



**FY 2015-16
County Manager's
Recommended Budget**

**DURHAM COUNTY, NORTH CAROLINA
FY 2015-16 RECOMMENDED BUDGET**

BOARD OF COUNTY COMMISSIONERS



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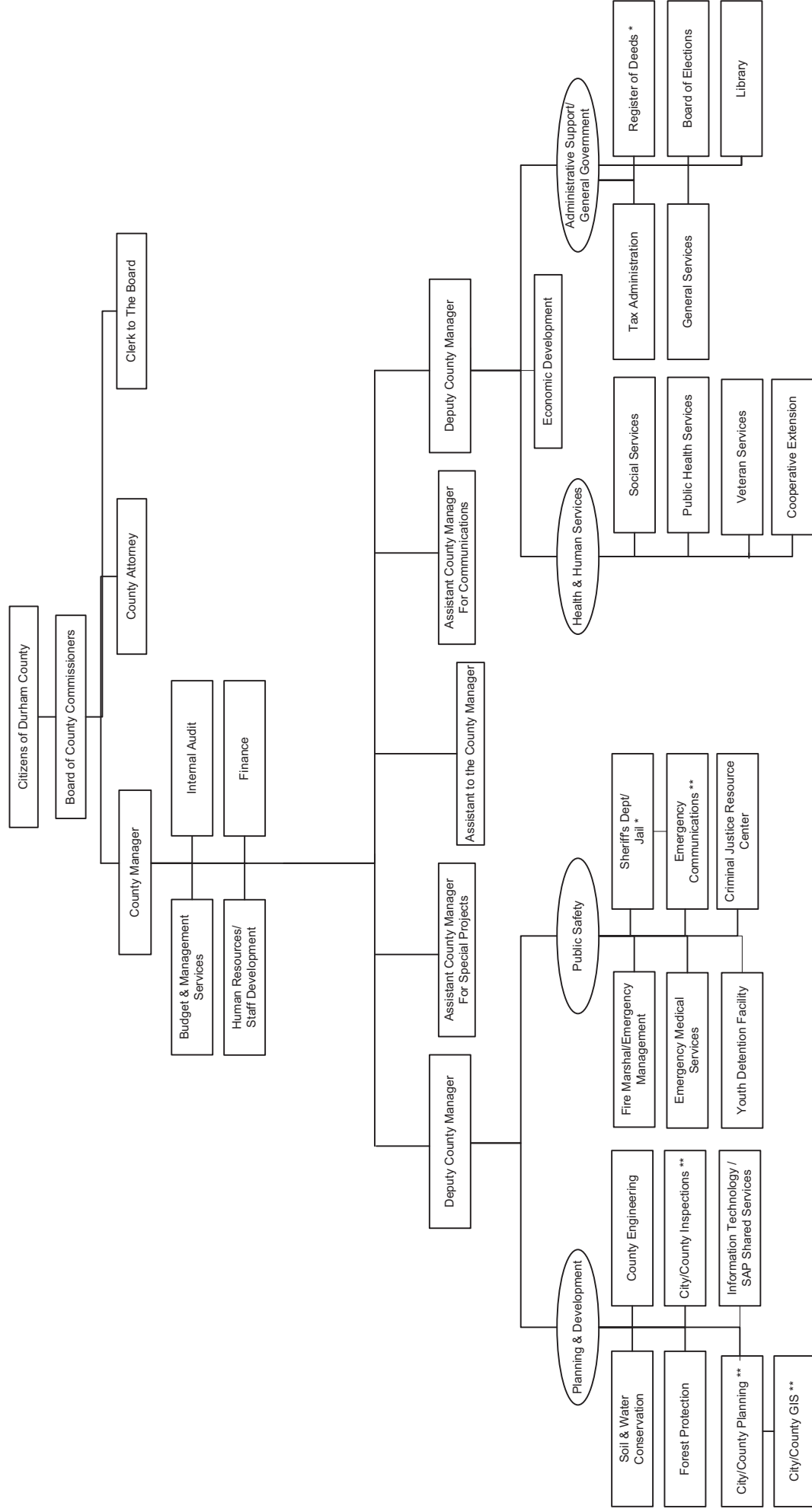
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Durham County, North Carolina General Administration Organizational Chart



* Elected Officials

** Joint City/County Departments



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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For the Fiscal Year Beginning

July 1, 2014

Jeffrey R. Emswiler

Executive Director

READER'S GUIDE

This section is designed to help the reader understand the budget by explaining how the document is organized. This document is a financial plan for Durham County government operations for the July 1, 2015 through June 30, 2016 fiscal year and shows how funds are allocated and how they will be spent.

FUND STRUCTURE

The Durham County operating budget is organized into funds with corresponding tabs in this booklet. The **General Fund** (Fund 1001010000) is the primary fund where the majority of County services are accounted. The General Fund is further divided into functional areas, which include General Government, Public Safety, Transportation, Environmental Protection, Economic/Physical Development, Human Services, Education, and Culture and Recreation.

Each functional area is comprised of at least one business area which represents either a County department or a budgetary unit. Within each business area, there may be one or more fund centers in which funds are budgeted to show the expenditures and revenues associated with a particular program within a county department, or activity within a budgetary unit. Each department or program summary contains a description, accomplishments of the past fiscal year, performance measures, a budget summary, and the number of authorized personnel in Full-time Equivalent (FTE) positions. Departments with more than one program have a business area summary sheet that precedes the programs.

Each fund center is represented by a summary of appropriations in the following categories of expenditures:

- **Personnel Services**
Personnel Services in this document refer to the costs associated with personnel, such as salaries and benefits.
- **Operating Expenses**
Operating Expenses in this document refer to the costs of daily operations such as office supplies, travel, telephone, etc., for a department or program.
- **Capital Outlay**
Capital Outlay refers to a fixed asset with an estimated purchase price of \$5,000 or more and a useful life of more than one year. These items typically include furniture, office equipment, automobiles, and other capital equipment. Items in excess of \$100,000 with a useful life of 20 years, such as buildings, are included in the County's Capital Improvement Plan (CIP).

The remaining budgeted funds are described below.

Other General Funds

Risk Management (Fund 1001020000): This fund focuses on minimizing operational risks and promoting workplace safety.

SWAP Fund (Fund 1001030000): This fund represents a complicated financial agreement based on outstanding debt (see page 256 of the document) that brings in over \$1.5 million in revenue to the County each year. The revenue is used to offset yearly debt service payments.

Capital Financing Plan Fund (Fund 1001250000): This fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities. The capital projects fund also is used to accumulate funds to finance a CIP.

Benefits Plan Fund (Fund 1001500000): This fund represents the budget for the benefits offered to eligible County employees and retirees.

Debt Service Fund

The **Debt Service Fund (Fund 3003040000)** is used to account for the payment of principal, interest, and related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted for specific purposes. The County budgets the following special revenue funds: **Bethesda Fire District (Fund 2002130000)**, **Lebanon Fire District (Fund 2002140000)**, **Parkwood Fire District (Fund 2002150000)**, **Redwood Fire District (Fund 2002160000)**, **New Hope Fire District (Fund 2002170000)**, **Eno Fire District (Fund 2002190000)**, **Bahama Fire District (Fund 2002210000)**, **Special Butner District (Fund 2002250000)**, **Special Park District (Fund 2002220000)**, and **Bethesda Fire and Rescue Service District (Fund 2002230000)**.

Enterprise Funds

The **Sewer Utility Fund (Fund 6006600000)** is used to account for the revenues and expenses related to the provision of sewer service as well as the debt service for the fund.

Trust Funds

George R. Linder Memorial Trust Fund (Fund 7007050000): This private-purpose trust fund is used to account for resources legally held in trust specifically for the Library.

Law Enforcement Officer's Retirement Trust Fund (Fund 7007700000): The pension trust fund accounts for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified Public Safety employees.

Community Health Trust Fund (Fund 7007080000): This fund accounts for the financial resources acquired through the leasing of Durham Regional Hospital to Duke University, accounts for the earnings of these financial resources, and ensures the financial resources are used for health-related operating and capital expenditures.

SUPPLEMENTAL SECTIONS

The **Summary** section provides a summary of sources of revenue and expenditures from the General Fund. An overview of revenue sources is included. This section also provides a brief account and graphs of all funds budgeted for the fiscal year beginning July 1, 2015. In addition, the section contains a summary of FTEs for all funds.

The **Appendix** contains supplemental information that includes the FY 2015-16 Budget Calendar and the FY 2015-16 nonprofit budget request. The **Glossary**, also found in the Appendix, contains information to help the reader understand the terminology used in the budget document.

ADDITIONAL INFORMATION

In accordance with North Carolina General Statutes, the **basis of accounting and budgeting** for the County is **modified accrual**. This means that **revenues** are recorded in the period in which they are **measurable** and **available**. Revenues are recognized when they are received in cash (e.g., licenses, fines, etc.) or when the collection of the amount estimated to be received in the near future (e.g., property taxes). **Expenditures** in a modified accrual basis are generally recognized in the period when goods and services are received or liabilities are incurred.

Capital projects, funded primarily by general obligation bonds, are presented in a separate document, the **Durham County Capital Improvement Plan**. This document is a ten-year plan that is updated biannually.

The annual operating budget includes information from the **Results Based Accountability (RBA)** initiative on departmental pages. Departments were asked to submit a graph, a two-year history, and strategies for improvement for two to three key performance measures.

This document was prepared by the Durham County Budget and Management Services Department and is available online at www.dconc.gov. If further information is needed, contact Budget and Management Services at 200 East Main Street, 4th Floor, Durham, North Carolina 27701, by phone at (919) 560-0012, or by email at budget@dconc.gov.

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**DURHAM COUNTY
FY 2015-16 RECOMMENDED BUDGET**

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COUNTY OF DURHAM

WENDELL M. DAVIS
COUNTY MANAGER

May 26, 2015

The Honorable Members
Durham County Board of County Commissioners
Durham County Administrative Complex
200 East Main Street
Durham, NC 27701

Dear County Commissioners,

I am pleased to present a comprehensive spending plan for Durham County Government for fiscal year 2015-16. The document is in accordance with the North Carolina Local Government Budget and Fiscal Control Act; further, it fulfills my obligation to present a balanced fiscal plan by June 1, 2015. The recommended budget ensures the County's financial standing remains strong and also supports priorities consistent with Durham County's strategic goals and guidance given during the Board of County Commissioners (BOCC) budget retreat in March 2015. The Board's direction conveyed a continual desire for strategic investments that meet long-standing community needs.

The Durham County Manager's recommended Fiscal Year (FY) 2015-16 budget totals \$564,124,229, with no property tax increase to support the overall General Fund activities. Funding supports annual debt service related to long-term capital investments, including the new County Courthouse, the Human Services Building, and the continuing issuance of 2007 voter-approved General Obligation bonds for Durham Public Schools, Durham Technical Community College, and the NC Museum of Life & Science. The budget also funds a variety of needs within the County's General Fund, including meeting increased demand for services and implementing the final phase of a three-phase compensation study. The total Durham County budget increase is \$13,560,967 or 2.46% over the FY 2014-15 approved budget.

Table 1: FY 2015-16 Recommended Budget Summary

Fund	FY 2014-15 Original Budget	FY 2015-16 Manager Recommended	% Difference
General	\$378,794,804	\$394,757,221	4.21%
Total All Funds	\$550,563,262	\$564,124,229	2.46%

Budget Outlook

Going into the FY 2015-16 budget development cycle there were known expenditures that could potentially result in a property tax rate increase. More specifically, during last year's FY 2014-15 budget development process, I communicated to the Board a potential need in FY 2015-16 to increase property taxes to support funding the final phase of the classification and compensation study recommendations. In addition to this expense, 2015-16 budget pressures included inflationary operating expenses, increased demands for services and the lingering impacts of departments still recovering from cuts made in 2009 due to the economic downturn. Despite the passage of several years since the permanent reductions, some departmental budgets have not been restored to meet current population demands or increased service requirements. Such growth has placed significant pressure on human services and public safety operations, and institutions such as Durham Public Schools, Durham Technical Community College and the NC Museum of Life and Science.

Fortunately, notwithstanding these increased financial pressures, Durham County remains in a solid fiscal position. For over 20 years, Durham County has met the financial goals necessary to be awarded a triple A bond rating. We are one of only 69 counties in the United States that the rating agency Standard & Poor's has listed as AAA and one of only six of North Carolina's 100 counties that are AAA rated. But our favored status cannot shield us from the realities of managing increased expenditure pressures and declines in certain revenue streams, potential legislative actions regarding the redistribution of sales taxes, and other policy changes that decrease revenue intended to support local government communities.

Property Taxes Revenues

Although Durham's economic environment is stable, specific areas have yet to return to pre-recession levels. This is best represented when reviewing the natural property tax base growth over the past 10 years. Natural tax base growth occurs from real and personal property base increases from year to year. As with most jurisdictions, in Durham County, real property growth occurs from new construction, increased home prices, and an addition in the business valuation base. Natural growth in property valuation increases property tax revenue without raising the property tax rate and therefore mitigates pressure to raise property tax rates to support county service needs.

Chart 1: Property Tax Natural Growth Rate



Across the five fiscal years pre-recession — 2003-04 to 2007-08 — the average rate of natural tax base growth was 3.7%. After the recession, from fiscal years 2009-10 to 2013-14, the average rate was 1.6%. Failure to meet the net percentage growth of the first five years in the second five years represents a property tax revenue loss of \$23.4 million dollars.

From FY 2014-15 to FY 2015-16, we project a property valuation growth of 2.09% or \$655.8 million (see Table 2). This translates to \$4.7 million of new property tax revenue available for General Fund and debt service needs without raising the property tax rate. The annual property valuation growth rate is slightly higher than the five-year average.

Table 2: Budget to Budget Growth

Assessed Value	FY 14-15 Budget	FY 15-16 Projections	Change in Base
Real Property	\$25,708,434,347	\$26,152,065,688	1.72%
Personal Property	\$3,373,609,112	\$3,440,862,642	1.99%
Public Service	\$489,915,862	\$540,732,429	10.37%
RGV	\$1,799,900,000	\$1,894,000,000	5.23%
Total	\$31,371,859,321	\$32,027,660,759	2.09%

Sales Tax Revenues

The total amount of FY 2015-16 budgeted sales tax revenue for Durham County is \$69.6 million, the equivalent of 21.88 cents of property tax. The 15.09% growth in sales tax revenue this year equates to \$9.1 million, or 2.86 cents of property tax. Simply put, growth in sales tax revenue means less pressure on growth in property tax revenue. It should be noted that 15% growth is higher than normal growth for sales tax revenue and represents a significant increase in local and state economic activity, as well as a reduction in the amount of sales tax refunds to non-profit entities. Given the rarity of such a large increase, we exercised heightened caution in estimating sales tax collection for FY 2015-16.

Table 3: Sales Tax Projections

Sales Tax Article	FY 2014-15 Original Budget	FY 2014-15 12 Month Estimate	% from FY 2014-15 Budget	FY 2015-16 Manager Recommended	% from FY 2014-15 Budget
Article 39	\$17,899,671	\$20,891,544	16.71%	\$21,357,953	19.32%
Article 40	\$10,137,717	\$10,937,909	7.89%	\$11,375,429	12.21%
Article 42	\$12,211,133	\$13,849,730	13.42%	\$14,233,465	16.56%
Article 44	\$0	\$1,789	N/A	\$0	N/A
Article 46	\$10,300,000	\$11,692,495	13.52%	\$11,800,000	14.56%
Inter-local	\$9,976,851	\$10,445,533	4.70%	\$10,894,599	9.20%
Total	\$60,525,372	\$67,819,000	12.05%	\$69,611,446	15.09%

Other Revenues

Other revenues continue to grow slowly or not at all. Most notably, I anticipate that Register of Deeds fees, collected from the sale of new or existing homes, will decrease for FY 2015-16 by as much as 30% due to increased interest rates, the increased complexity of acquiring home loans and the limited housing supply. This drop was unexpected after at least three years of growth, but it underscores the new reality local governments must operate within.

Despite modest growth in some revenue streams, we are growing less able to depend on revenue growth other than property tax increases to support our increasing needs. Much of the County's "natural" growth in revenue is absorbed into salary growth of existing positions, increased benefits costs for employees, and funding of state mandates. Going forward, the County has to find ways to increase its capacity for service delivery. This is one of the many reasons why the Managing for Results (MFR) business model is critical. Over time, it will allow us to focus on strategic investments aimed at better community outcomes.

Budget Realignments to Mitigate Tax Increases

During the budget development process, departments were asked to evaluate opportunities to realign existing budgeted dollars to yield improved operational efficiencies and/or increase overall departmental performance. In effect, this directive decreased requests for funds to support needs identified in the current operating budget. The increased emphasis on realignment of existing funds resulted in \$3.5 million to support priority budget investments.

General Services identified \$1 million for reinvestment from operational efficiencies gained through several cost-saving measures. The Engineering Department facilitated a performance management contract two years ago to support our sustainability efforts resulting in significant cost savings through increased energy-efficiency, renewable-energy, and water-efficiency projects, which have garnered significant utility savings. General Services realized these cost savings in their operating budget. Warranty repairs and a negotiated settlement holding the contractor accountable for installations at the County Courthouse has meant additional maintenance cost savings. The transition from contract maintenance services (Aramark) to focused investments on priority Jail repairs performed by staff has allowed for reinvestment of costs to other priority needs.

The Department of Social Services redirected over \$934,000 in funding to enhance program performance, decrease operational expenses and improve desired outcomes. The budget realignments decreased the amount of funds DSS would have requested to support State mandated staffing levels in Child Protective Services and revenue shortfalls. The most significant transition was the position realignments currently funded to work in between Durham Public Schools and the Department of Social Services. This change maintains a DSS presence in Durham Public Schools with five positions to support Child Protective Services In-Home.

Another six realigned positions support countywide Child Protective Services, the Community Alternative Program, Adult Home Care, information and communication strategies and fiscal management. These position realignments total \$689,000.

Further DSS budget realignments moved funds from computer equipment to support in-home meal deliveries for elderly at-risk populations (\$156,995), with the remaining funds realigned to transition the Child and Family Team Facilitator from a contract to agency staff position (\$87,604).

At EMS, a changed billing approach will yield greater operating efficiencies and increase collection percentage for outstanding bills. The resultant impact from this process change is projected to yield an additional \$1 million in revenues in FY 2015-16.

Strategic Plan

Working within continuing fiscal limitations, you will see a renewed focus this year on making our Strategic Plan a living document guiding the County as it strives to excel in the provision of critical services to our community. As we transition to the Managing for Results business model, the strategic goals of community and family prosperity and enrichment, health, safety, environmental stewardship, and government accountability will focus our operational investments.

Our Strategic Plan, adopted by the Board in the spring of 2012, is a road map for continuous cultural change and improvement. This fiscal year, we will “refresh” the Strategic Plan to find better alignment with our departments and also to ensure it operates within the context of Managing for Results. We will remain focused not only on our goals but also on our core values: accountability, commitment, exceptional customer service, integrity, teamwork, and collaboration. The following section captures budget recommendations organized by strategic goal.

Goal 1: Community and Family Prosperity and Enrichment

Durham Public Schools

Durham Public Schools continues to be the single largest source of expenditure for Durham County Government. In the current FY 2014-15 budget, Durham Public Schools has a current operating budget of \$120.2 million out of a total General Fund budget of \$378.8 million. That's nearly 31.7% of the total County General Fund.

For FY 2015-16, the Durham Public Schools Board of Education has requested an increase of \$7.8 million in additional county funding. The request supports enrollment growth increases for 590 additional students (\$1.8 million), a salary supplement increase (\$1.5 million), and resources to fund extracurricular teaching supplements (\$300,000). The remaining request restores funding to 33 teaching positions (\$1.9 million) and supports a classified supplement at 2% and 3% (\$2.3 million).

I am recommending \$1.8 million in increased current operating support to fund estimated new pupil growth (590) through a combination of property tax dollars and BOCC policy directed use of additional Article 46 sales tax. We have consistently stayed among the top five county governments in local funding per student and Durham County will maintain its position as one of the state's top five counties for highest local "per pupil" funding at \$3,069. In addition, Durham County will also pay \$30,160,166 in debt service for school facilities during FY 2015-16. Total current expense funding for Durham Public Schools for FY 2015-16 will be \$122,055,356, or 30.92% of the entire General Fund budget. In addition to the direct operating expense and debt service payment for Durham Public Schools, an additional \$2.9 million is allocated in County department budgets to support School Resource Officers, Nurses and Social Workers.

For decades, Durham County has invested heavily in public education for operational support and capital infrastructure. However, we are not seeing the academic outcomes necessary to meet our long-term strategic goal of community and family prosperity and enrichment. With an annual outlay of \$150 million, we need to better understand how we can achieve a greater return on our investment. I am recommending a policy discussion in the early fall to include Durham Public Schools, charter schools and other key stakeholders to determine strategies to yield better outcomes in K-12 education.

You may remember that last year I called for a similar discussion with DPS about developing a mutually supported funding strategy that would continue to keep DPS financially secure, but also recognize and ensure the long-term viability of Durham County revenue growth and needs outside of local school funding. As the County moves forward with performance-driven data, DPS should be a vital but equal member of the myriad Durham County service departments, and should work within the fiscal and performance constraints and challenges that the County faces as a whole. As with county agencies, DPS budget realignments should occur without an expectation of additional county funds.

While Durham is recognized as one of the nation's innovation hubs, it is of the utmost importance to place a greater emphasis on educational achievement and positive outcomes as we strive to develop our Human Capital. Enrico Moretti points out the following in *The New Geography of Jobs*:

"Good jobs and salaries increasingly come from new ideas, new knowledge, and new technologies. This shift will continue and probably accelerate in the future. In the coming decades, global competition will be about attracting innovative human capital and innovative companies. The importance of geography and the forces of agglomeration in determining the location of human capital will keep growing. The number and strength of a country's brain hubs will determine whether it will prosper or decline. Physical factories will keep losing importance, but cities with a large percentage of interconnected,

highly educated workers will become the new factories where ideas and knowledge are forged.”

In a cutting-edge 21st century Durham, making educational performance our most important priority will be our heaviest and most crucial lift for the long-term sustainability of our community. I am hopeful we can begin crucial community conversations in fall of 2015 with all of the appropriate stakeholders to devise effective strategies.

These conversations will help to prepare and strategize approaches required for the full implementation of Managing for Results by FY 2017-18.

Durham Technical Community College

Durham Technical Community College (DTCC) requested funds to support campus police and security salary market-adjustments, contracted services for waste removal, housekeeping and HVAC maintenance, legal services and increased insurance cost. In addition, the requested funds would repair aging campus facilities and support equipment and technology replacement (\$275,000). The Article 46 sales tax revenue allocated to support DTCC scholarships is projected to increase \$196,838 in FY 2015-16, bringing the total projected funds to \$1,102,809. Over the past several years, the Article 46 sales tax funds allocated to support tuition scholarships have not been fully utilized.

I am recommending that the Board amend its policy on the one-quarter cent sales tax (Article 46) to expand DTCC’s use of funds for critical operating budget needs. When the Board adopted the policy in 2011, the resolution included language that stated, “a review and adjustment may be necessary from time to time in order to re-evaluate the needs initially agreed upon by the County Commissioners and the Durham Technical Community College President.” I am recommending that the \$196,430 projected increase in sales tax revenues be used to fund operating budget needs identified in the FY 2015-16 budget request.

Nonprofit Funding

Nonprofit support continues to be an integral part of the overall County system of service delivery to its residents. Where direct County services are limited, many nonprofits fill the gap; where County services are generalized, other nonprofit services are specialized. However, the County always must confront the issue of how best to allocate limited resources. As we develop the infrastructure for Managing for Results, I am recommending limited expansion of new initiatives. This strategy is also in effect in the evaluation of nonprofit allocations.

In FY 2014-15, 46 nonprofits were funded at \$818,669; three of those agencies did not reapply for funds in FY 2015-16. Altogether, 79 nonprofits applied for funding in FY 2015-16 with requests totaling \$1,926,233.

I recommend flat funding for the returning applicants funded in FY 2014-15, totaling \$640,038. No funding is recommended for nonprofits that were not funded FY 2014-15, including any new nonprofit requests. It should be noted that Senior PharmAssist will be funded in Public Health’s budget for FY 2015-16 at the same level that they were funded in the prior year. The move was designed to enhance strategic alignment and operational efficiencies.

In September 2015, staff will solicit input from the Board of County Commissioners on proposed changes to the nonprofit application funding process. The recommended changes will be implemented during the FY 2016-17 budget development cycle.

My Brother's Keeper

My Brother's Keeper is a White House Initiative that "addresses persistent opportunity gaps faced by boys and young men of color." The purpose of the initiative is to ensure that all young people are provided with tools they need to reach their full potential. Durham will focus efforts on educational attainment, job training and placement, court involvement and health. The recommended budget includes a position to facilitate collaborative efforts between the My Brother's Keeper Advisory Committee, county departments, external agencies and other community stakeholders (\$75,585).

Goal 2: Health and Well-being for All

Department of Social Services

The Department of Social Services budget grew over the current budget year due to adjustments made in FY 2014-15 to recognize additional state and federal revenues. These changes were done to support the NC Fast, Child Welfare and Child Protective Services program and other revenue supported programs. In addition, the base budget also grew due to the impact of funds allocated to the classification and compensation study and the annualized salary increases. These overall adjustments increased the original budget level by over \$3.5 million, with corresponding increases primarily from state and federal revenue sources. Local funding supports the remaining amount.

As previously mentioned, DSS redirected over \$936,000 in existing funds to support Child Protective Services, the Community Alternative Program, Adult Home Care, and administrative operations. The realignments convert 11 part-time positions to full time, resulting in an increase of 2.65 positions (\$109,642). The budget also supports one replacement vehicle required for Child Protective Services social work positions.

Public Health

In Durham County, thousands of Medicaid children up to age 21 have not received age-appropriate preventive well-child services. In North Carolina, health departments have the ability to provide enhanced role registered nurses (ERRNs) trained specifically to provide well-child preventive services under the direction of a physician. Through the collaborative efforts of Duke University, Durham Public Schools, NC DHHS Division of Public Health and Durham County, the ERRN model is being implemented in five DPS elementary schools.

Support for this program was provided three years ago from the proceeds of the sale of the Home Health Agency (which are now included in the Community Health Trust Fund) and \$60,000 from Duke Community and Family Medicine Division of Community's federal grant for the support of equipment purchases and renovations at the five elementary school sites. In addition to dedicated clinic space at each of the schools, Durham Public Schools provided administrative staff support for the clinics. Community Health Trust Fund funding support for this effort ends June 30, 2015 and the Department of Public Health has requested continued funding for this important health initiative for Durham Public Schools and the community. I am recommending this ongoing expense receive funding from general fund revenues totaling \$225,111.

Goal 3: Safe and Secure Community

Sheriff

The Sheriff's Office FY 2015-16 budget request increased \$3.9 million to fund positions in critical service areas, replacement vehicles that met the replacement schedule requirements and required significant repair and maintenance, and replacement equipment. In FY 2008-2009, the Sheriff's Department lost 21 positions due to required budget reductions, resulting from the economic downturn. Although positions have been added to the Sheriff's Department budget since the 2008-09 budget reduction; the additions have not aligned with the population growth demands, nor do they replace many of the specialized positions lost in the aforementioned FY 2008-09 budget reduction.

The Sheriff's fiscal year budget request included fourteen (14) positions. I am recommending seven (7) critical positions including two (2) Sheriff Deputies, one (1) Forensic Specialist position, two (2) Telecommunicators, one (1) Public Information Officer, and one (1) telephone service system administrator (supported by revenues). Funds required to support the positions total \$310,215.

I am also recommending funds to upgrade the Detention Facility's camera system. The analog technology is outdated, has poor video quality and frequent equipment failure. This investment will yield more effective monitoring of detention facility activities and provide better quality video to be used during various legal proceedings. The costs associated with the equipment purchase totals \$299,500.

The Durham County Detention Facility continues to see a rise in the number of inmates suffering from mental health issues. During 2014, suicide prevention measures were implemented for 164 inmates as directed by health care providers at the Detention Facility. In order to maintain the National Commission on Correctional Health Care (NCCHC) accreditation, it is necessary to ensure that suicide resistant cells are available. Compliance can be achieved by replacing existing HVAC vents with security vents, which reduces an inmate's ability to tie a restraining device through conventional vent openings. My recommended budget includes \$23,000, to outfit additional cells with this important precaution.

Finally, the Sheriff's Office requested \$1.5 million to support replacement vehicles ranging in age from seven to 15 years old with 108,000 to 155,000 miles. According to a recent agency analysis, 56 vehicles meet both age and mileage limits of the County's replacement criteria. I am recommending 30 vehicle replacements including 26 Dodge Chargers, one (1) truck, two (2) SUVs and one (1) van. In addition, three new vehicles for three new positions will be purchased. The recommended amount totals \$1.3 million.

Emergency Medical Services

The Emergency Medical Services budget request was developed to correct significant deficiencies identified and presented in FY 2013-14. An in depth evaluation found insufficient staffing levels to support current deployment of units and also the need to replace aging and/or inadequate vehicles and equipment which were resulting in high repairs or maintenance costs. The FY 2014-15 budget funded fifteen (15) of the 23 paramedic staff needed for existing ambulance deployment, replaced aging vehicles, and replaced equipment to support operating efficiencies, including the complete replacement of the department's non-standard fleet of cardiac monitor-defibrillators.

For FY 2015-16, the department requested the remaining funds to support the existing ambulance deployment units, replacement vehicles and equipment (\$3.2 million). Further requests identified needs to improve EMS's approach to handling preventative health, mental health, crisis management and indigent care. EMS further determined a need to fund seven (7) additional ambulance vehicles to reduce the risk of insufficient coverage when all units were deployed on service calls (\$1.9 million). The department also proposed adding seven ambulance units including 66 positions and seven (7) medic units to the EMS system (\$5.7 million). Other department requests included an off-road ambulance \$67,000,

developing a “Grow Our Own” paramedic-training program targeted at Durham youth who earn an EMT certificate (\$285,750), a community paramedic program (\$1.1 million) and funds to offset leased space for a fleet maintenance facility (\$84,000).

Recommended Improvements

Based on the last year’s study of EMS infrastructure needs, response times, and the County’s new role as sole provider of EMS services, I am strongly recommending eight (8) new paramedic positions for EMS. These positions will provide the necessary workforce to reliably staff ambulances and supervisor vehicles. With fully staffed vehicles, and sufficient funding that will ensure ambulances need not be taken off-line to attend to special events, the community can expect to see the beginning of a trend toward improved response performance in FY 2015-16. The EMS Department identified other budget requests that are not recommended for funding. These are important issues that we need to address as we plan current and future population demands on EMS services. In FY 2015-16, we will have a Board discussion on long-term EMS operations and operating budget needs.

Fire Districts

No changes are required to existing fire tax district rates for FY 2015-16. A new Durham County Fire and Rescue Service District will be created to cover the combined areas of the former Bethesda Fire and Rescue Service District and Parkwood Fire District. This change will allow better distribution of services across both districts.

This new district will have a proposed property tax rate of 0.130 cents, while the Bethesda Fire and Rescue Service District property tax will drop from 0.1350 to 0, and the Parkwood Fire District rate will drop from 0.1135 to 0.

Goal 4: Environmental Stewardship

Soil and Water Conservation

Due to impaired water quality in Jordan Lake and Falls Lake, the NC Environmental Management Commission adopted nutrient reduction strategies for both watersheds in an effort to improve the overall health of both lakes. These strategies establish rules for reducing nitrogen and phosphorus from entering the lakes, including from agricultural operations and owners of livestock over the set threshold. This applies to anyone who engages in agricultural operations in the Falls Lake watersheds producing crops or horticultural products (excluding trees) primarily for financial profit or those who engage in research activities in support of commercial production.

In an effort to carry out the mandate of the Watershed Rules, a Watershed Conservationist position is being created within the Soil and Water Conservation department. The position will develop a Local Nutrient Control Strategy that specifies regulated parcels, plans or implements best management practices (BMPs) and monitors and documents resulting reductions. It is estimated that there are 1,800 parcels that will fall under this mandate. Once the Watershed Rules go into effect in 2021, the maximum penalty levied by the Division of Water Resources can be up to \$25,000 per incident per day. This program will be required until 2036 and possibly indefinitely. With population growth and growing pressure on water resources, it is likely that BMP retrofits will be required in Durham County for several decades.

Goal 5: Accountable, Efficient and Visionary Government

Durham County Employees

Our workforce is our greatest asset. The County has more than 1,920 employees who provide amazing service to our residents. They provide the energy that turns policy into action — the human capital that makes Durham County government work. Without them, the goals of our Strategic Plan and the benefits of a performance measurement system will never be fully realized.

I am recommending the continuation of the County's pay for performance program and while the health insurance increased by an average of 7.11%, employee-only coverage will still be provided with no out-of-pocket cost to staff. These two recommendations continue the Board's ongoing desire to appropriately and actively support County employees.

In FY 2013-14, Durham County contracted with Evergreen Solutions to conduct a comprehensive compensation study — the first since 1986. The study revealed that our pay-ranges do not allow Durham County to be as competitive as we must be to attract and retain the best talent in our region. The BOCC approved a multi-year phased implementation approach. In Phase I, the County implemented a new, banded salary structure to bring the County to the average market minimum and transition employees to a new salary structure. Phase I was completed in FY 2013-14. Phase II was implemented in the first quarter FY 2014-15 with the classification parity component — up to 25% credit for related past experience. Due to funding constraints, the budget was approved for 60% of the total cost. The remaining 40% would be funded in Phase III.

Last year, we projected the need to increase property taxes to support the final recommendations of the classification and compensation plan in 2015-16. However through budget realignments, referenced earlier, and lower than estimated final phase costs, no property tax rate increase will be required. FY 2015-16 final phase implementation totals \$1.7 million.

Managing for Results Implementation

Establishing an attitude and culture of quality improvement requires efficiency, process change and innovation. When fully implemented, Managing for Results will create the mechanism required for on-going process improvement by creating an infrastructure that helps identify organizational inefficiencies, and evaluating best practices to implement effective solutions. As such, process improvement is inherent to changing an organization's culture.

This budget recommends four (4) positions to support immediate process change including a Certified Public Accountant, Budget Technician, Strategic Planning Assistant and Public Information Assistant due to increased workloads resultant from business process changes. Two (2) additional positions are recommend to improve operational efficiencies and mitigate cost. These positions will support the organization Risk Management efforts and fund a position for a warehouse manager.

The recommended budget also sets aside \$400,000, for infrastructure enhancements for improved enterprise resource planning for SAP and other platforms used in data management. More specifically, funding supports consultancy resources required to optimize SAP use in the Finance, Human Resources, Information Technology and Budget and Management Services Departments. The internal and external evaluation will identify immediate and long-term investments required for the most effective SAP use and bolstered process change. Further, funding supports resources to evaluate and implement infrastructure changes required for increased community engagement through targeted technology and communication strategy changes. This focus will address the management and learning, evaluation and accountability quadrants in the MFR business model. Staff will update the BOCC in August 2015 on MFR implementation strategies.

Elections

During the FY 2015-16 budget year, the Board of Elections may be required to conduct five elections. This includes the Municipal Primary and Election, a newly mandated Presidential Preference Primary, the Partisan Primary and possibly, a Second Primary in June 2016.

There has been increased interest and attention given to elections in recent years. Many highly publicized and significant changes have occurred that have focused more media and citizen's attention on elections and the voting process. Adapting to these changes and providing more information directly to our registered voters will impact funding needs.

The FY 2015-16 budget is \$1.4 million above FY 2014-15 budget levels. At the same time, projected revenues will be higher due to the City of Durham reimbursing Durham County for the cost of conducting the 2015 municipal elections. This is estimated to be \$406,000. Factors driving the increase in expenditures include accommodating the anticipated higher voter turnout due to the Presidential Election and voter demand for more early voting locations and decreased wait times. Additionally, temporary staff will be needed for increased voter registration and processing of absentee ballots sent in through the mail. Election notices will be mailed to all active registered voters informing them of the election schedule, early voting locations and hours, and where to go vote on Election Day. The expected increase in mailing expenses will also impact the overall budget.

Minority and Women Owned Business Enterprises

In 2013, Durham County and the City of Durham jointly contracted with Griffin & Strong, P.C., to conduct a comprehensive disparity study to examine and analyze the participation and utilization of Minority and Women Owned Businesses in the award of contracts to provide construction and repair work, goods, and services.

The study reviewed a recent five-year period with a primary objective to determine whether the City or County has been engaged in discriminatory practices in the solicitation and award of contracts. The study further evaluated if there was a legally justified need for Minority and Women Owned Business Enterprises (MWBE) efforts to continue for any or all of Durham City and County procurement activities. For Durham County, the disparity study found statistically significant underutilization of MWBEs as prime contractors and consultants for every year of the study period in which there was competitive bidding for contracts over \$30,000.

To address the disparity issues, two positions are being recommended consistent with the report findings. The first position will focus on addressing outreach efforts needed to build vendor capacity. The position will also coordinate training and analyze bid requirements to ensure they meet expectations for a successful MWBE program. The second position will review contracts to ensure compliance is met with program targets, training departments and vendors and assist with reporting requirements. In addition to the recommended positions, the County will collaborate with the City of Durham and the North Carolina Institute of Minority and Economic Development (NCIMED) to leverage resources, training opportunities, and to develop best practices for the County's program implementation.

Revaluation

Revaluation is fast approaching and the budget must reflect this increased activity to meet state statutory requirements. The FY 2015-16 revaluation will be the first after the retirement of a long-time Deputy Assessor last year, so additional help is needed to ensure that staff is prepared and that the Tax department carries out a successful revaluation. You can see this area of the County's budget has increased significantly to cover the cost of expert additional reviews of our data and increased software capabilities related to property valuation. As this is a once-every-eight-years statutory requirement, the

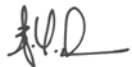
County must carry out this large and complex process correctly, using all available technical tools and experienced personnel to ensure Durham County residents receive the appropriate valuation for their property.

Conclusion

The FY 2015-16 recommended budget supports priority areas required for a thriving organization and community. The total budget increase for fiscal year 2015-16 is 2.5% over the FY 2014-15 approved budget. This was achieved without raising property taxes, yet continuing investments in critical areas that keeps Durham County fiscally strong. As Durham County regains economic ground lost in the Great Recession, the slow, uneven recovery reinforces our need to maintain focus on our strategic goals and the business model we have adopted, Managing for Results.

I would like to take this occasion to thank the County staff who accepted the challenge to think “outside of the box” in developing this budget. As we continue to make progress on our Managing for Results journey, I am excited about the possibilities for our community.

Sincerely,

A handwritten signature in black ink, appearing to read 'W.M. Davis', with a stylized flourish at the end.

Wendell M. Davis
County Manager

FY 2015-16 BUDGET HIGHLIGHTS

- The tax rate will remain flat at 79.31 cents/\$100 valuation, but includes a 0.33 cent increase in the General Fund for operating needs and a corresponding 0.33 cent decrease for debt service support.
- Property tax collection percentage remains at 99.30%, with overall property valuation increasing 2.09% from last year's budgeted values.
- Sales taxes, including an inter-local agreement with the City of Durham, are estimated to increase 15.09% from the current year approved budget. See the Revenue Highlights page for more detail.
- Various fee increases in the Public Health and Enterprise Utility Fund departments
- Adding 27.65 new General Fund FTEs, eliminating 8.0 FTEs, a net General Fund increase of 19.65 FTEs for FY 2015-16
- Decrease in the participation rate for the County contribution to the Local Government Employees Retirement System (LERS) from 7.27% to 6.74% for local LEO class
- Continued pay-for performance salary increases for employees for FY 2015-16 by 2 to 3%
- The total cost of the County benefits plan fund has increased \$1,441,256, or 7.11%
- The General Fund fund balance appropriation decreases from \$10.82 million to \$10.62 million.
- \$3.95 million in Community Health Trust Fund annual lease revenues will be transferred to the General Fund to support healthcare-related expenditures; \$2,350,000 fund balance appropriation will be transferred to the Debt Service Fund for debt on the Human Services Building; and \$59,601 in Home Health Agency proceeds will be transferred to the Public Health budget for one Public Health Educator position.
- Ongoing current expense funding to Durham Public Schools increases \$1,822,210 or 1.53% to \$120,685,356; with no increase in capital outlay funding. Article 46 sales tax revenue support of current expense funding for DPS is \$8,252,011, and \$466,789 for Pre-K programs.
 - Local expense per pupil funding stays flat at \$3,069, supporting an increase of an estimated 590 new students in DPS and County Charter schools
- Durham Technical Community College funding increases by 3.2% or \$196,839. Article 46 sales tax support for student scholarships and tuition costs makes up \$196,839 or all of this total.
- North Carolina Museum of Life and Science current expense funding increases by \$88,997 or 5.94%.
- Purchase of 53 vehicles (new (8) and replacement (45) vehicles) for the EMS, General Services, Library, Sheriff, Public Health, and Social Services, and new equipment for General Services, EMS, and the Sheriff. Detailed on the Vehicle & Equipment page in the document.
- 79 nonprofit agencies applied for funding with requests totaling \$1,926,233; 42 agencies are recommended for funding in FY 2015-16 for a total of \$640,038.
- Funding for Durham County's participation for 45 slots in the Durham Youth Works Internship Program totals \$75,280.
- No changes (increases or decreases) to existing fire tax district tax rates for FY 2015-16.
 - One new service district has been created, the Durham County Fire and Rescue Service District, and will cover the combined areas of the former Bethesda Fire and Rescue Service District and Parkwood Fire District. This new district will have a proposed property tax rate of 0.130 cents, while the Bethesda Fire and Rescue Service District property tax rate will drop from 0.1350 to 0, and the Parkwood Fire District rate will drop from 0.1135 to 0.
- Debt Service decreases \$2.35 million to \$58.22 million, with dedicated property tax decreasing 0.33 cents to 8.99 cents to support the debt service payments. Additional funding from lottery funds, the Community Health Trust Fund, and dedicated Sales Tax also support debt service needs for FY2015-2016.

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