staff to find \$3.2 million to reinvest in 2015-16 budget priorities.

**Budget Vision and Planning**

Martha Marshall, Consultant, led the discussion on Budget Vision and Planning Process. She shared Managing for Results examples from three other regions. She asked the Board to think about what worked well in their budget process and what they would like to see changed.

Chairman Page shared his concerns about the nonprofit process. He was especially concerned that Durham County's funding be used for programs and not for salaries of nonprofits. Ms.

Hager commented that there would be additional scrutiny used this year in reviewing nonprofits, including site visits.

Other comments of what worked well included having an analysis that showed trends/performance data/staff review of nonprofits; departments started tying things into the strategic plan; departmental presentations.

Changes the Board would like to see included-- over time looking at longitudinal data on results; how the Board would take on new initiatives without being reactionary; performance vs targets; setting priorities as a board to guide funding; becoming more informed about future trends and tying in to initiatives that the Board funded; a comparative analysis across departments of where they have been, where they are going; human capital vs delivery of services (investing in employees); systematic input from citizens; and challenges and opportunities by department heads.

Martha Marshall posed the question regarding Future Vision. The priority consensus of the Board was:

- education outcome (children and adults)
- transit/affordable housing
- reduce poverty/increase income/jobs

The Board offered the following comments regarding how it viewed its role in the budget process changing in the next three years:

- Benefit by having a post budget review at the August Worksession to provide early input if there was something that needed to be changed;
- Work on amending the nonprofit process - decide on what the process would be;
- January Worksession - proposed engagement process for the upcoming budget and tie down dates;
- Have Board concurrence drive budget priorities;
- Decide how the Board wanted to interact with the community in the budget process.

### **Finance**

George Quick, Chief Finance Officer, reported that the financial foundation for Durham was as strong as it had ever been. He explained the SWAP process and that SWAPs were failing because of going from floating to fixed. Durham County's SWAP was based on fixed to floating. The initial cash investment was less than \$500. The reserve was \$4.5 million. The County's SWAP was appreciating.

Mr. Quick explained the uses of the health trust fund---health care services/EMS services/anything related to the health of the Durham County community.

Mr. Quick commented that he would like to remain in upper 3rd in liquidity and would not want to see the County decrease its fund balance below 25%.

### **Property Tax**

Kim Simpson, Tax Administrator, discussed several legislative bills that could affect the County's tax revenue. HB168 would take away growth. She projected a 2.09% budget growth; however, that number was dependent on legislative action. Ms. Simpson further elaborated on her strategy for presenting her estimates to the Board.

### **Budget Review**

Claudia Hager, Budget Director, highlighted the anticipated growth in 2015-16 would be \$4,336,023 to \$4,689,753 with no tax rate increase.

Ms. Hager outlined the following strategy for the upcoming budget year:

- Assumes slow growth in key revenues (property values & sales taxes)
- Maintain service levels
- Operational budgets developed from base
- Continue to focus on departmental expenditure trends
- New programs or activities must show alignment with County's strategic plan goals
- Higher debt service

Challenges/considerations for the upcoming year included:

- Prepping for Revaluation
- Inflationary operating expenses
- Deferred maintenance and equipment replacement
- Insurance increases (Health and Dental)
- Continuation of pay for performance
- Compensation study implementation (Phase III)
- Managing For Results Infrastructure

The Clerk was requested to begin polling the Board to find Budget Worksession dates between May 27 - June 12.

The meeting was adjourned.

Respectfully submitted,



V. Michelle Parker-Evans  
Clerk to the Board