



## COUNTY OF DURHAM

WENDELL M. DAVIS  
COUNTY MANAGER

May 23, 2016

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 2016-17. 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, 2016. The FY 2016-17 Manager's recommended document represents not only a continuation of the many County services provided to all citizens, but also the beginning steps towards a new way of assessing the work done.

Since I have come on board, now in my second year, I have been working towards a new way to look at and judge our local government performance. If you have not heard of it yet, it's called Managing for Results, and quite simply, it means collecting data about programs and services offered, assessing that data, and making decisions about where best to move forward based on the data. It's sophisticated in application, but the concept is simple. Data and performance drive where County dollars will go. We are in the beginning stages of creating an infrastructure of data and talent that will afford more informed decision-making. I am very excited about where Durham County is headed as it relates to Managing for Results, and hope that the end-results will serve all citizens both effectively and efficiently (read, the spending of taxpayer dollars).

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. Yet the realities of managing increased expenditure pressures and declines in certain revenue streams, potential legislative actions regarding the redistribution of sales taxes, and other incremental policy changes continue to increase pressures on the local property tax base.

The Durham County Manager's recommended Fiscal Year (FY) 2016-17 budget totals \$588,455,745, with a one cent property tax increase to support General Fund activities (0.7 cents) and future debt service needs (0.3 cents). 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 total Durham County budget increase is \$23,872,117 or 4.23% over the FY 2015-16 approved budget.

**Table 1: FY 2016-17 Recommended Budget Summary**

<b>Fund</b>	<b>FY 2015-16 Original Budget</b>	<b>FY 2016-17 Manager Recommended</b>	<b>% Difference</b>
General	\$396,483,059	\$ 413,599,916	4.32%
<b>Total All Funds</b>	<b>\$564,583,628</b>	<b>\$588,455,745</b>	<b>4.23%</b>

### **Budget Outlook**

Durham County’s overall fiscal and economic outlook is positive as we plan for fiscal year 2016-17. The county is slowly recovering to pre-recession levels in several key economic indicator areas. This was further validated in the National Association of Counties (NACo) report, *“County Economies 2015. Opportunities and Challenges”*, January 2016. The evaluation compared trends between 2014 and 2015 in four major categories including: annual changes in jobs, unemployment rates, economic output (GDP) and median home prices. Durham County performed well in three of the four areas. The unemployment rate remained unchanged during the comparison period. Overall, while Durham County’s economic outlook remains positive; the growth factors are slower than the historical pre-recession period.

As noted in the NACo report, overall wages have increased for many Durham County residents, yet our poverty rate was 16.6% in 2014, slightly below the state’s 17.2% average. Further, according to the Budget and Tax Center’s County’s Snapshot report, “nearly 45,319 people in the county were eligible for Medicaid in December 2015, an increase of 49.4% since December 2007 when the recession began” (Budget and Tax Center County’s Snapshot, March 2016). During this same period Durham County’s population grew 23%. Further, as we plan long-term to address operating and capital budget needs, the NC Office of State Budget and Management forecasts a 30% population growth in the Triangle area by 2030. All of these combined factors make it necessary to be more deliberate planning for Durham County needs in the short and long-term period.

### **2016 Reappraisal**

FY 2016-17 marks a rare occurrence, as it is a revaluation year, the time when the County must, by state law, update the values of all real property throughout the county. This revaluation process has to be done a minimum of every 8 years (state law), and this year is the eighth year since Durham County’s last revaluation. The Manager’s recommended budget shows that through natural growth and revaluation property valuation increased a total of 10.21% from FY 2015-16. This is a much larger increase in valuation than compared to “normal” years, and is due mostly to the revaluation process.

Many parts of Durham County have experienced significant growth in the valuation of real property, which is a positive economic change, given the property recession experienced just several years ago, but it also potentially means larger property tax bills for citizens experiencing growth in property valuation.

The good news is the County has to start the revaluation change process with a “revenue neutral” property tax rate, which in positive economic environments usually means a decrease in the tax rate. For Durham County the FY 2015-16 property tax rate (before revaluation) is 79.31 cents per \$100 valuation, but due to revaluation and the mandate to start at a revenue neutral tax rate, the County “revenue neutral” tax rate is 73.37 cents per \$100 valuation. This is a decrease in the property tax rate of 5.94 cents. So the many residents who will see property valuations increase significantly will also see a certain decrease in the property tax rate applied to that new higher valuation.

With that process and a “revenue neutral” tax rate in mind, I would like to state that I am recommending for Fiscal Year (FY) 2016-17 an overall one cent (1.0 cent) tax rate increase to the revenue neutral rate of 73.37 cents per \$100 valuation, bringing the total new Recommended tax rate up to 74.37 cents per \$100 valuation. This one-cent tax increase is split between General Fund operating budgets (0.7 cents) and its upcoming needs, as well as a portion (0.3 cents) for upcoming future debt service needs. This also means that the decrease in the property tax rate from FY 2015-16 to FY 2016-17 is now 4.94 cents. The below table shows the change in the new property rate.

**Table 2: Property Tax Rate Change from Revenue Neutral Rate**

Property Tax	FY 15-16 Tax Rate	FY 16-17 Rev. Neutral Tax Rate	FY 16-17 Rec. Tax Rate	FY 16-17 Change from Rev. Neutral
General Fund	70.78	65.48	66.18	0.7
Capital Financing Fund	8.53	7.89	8.19	0.3
<b>Total</b>	<b>79.31</b>	<b>73.37</b>	<b>74.37</b>	<b>1.0</b>

This one-cent property tax rate increase will cost an owner of a house valued at \$200,000, approximately \$20 a year in new property taxes, but will in turn support a multitude of needs and services throughout the County, as well as support rising debt service for major County capital projects and an upcoming General Obligation Bond referendum.

Sales Tax Revenues

The total amount of FY 2016-17 budgeted sales tax revenue for Durham County is \$75 million, the equivalent of 21.42 cents of property tax. The estimated end of year FY 2015-16 sales tax collections is expected to grow 4.6% overall. A growth factor for FY 2016-17 of around 4% translates to a total 7.79% base budget increase for the upcoming fiscal year from the current fiscal year. In actual new revenue the Budget impact of 7.79% growth in sales tax revenue this year equates to \$5.4 million, or 1.55 cents of property tax. Simply put, growth in sales tax revenue means less pressure on growth in property tax revenue. While this is an increase, it is nearly half the growth seen from FY 2014-15 to FY 2015-16. Table 3 reflects summary sales tax budget trends.

**Table 3: FY 2016-17 Sales Tax Budget**

A	B	C	D	E	F
Sales Tax Article	FY 2015-16 Original Budget	FY 2015-16 12 Month Estimate	% from FY 2015-16 Budget	FY 2016-17 Manager Recommended	% from FY 2015-16 Budget
Article 39	\$21,357,953	\$22,209,399	3.99%	\$22,979,684	7.59%
Article 40	\$11,375,429	\$11,945,059	5.01%	\$12,377,711	8.81%
Article 42	\$14,233,465	\$14,881,882	4.56%	\$15,349,556	7.84%
Article 44	\$0	\$5,173	N/A	\$0	N/A
Article 46	\$11,800,000	\$12,539,317	6.27%	\$12,600,000	6.78%
Inter-local	\$10,894,599	\$11,305,048	3.77%	\$11,778,580	8.11%
<b>Total</b>	<b>\$69,661,446</b>	<b>\$72,885,878</b>	<b>4.63%</b>	<b>\$75,085,530</b>	<b>7.79%</b>

Other Revenues

Overall General Fund service charges increase by 15%, primarily due to actual budget trends, specifically in the Register of Deeds department which saw a significant over collection of revenue compared to the budgeted amount for FY 2015-16. The changes resulted in a \$2.8 million budget increase. This increase offsets slower growth and revenue declines in other categories. Intergovernmental revenues declined by 0.5% due to reduced state and federal funding or funding caps that affected human services and public safety functions.

Strategic Plan

The County’s strategic plan, developed and approved by the Board of County Commissioners four years ago created five major goal areas around which the County focuses its services and efforts. In FY 2016-17 the County will begin the process of updating that strategic plan, which will help guide future resource allocation and the management principles within the Managing for Results philosophy. In other words, County administration and departments will begin to assess current services and programs against the goals of the strategic plan through intensive data analysis and begin realigning existing resources to meet the approved strategic goals.

As we update the County’s strategic plan these economic times require greater collaboration and increased community dialogues to improve the long-term collective impact strategy. As our resources dwindle and the demands for services grow the single most important thing our community can do is understand the value effective collaboration and move rapidly toward the development of collective impact strategies. Going forward this means working in concert with the City of Durham, Durham Public Schools, The Chamber of Commerce, Made in Durham, Durham Tech, NCCU, the Mayors Poverty Initiative, My Brother’s Keeper, the Universal Pre-K Task Force, The Courts, The Duke Durham Children's Data Center, Project Build, GRS, Crime Cabinet and Duke Health to name just a few.

As we plan for the upcoming year the following strategic investments leverage current resources, address service gaps, fund compliance issues and help ensure we mitigate against risk. The recommendations are aligned within the five goal areas as defined in the Strategic Plan.

## **FY 2016-17 Budget Highlights**

### **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 2015-16 budget, Durham Public Schools has a current operating budget of \$123.6 million out of a total General Fund budget of \$396.5 million. That's nearly 31.2% of the total County General Fund.

For FY 2016-17, the Durham Public Schools Board of Education has requested an increase of \$4.39 million in additional county funding. The request supports enrollment growth increases for 739 additional students (\$2.75 million), an FY 2015-16 mid-year salary supplement increase (\$1.1 million), and \$500,000 for continued support of a teacher mentoring program. Additional funds are Article 46 sales tax dollars that the Board has allotted for various DPS services.

I am recommending supporting the entire Board of Education request for current operating support to fund estimated new pupil growth (793) 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 \$3,160. In addition, Durham County will also pay \$27.61 million in debt service for school facilities during FY 2016-17. Total current expense funding for Durham Public Schools for FY 2016-17 will be \$127,975,707, or 31% of the entire General Fund budget. In addition to the direct operating expense and debt service payment for Durham Public Schools, an additional \$3.53 million is allocated in County department budgets to support School Resource Officers and School Nurses.

#### **Durham Technical Community College**

Durham Technical Community College (DTCC) requested funds to support campus salary market-adjustments, contracted services and increased insurance cost. In addition, the requested funds would repair aging campus facilities and support equipment and technology replacement. The Article 46 sales tax revenue allocated to support DTCC scholarships is projected to increase \$170,931 in FY 2016-17, bringing the total projected funds to \$1,211,451. Over the past several years, the Article 46 sales tax funds allocated to support tuition scholarships have not been fully utilized.

I am recommending funding increases of 5.62% or \$367,425. The dollars will fund inflationary operating expenses, additional utility and personnel cost related to new potential leased space, and increased scholarship allocation from Article 46 sales tax revenue.

#### **Nonprofit Support**

For FY 2016-17, there was no application cycle to solicit the funding of new nonprofit agencies. The same agencies that were funded in FY 2015-16 will be funded at the same level in FY 2016-17 with their

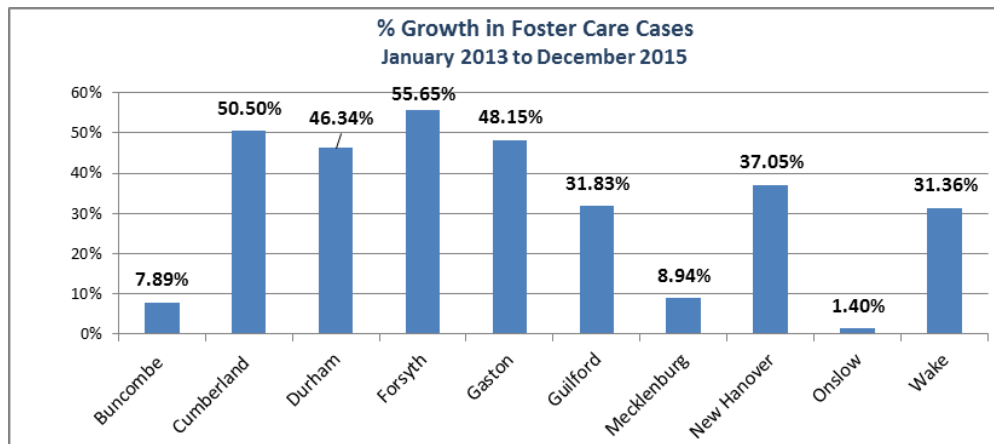
contracts managed by a County department that most closely aligns with their work. This procedural change was presented to the BOCC last fall as a way to begin to streamline the non-profit funding cycle and improve overall outcomes.

For FY 2017-18 and beyond, the County will transition away from the nonprofit funding program to a Request for Proposal (RFP) format that solicits specific services from community service providers. Under the old process the County asked nonprofits to broadly align grant proposals with our Strategic Plan. The changed RFP approach will seek more specific proposals that target specific community issues. The RFP process will be clarified by November 2016 for the FY 2017-18 budget.

**Goal 2: Health and Well Being for All**

**Social Services**

Over the past three years Durham County’s Department of Social Services (DSS) has experienced unprecedented growth in the number of children in foster care. Between January 2013 and December 2015 DSS experienced a 47% growth in the number of youth in foster care. This increase is part of a statewide trend as reported by a number of counties, some of which have seen growth topping 50% over the same time. Of particular and pressing concern is that during this current fiscal year DSS has seen nearly a 15% increase in the number of foster care youth.



While the growth in the number of children coming into foster care is significant, it is important to understand that during the same time frame DSS has placed 229 youth out of foster care by way of reunification with parents, guardianship with relatives, adoption, and emancipation. The chart above reflects various county increases in foster care across a three year time span.

With that trending in mind I am recommending an additional \$450,000 to support direct Foster care cost. This level is lower than the original budget request, however we will carefully monitor foster care trends throughout the year to determine if further investments are required to support DSS operations. Further, I am recommending a new Paralegal position be added to support Foster Care related workload in the County Attorney’s Office. Further budget increases support replacement vehicles, software and hardware replacements and increased local support for program services.

## **Public Health**

This year we have sharpened our focus on the multi-sector work that must be done to create a “Healthy Durham” – a Durham where all of our residents have the opportunity to achieve optimal desired health outcomes. We understand that “good health is a state of physical, mental and social well-being and not merely the absence of disease or infirmity.” We are working hard to address the disparate health and quality of life outcomes that exist in our community. One area not normally considered within the Public Health domain is violence, but violence affects the health of the entire community, either physically, mentally or socially often resulting in premature death or disabilities of those most closely involved. Violence is like an infectious disease - one event can lead to another, both infect geographical clusters, both have incubation periods, and reduction can be achieved by interrupting transmissions and changing norms. With this framework in mind I am recommending funding for several programs that will work in tandem to support the best opportunities for all citizens in our community.

The Cure Violence model is a public health approach to gun violence reduction that seeks to change individual and community attitudes and norms about gun violence. It considers gun violence analogous to a communicable disease that passes from person to person when left untreated. Cure Violence is an evidence-based violence prevention program that engages multiple sectors within the community. The program’s objectives are to: 1) detect and interrupt potentially violent conflicts, 2) identify and treat those at highest risk, and 3) mobilize the community to change norms. Five new positions will begin the extremely important job of carrying out the Cure Violence program in FY 2016-17.

Since September, with approval from the Board of Health, the Department of Public Health worked with Cooperative Extension’s Project BUILD to garner key stakeholder support for implementing this program. In March Durham received designation from the national Cure Violence office to be designated as an official Cure Violence site. Investments will be made in the Cure Violence program, including a Program Coordinator, two Violence Interrupters, two Violence Workers and funds to collaborate with agency service providers (\$434,537). The City Manager and I are committed to resource alignments that change the trajectory of recent violence trends within the community. To that end, we are changing our approach with how we align resources to support Project Build. Beginning FY 2016-17, Project Build efforts funded in the city will be transferred to Durham County Government. Durham City will maintain its fiscal commitment to the program. Yet this approach will leverage overall outcomes for Project Build and Cure Violence initiatives.

Further funding supports the continuation of the Durham Diabetes Coalition project which has provided community and clinical interventions for Durham citizens with diabetes for the last five years by employing a “boots on the ground” strategy in distressed neighborhoods. While this program has been completely supported by grant funding in the past, in FY 2016-17 Public Health is looking to support a majority of the program with new funding from Duke University with the remainder of program support coming from Medicaid Cost Settlement dollars and new County dollars until a long-term solution is formulated (\$119,548 in new County dollars). In addition resources are allocated to continue the Smoking Cessation initiative, previously supported through the Community Health Trust Fund, but now be supported with County dollars (\$59,823). The related position will renew smoking rule efforts, collect data to compare to the 2013 baseline and enact a communication campaign that now includes e-cigarettes.

School nurses are an unknown but vital system of healthcare, an unrecognized health care resource, as well as a safety net for children. Efficient management of student health concerns are vital to eliminating



barriers to learning and are also cost effective for the community as a whole. Especially in terms of parents' decrease in lost time from work attending to an ill child as well as increasing teacher instructional time because they no longer need to leave a class to help care for a sick child. Four new School Health Nurses will be funded in FY 2016-17 (\$229,626). This investment will help reduce the ratio of nurses to schools. Currently, 13.2 County-funded School Health Nurses are responsible for providing services to 47 schools. Through these additions improvement is sought related to absenteeism as a result of health issues as well as a reduction of medical interventions that are performed by administrators, teachers and parents. Over the next several years, additional school nurses will be funded to support this critical public health need.

### **Veteran Services**

With the closure of the State Veteran Affairs office located in downtown Durham, the Durham County Veteran Services Office has seen a tremendous increase in request for services since last fiscal year as well as over the past several years. Since the office closing the department has seen 162% growth in walk-in clients. Overall claims submitted increased from 452 in FY 2014-15 to 816 estimated for FY 2015-16. The increased demand cannot be serviced with the current two staff members. Therefore I am recommending an additional Veteran Services Program Officer to support Durham County veterans. (\$47,508)

### **Goal 3: Safe and Secure Community**

#### **Emergency Medical Services**

The FY 2016-17 Emergency Medical Services budget request continues 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) out of a request 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. In FY 2015-16 nine additional positions were added to complete staffing of the existing ambulance deployment.

Responsibility for ambulance operation has changed over the last few years with volunteer fire departments dropping their ambulance service and Durham County EMS slowly assuming this role. For the last 16 years Durham County residents have been served by a daily deployment of 15 ambulances across the County during peak hours of the day, falling to 13 ambulances at night. During the same period, the County's population has grown from 213,000 to nearly 300,952, nearly 41 percent. This growth is significant: more residents translate to more calls per hour, which reduces the number of available ambulances, which in turn extends response times. The number of ambulances available today is simply insufficient to meet the demand for service.

Compounding this problem Durham County EMS does not have sufficient paramedic positions available to allow for normal vacation and sick leave or to support the growing number of large special events. EMS historically relied on part-time employees to fill in for these staffing shortages, but the availability of part time personnel has decreased over the years because most want and find full time jobs.

For FY 2016-17 EMS requested the remaining funds to support the existing ambulance deployment units and replacement vehicles and equipment. The overall additional request totaled \$5.4 million including 56



positions to staff 6 additional 24 hour trucks. The requests were identified to address service demands required to meet increased population growth.

Recognizing that the County cannot afford such increases in a single year, but also understanding the increasing pressures experienced by the EMS department, five positions are recommended to address peak response time hours. In addition, the County will allow EMS to “over-hire” seven positions which will help address the gap that occurs when new hires go through the training period.

A serious and deliberate policy discussion needs to be had around county EMS response time goals as such direction will help instruct how much resources are to be allotted for Emergency Medical Services.

#### Criminal Justice Resource Center

The Misdemeanor Diversion Program is one of the strategies identified in the *My Brother’s Keeper* Action Plan and it is a critical component in CJRC’s service continuum, as it allows young people a bright future not tainted by a mistake that could otherwise show up on a criminal record check for years to come. The Misdemeanor Diversion Program has been very successful thus far and the outcomes speak for themselves: Of 161 youth admitted, only four individuals had subsequent criminal charges. In September 2015 the program was expanded to serve 18 to 21 year olds at the request of Mayor Bell and with the support of Durham’s criminal justice stakeholders. The program received a NCACC award in 2015, and it also has been the template for several other counties in NC implementing similar diversion programs (Wake, Buncombe, and Orange). Governor’s Crime Commission funding supported this program’s related position in FY 2015-16 and will support it for half of FY 2016-17 with the County supporting the remainder of the cost (\$20,620).

Pretrial Services has been making an impact on our jail population for the last 10 years. At a stakeholder meeting in November, partners identified several opportunities to expand our penetration of the system. By extending operating hours to evening and weekends, staff working in the booking area at the jail can assist magistrates in making better release decisions for individuals with medical or mental health concerns or arrested on low level charges. The expansion of these services will provide sufficient staff to cover First Appearance Court in the mornings as well as evening hours in booking. Staff working evening and weekends can also prepare criminal backgrounds and complete risk assessments for inmates scheduled for first appearance, reducing some of the high volume of work Pretrial staff complete every morning for First Appearance Court. Meeting these service levels will be accomplished with the addition of a 0.6 Pretrial Services Specialist (\$27,413) and also by shifting a staff position from Community Based Corrections to Pretrial Services.

In June 2015 the Board of County Commissioners adopted a resolution in support of the Stepping Up Initiative, a national effort to reduce the number of jail inmates with mental health disorders. Since that time CJRC staff has been working with a very engaged and enthusiastic group of stakeholders to map current services across the criminal justice spectrum, analyze the number of individuals with behavioral health issues in our jail, and identify gaps and shortfalls in our continuum of services. This budget supports the creation of a court diversion program for persons with mental health challenges as well as provide an expansion of jail and other mental health services by funding two Peer Support Specialist positions, a Mental Health Clinician, housing, and other support services after discharge, and two additional hours per week for the Jail Psychiatrist (\$178,445). These efforts will build a continuum of support after jail release to reduce recidivism of criminal justice involved persons with mental illness. Over half of the released inmates have no family or friend to pick up their medication and/or walk them through the re-establishment of housing and basic support services.

A Peer Support Specialist insures that the released inmate is connected to housing and recommended treatment. Housing funds will alleviate the pressure to re-establish lost housing and/or gain transitional housing for those whose residence was compromised due to detention. The Mental Health Clinician will provide services to persons with co-occurring substance abuse and mental health disorders after release and under correctional supervision (probation or post-release). Oftentimes these individuals have no insurance coverage and therefore go on waiting lists with community providers. The additional clinical counselor will allow CJRC to expand capacity as well as the target population that they aim to reach.

### Sheriff

The Sheriff's Department requested over \$5.5 million in additional County funding for FY 2016-17 including 40 new Detention Officers to double up shift support of jail pods housing up to 64 inmates. Another 14 Detention Officers were requested to create a separate Mental Health pod for inmates with special needs. While I am not recommending these additional positions as part of this budget, we will need to study and assess how we move forward to best support Durham County residents in detention. This will involve a number of complex issues and will most likely result in potentially expensive solutions. But the safety and wellbeing of jail inmates, related family members, and the dedicated employees who work at the Detention Center demands that we as a community face these issues head on.

The recommended budget includes funding to support three Law Enforcement Officers who will cover Jail inmate transportation. Armed deputies frequently transport individuals, but unarmed detention officers also often transport violent subjects to and from the detention facility. In 2015 transportation personnel conducted nearly 1,800 transports to and from mental health facilities and hospitals. Centralizing transportation resources will streamline this critical function by eliminating disparate divisions responsible for the same function. This approach totals \$341,794 to support three positions, transport vehicles and equipment.

The Durham County Detention Facility continues to see a rise in the number of inmates suffering from mental health issues. Each year suicide prevention measures occur on 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 \$25,000, 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 25 vehicle replacements, including 25 pursuit vehicles, one (1) truck, one (1) SUV and one (1) sedan. The recommended amount totals \$1.1 million for on-going vehicle and equipment replacement.

### Emergency Management

The Fire Marshal and Emergency Management department has undergone significant reassessment over the past fiscal year with the hiring of a new Fire Marshal. Through this process a multi-year Strategic Plan was created that will assist in responsibly guiding these divisions in the coming years of anticipated growth in Durham County.

As a result of this assessment process the divisions within The Fire Marshal's responsibility are being reorganized to better align with the Managing for Results framework, as well as more capably respond to the needs of Durham County citizens. Within each area recently created Division Chiefs will be assigned to oversee the specific functional responsibilities.

The Emergency Management function is being restructured to more capably respond to crises that occur within Durham County. With the addition of two new positions, a division chief of Emergency Management and Continuity of Government and a Senior Emergency Management Coordinator, the division will be able to focus more of its energy on prevention, preparedness, response, recovery and mitigation activities. Through establishing a Continuity of Operations Plan (COOP) and Continuity of Government (COG) program for the City and County, both governments will be better prepared for a significant events and more capable of integrating within the framework of FEMA.

### Durham County Fire & Rescue District

In particular, an important need identified is the addition of a traditional work week Division Chief. This position will provide consistencies across all operational shifts of the department, as well as assist with the administrative and professional needs of DCFR. The addition of six new firefighter positions will allow coverage of an area, which previously has been under-served, as well as relieve overtime and part-time costs. These positions will allow the division to put one more fully-staffed crew on duty during each 24 hour shift. These changes will occur without a tax increase within the Durham County Fire district.

## **Goal 4: Environmental Stewardship**

### Environmental Engineering

A new Inspections Supervisor is recommended to support increasing demand for services. The position costs however, will be offset by increase in fees paid for those services. The Soil and Erosion Division currently has over 100 open erosion control permits with approximately 40 more pending for projects that require monthly (or more) inspections. This work is currently being handled by two technicians. These same technicians are also conducting plans reviews, handling complaints, and fulfilling their other duties. This workload challenges the Division to meet its measures of monthly inspections. The Inspection Supervisor position would increase the number of inspections and ensure that every site is inspected monthly as well as provide guidance to the Technicians, while also allowing the Division Manager to provide better overall program administration.

### General Services (Solid Waste)

I am recommending the addition of two new Maintenance Technician positions to provide recycling support for county solid waste facilities. Due to nationwide changes in the recycling environment it now will cost the County to process recyclable goods rather than receiving revenue for this processing. This eliminates revenues that previously offset some solid waste costs. The solid waste sticker fee, which

serves almost 14,000 households, is being increased to better reflect the actual costs of this vital program. In FY2014-15 and FY2015-16 the annual fee was \$139, in FY2016-17 I am recommending it be placed at \$168.95, a \$29.95 increase.

#### One-Stop Shop

The City and County are currently developing a multi-use planning related area that will serve as a “One Stop Shop” customer service department for citizens completing the Development Review Process. The primary objective is to create a business friendly environment that will provide a time-sensitive, easy-to-navigate development review process which facilitates continuous process improvement. This proposal includes an initial phase and may include additional phases in FY 2017-18 or later, based on internal and external customer feedback on the effectiveness of Phase One in addressing the concerns raised in the Joint Economic Development Strategic Plan process. The capital cost for the first year of the project is \$430,000 and will be supported by increased revenue.

### **Goal 5: Accountable, Efficient and Visionary Government**

#### Durham County Employees

Our workforce continues to be 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.

The Recommended budget maintains the continuation of the employee pay for performance compensation plan at the 2-3% range. It fully funds the benefits plan estimated costs, and increased contribution percentage to the retirement system as per state requirement. The budget sets aside funding to address public safety salary issues in high turnover areas within the Emergency Medical Services and Sheriff’s Office. Both areas continue to experience high turnover rates that will require a comprehensive strategy to determine approaches that better attract and retain employees in these areas.

I will come back to the Board to address the overall salary plan during the next budget cycle. In FY 2013-14 Durham County contracted with Evergreen Solutions to conduct a comprehensive pay plan study, and over three years the study recommendations were implemented with the final phase occurring in FY 2015-16. The report suggested reviewing pay plan competitive on a three-year cycle. Consistent with the report recommendations we will do a comprehensive review of our overall pay scale to determine market competitiveness for salary and benefits. The evaluation will also assess best practices used to support employees around issues such as expanded parental leave beyond the Family Medical Leave Act authorization.

For the FY 2016-2017 budget cycle, the benefits rate setting committee met to determine insurance rates based on recommendations from the County’s benefits consultant. The initial benefits budget from the current provider recommended a cost prohibitive increase that forced the county to identify additional options for Durham County employee benefits. The committee directed our broker to search for plan options that would require a significantly lower increase.

Ultimately a recommendation was made to contract with Aetna as the County medical plan third party administrator which was approved by the BOCC in April, based on projected cost savings and benefit

enhancements. The Aetna's Accountable Care Organization (ACO) plan projected claims cost savings over a 3-year period of \$1M to \$4.5M based on ACO employee enrollment compared to a BCBSNC equivalent ACO plan. Aetna will also provide \$67,500 per year in Wellness Funds for each of three years compared to BCBSNC's offering of \$33,000 per year. In addition, Aetna has partnered with the County to offer discount Fitbits to our employees.

### **Risk Mitigation**

Strategic risk mitigation takes a comprehensive approach to identify, quantify, and prioritize risk areas throughout an organization. This approach helps buffer against potential breaches that could comprise fiscal, technology, employee safety, and infrastructure damage. Effective risk management is an ongoing process that changes approaches to ensure overall risks are marginalized. Information Technology, General Services and Risk Management identified critical risk areas that I have recommended for additional support.

### **General Services**

I am recommending a Quality Control/Assurance position for General Services to assist in the drafting and documentation of construction contracts, service contracts, request for bids, request for qualifications, as well as reviewing of all invoicing associated with the contracts. This is presently handled by one person. The workload over that last 10 years has grown at a pace where there is a need for additional resource so that projects are not delayed in the formulation process. The position will also provide additional facilities monitoring that will require service contracts, repair contracts and the like to be generated for the upkeep of these facilities. Finally the updated Capital Improvement Plan will generate another set of complex projects to include major fenestration renovations that will need initiated quotes ascertained, specification development, and contract execution.

All of these areas present significant risk opportunities as the County's infrastructure grows in size and complexity. This position will help mitigate those risks by enhancing quality control across a number of areas.

### **Information Services and Technology**

To combat the threat of cyber-attack, the County currently employs a strategy of network security that includes the maintenance of firewall services, the prevention of malicious spam email and point security that responds to specific threats. While network security attends to a subset of cyber-security threats, information security is a more comprehensive approach. This budget supports the creation of an Information Security Officer position (\$68,983) that will lead us beyond the network security that we currently employ and into the space of information security. This position will create agency-wide information and cyber security policies and provide training on how sensitive information is handled, stored and accessed, ensuring compliance with mandates. This contemporary approach to information security aims to achieve practical risk management and is a position that is supported by many of our peers like Wake County, the City of Charlotte and the City of Greensboro.

### **Risk Management**

The County has a high occupational injury frequency and severity compared to peers in NC and across the nation. From FY2013 through FY2015 the County experienced an average of 131 workplace injuries

annually with average annual incurred costs of \$801,452. This is an average of \$26,000 per indemnity claim and \$6,000 per incident. The County must invest resources into the safety and health of employees, controlling costs by reducing the frequency and severity of occupational injuries, reducing costs and lost productivity from time away from work, and reducing overall claim costs.

For FY 2015-16, investments were made by the County to hire its first Occupational Health and Safety Specialist within the Risk Management Division. The position is dedicated to establishing County-wide Safety Programs which provide safety education, training, and loss prevention services to all County departments.

For the upcoming fiscal year 2016-17 I am recommending an additional position, a Risk and Safety Technician, to work with the Occupational Health and Safety Specialist. The position will provide ongoing safety education and training to all County Departments to ensure compliance with OSHA regulations and foster a proactive safety culture. Training services will be offered online and in the form of education modules combined with a live training component for some hands on courses to address these OSHA requirements. These services will complement the efforts of the requested Risk and Safety Technician.

Investing in a robust safety and loss control program will help reduce the County's overall cost of risk and ability to achieve benchmarks and performance measures for claim frequency and severity and overall safety. This would be achieved through reducing workers' compensation claim frequency and severity, decreasing claim medical costs, decreasing costs and productivity loss associated with lost time from work, reducing OSHA recordable and lost time injury/illness rates, and reducing vehicle incident frequency and severity.

### **Capital Improvement Update**

Over the past several months the Board has heard updates on a proposed 10 year view of capital project needs (2017-26 Capital Improvement Plan). We received \$1 billion of capital requests from county departments, Durham Public Schools, Durham Technical Community College and NC Museum of Life and Science. While many desired for projects to begin within the next five years or less, our debt capacity within triple A standards limits our ability to support projects at that level. The total requested amount is far greater than the debt range recommended over the next four years by the County's trusted Financial Advisor.

In order to stay within the recommended debt range, we scaled back project scopes and/or moved the timing for project implementation beyond the four year 2016-2020 range. Preliminary project recommendations occur based on historical spending patterns, project alignment with BOCC goals, Facilities Master Plan recommendations, and a measured approach on how increased debt affects the County's triple A bond rating and property tax increases.

Estimated project expenses over the next four years total \$285.9 million. These numbers were derived based on historical spending patterns, timing for project implementation and planning and construction phases. We will continue our discussions on the overall projects requested in the next four-year period for a potential bond referendum and other short and long-term debt financed projects.

As part of the FY 2016-17 annual budget I am proposing a 0.3 cent property tax rate increase to support future debt service needs. By instituting this small increase now the County will be able to lessen the amount of future property tax increases for debt service and also help mitigate any tax rate increase fluctuations.

### **Conclusion**

As the Board moves through these deliberations over the next few weeks I would ask that you be mindful that the National Institute of Corrections has not completed its recommendations related to its review of the County jail operations. I anticipate that we will receive the report prior to the final adoption of the budget. In the event that the report has fiscal implications, I'm requesting that the Board further deliberate and make funding decision accordingly on the subject recommendations.

Our County has made major strides in preparation for significant transformation. The three critical ingredients necessary for transformation are in place; 1) a good Strategic Plan, 2) an implementation Strategy to see the plan through, which is our Managing For Results (MFR) model, and most importantly 3) the right organizational alignment.

Finally, staff and I have packaged this budget in the spirit of collaboration. I believe that our greatest progress will be made when we intentionally build a collective impact strategy second to none. The staff and I look forward to working with each of you as we continuously aim to make Durham the place to work, play and thrive.

Sincerely,



Wendell M. Davis