



**BOCC Budget Retreat**  
**February 20, 2017**



# The Day Ahead

- Welcome & Overview
- BOCC's Budget Vision and FY 2017-18 Planning Process
- Financial Trends and Budget Update
- Policy Discussion
  - Health and Well-being for All
  - Safe and Secure Communities
  - Accountable, Efficient and Visionary Government
- Board Discussion: Future Investments
- BOCC Charge to Staff
- Observations and Next Steps



# Outcomes for the Day

- Share context that will inform the FY 2017-18 budget process
- Discuss how Strategic Plan refresh and MFR can be used to drive progress in various policy areas
- Gauge BOCC priorities for investments in the upcoming budget and beyond

# Setting Expectations for a Successful Session

- Today's agenda allows time for presentations and time for dialogue
- During presentations, would members be willing to let us move through quickly before raising in-depth questions?
  - Use “red card” to stop or ask for clarification
- Specific times are set aside for discussion
- Throughout the presentations please make note of your priorities for increased, reduced or changed investment; in the afternoon staff will help compile and post your top 3





# Questions for the BOCC

As you reflect on your previous Board discussions and evaluating current trends,

- Overall Progress: To what extent are you satisfied Durham County is making progress to address what is most important?
- Priorities Still Current: To what extent does the existing list of priorities still reflect what you see as most important?
- Budgeting vs. Priorities?: To what extent do current budget investments align with BOCC priorities?

Rate each using 1 to 5 scale with 5 being the highest agreement and 1 being the lowest agreement. Use a separate Post-It note for each rating.



# Questions for the BOCC

In light of current trends, and other policy items discussed today, there are many competing priorities for additional investments and some funding limits. To help staff prioritize in a strategic way:

- Where would you like to see additional investments or fewer investments in the FY 2017-18 budget?
- Thinking longer term (3 or more years), do you see any important needs for greater investment on the horizon? Do you have any suggestions about funding these investments?

*Please make notes throughout the day of your top priorities. Staff will help compile your individual top 3 during the mid-afternoon break*



# Request of Audience

- This session is set aside specifically for the Board to hear staff presentations and have dialog with each other
- We appreciate your presence as an observer
- Please limit side bar conversations and silence cell phones
- We will not be taking questions or comments from the audience members today

# FY 2017-18 Budget Process Highlights

- January, 2017 BOCC Strategic Plan Retreat
- February, 2017 BOCC Budget Retreat
- March-April, 2017 Departmental Budget Presentations with Manager
- May 22, 2017 County Manager Recommended Budget
- May-June BOCC Budget Worksessions
- June 26, 2017 BOCC Budget Adoption



# Strategic Plan Areas of Interest – Previous BOCC Retreats

<b>Goal 1: Community Enrichment</b>	<b>Goal 2: Health and Well-being for All</b>	<b>Goal 3: Safe and Secure Community</b>	<b>Goal 4: Environmental Stewardship and Community Prosperity</b>	<b>Goal 5: Accountable, Efficient and Visionary Government</b>
<ul style="list-style-type: none"> <li>• Educational Outcomes</li> <li>• Transit and Affordable Housing</li> <li>• Reduce Poverty, Increase Jobs</li> <li>• School funding</li> <li>• DSS</li> <li>• Educational Funding, Collaboration and Cooperation targeted to classrooms</li> <li>• Early childhood support (prenatal – 8, focus on health and education)</li> <li>• School funding</li> <li>• DSS – continue customer service focus, leverage technology</li> <li>• Recruit wider range of jobs – moving living wage jobs / revisit ED policy</li> <li>• Jobs incentives for population not yet impacted</li> <li>• Address barriers to jobs for those with criminal backgrounds</li> <li>• Durham County increases hiring of formerly incarcerated</li> </ul>	<ul style="list-style-type: none"> <li>• DSS</li> <li>• More school nurses</li> <li>• Increase focus to address homelessness and substance abuse</li> <li>• Support Veterans Services with day center with wellness focus</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in jail population</li> <li>• More staff in jail</li> <li>• Mental health services for formerly incarcerated (incl. courts)</li> <li>• Diversion of mentally ill from jail (MH court, supportive services, expansion of pretrial)</li> <li>• Address violence in the family and community (mental health and drugs)</li> </ul>	<ul style="list-style-type: none"> <li>• Transit and Affordable Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Community Engagement</li> <li>• Performance Measurement</li> <li>• Customer Service</li> <li>• Strategic Planning and Community and Employee Engagement</li> <li>• Strategic community partnerships</li> <li>• Tax Department</li> <li>• Communication with the Public</li> <li>• More active community engagement (social media, “Coffee w/ Council”)</li> <li>• Tax Department – continue customer service transparency, using technology, good communication</li> </ul>



# Resident Survey Highlights

## Top County Priorities

### 2016 Resident Survey

#### Very High Priority - Satisfaction Rating

- Public Schools

#### Medium Priority - Satisfaction Rating

- Department of Social Services
- Sheriff Protection
- Tax Administration
- Communication with the Public

### 2015 Resident Survey

#### High Importance-Satisfaction Rating

- Department of Social Services
- Tax Administration
- Communication with the Public

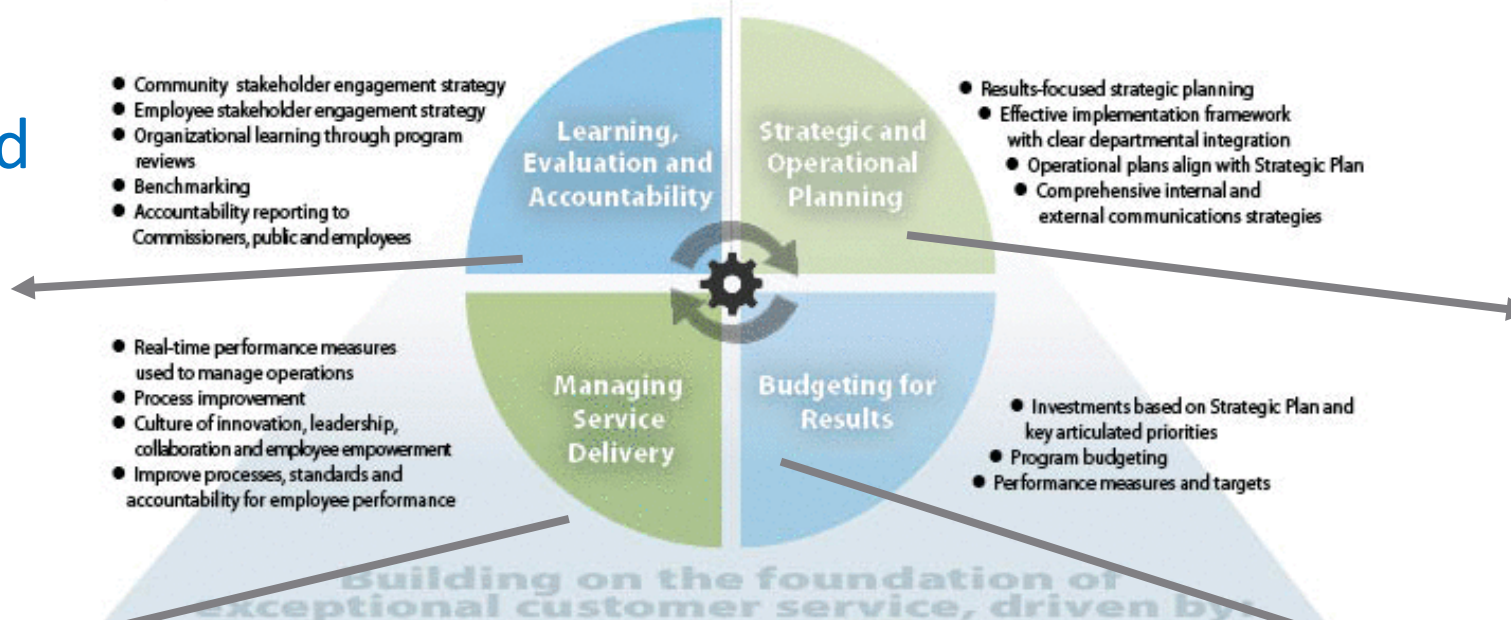


- Learning, Evaluation and Accountability**
- Community stakeholder engagement strategy
  - Employee stakeholder engagement strategy
  - Organizational learning through program reviews
  - Benchmarking
  - Accountability reporting to Commissioners, public and employees

- Strategic and Operational Planning**
- Results-focused strategic planning
  - Effective implementation framework with clear departmental integration
  - Operational plans align with Strategic Plan
  - Comprehensive internal and external communications strategies

- Managing Service Delivery**
- Real-time performance measures used to manage operations
  - Process improvement
  - Culture of innovation, leadership, collaboration and employee empowerment
  - Improve processes, standards and accountability for employee performance

- Budgeting for Results**
- Investments based on Strategic Plan and key articulated priorities
  - Program budgeting
  - Performance measures and targets



Community and Employee Engagement

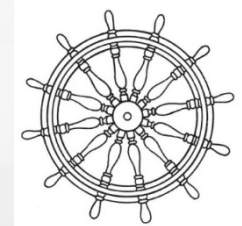
MFR Infrastructure

2017 Strategic Plan Refresh

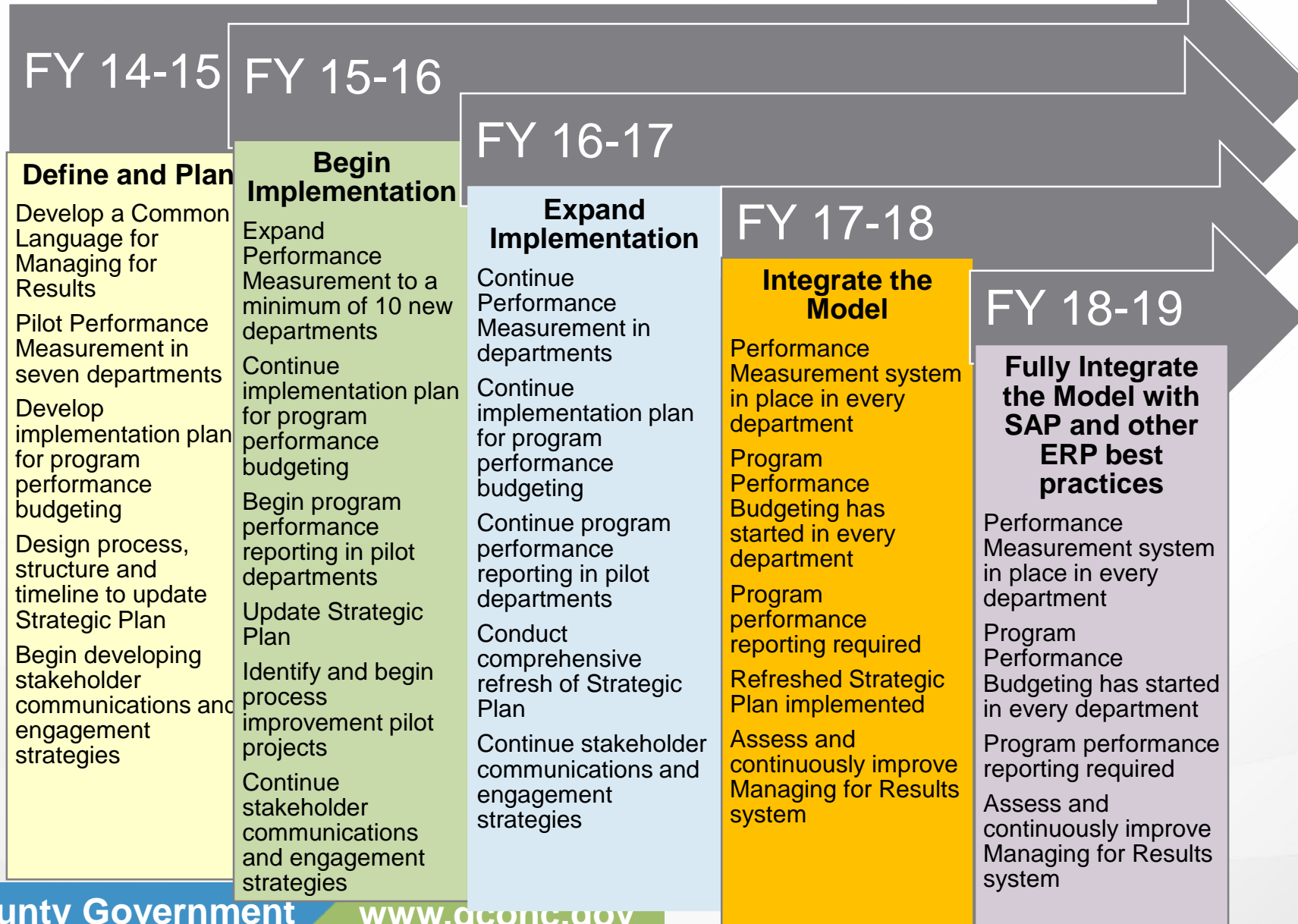
FY17-18 Budget Process

# Budgeting and Managing for Results

- ❑ Budgeting is becoming more **strategic**
- ❑ Focuses on making sound **investment decisions**
- ❑ Process can encourage **real change**
- ❑ The BOCC has the role to **“steer”** the course and **define the results it wants at the price the community is willing to pay**



# Managing for Results Implementation Timeline







# Managing for Results – Timeline

- Cohorts I and II report public facing performance measures in December
- Cohort III finalizing performance measures
- Data documentation to start in 2017
- Start using OpenGov in 2017
- All cohorts incorporate Budget Document MFR revisions

# Managing for Results – Budgeting Highlights

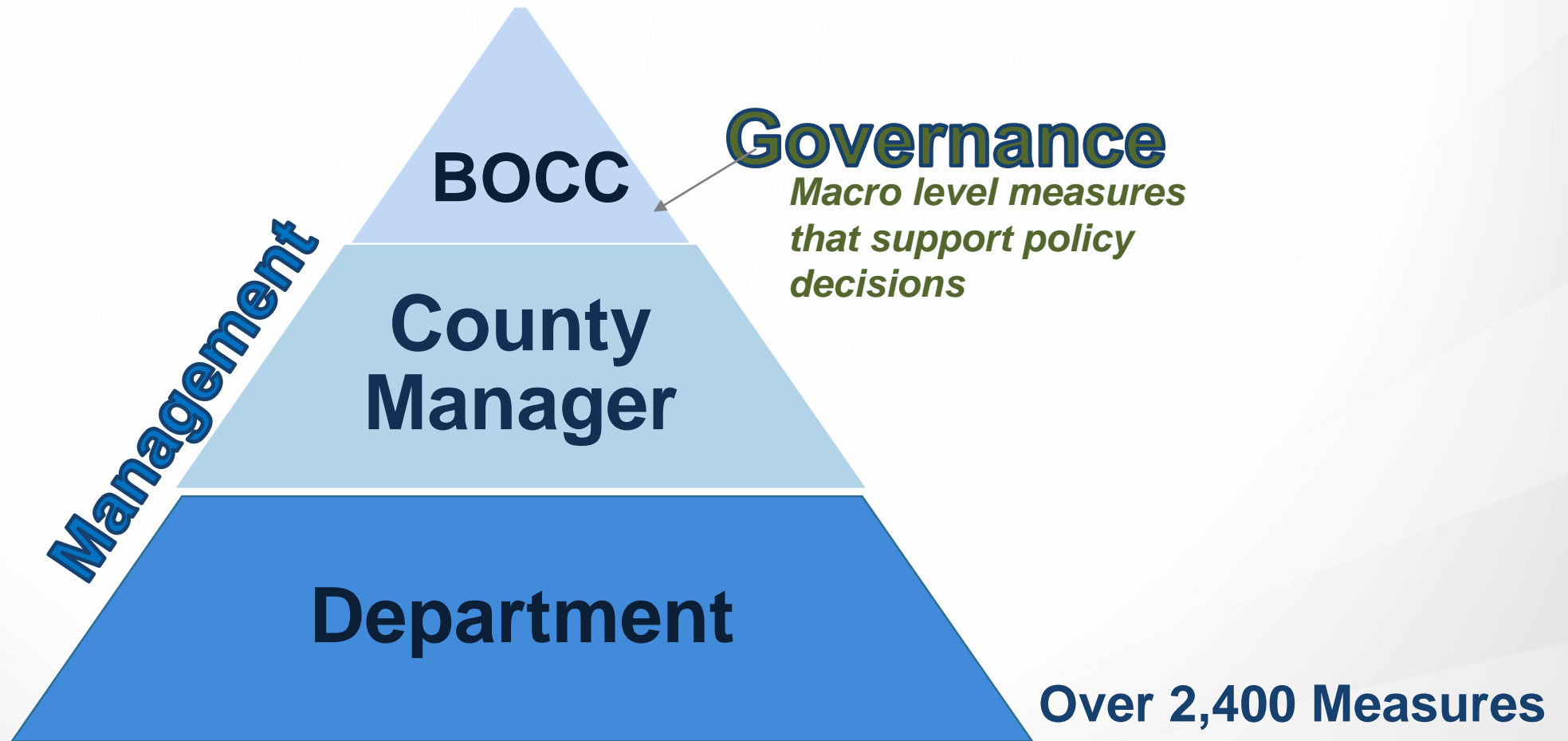
- Budget and Management: Engaged all County departments in developing programs and measures
- Enterprise Resource Planning (ERP) infrastructure review underway for full data
- Strategic Planning:
  - Developed process to “refresh” goals, find better connections with work of departments
  - Full refresh of all goals coming in 2017

# MFR Departments

Provide program budget summary

Program Budget Area	Personnel	Operating	Total Budget	FTE
Financial Reporting & Control	\$ 1,132,953	\$ 601,307	\$ 1,734,260	14.65
Treasury & Debt Management	\$ 220,857	\$ 31,346	\$ 252,203	2.10
Purchasing	\$ 396,900	\$ 21,876	\$ 418,776	4.85
MWBE	\$ 220,857	\$ 31,346	\$ 252,203	2.40
<b>Total</b>	<b>\$ 1,971,567</b>	<b>\$ 685,875</b>	<b>\$ 2,657,442</b>	<b>24.00</b>

# Performance Measurement Data Reporting Levels



# MFR Performance Measures

<b><u>Treasury and Debt Management</u></b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>Key Measures</b>	<b>Estimate</b>	<b>Projected</b>
Maintain AAA Rating	Yes	Yes
Number of Debt Issuances	0	1
Number of Debt Refundings	2	1

<b><u>Purchasing</u></b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>Key Measures</b>	<b>Estimate</b>	<b>Projected</b>
Percent of Purchase Orders processed in 3 business days	99%	99%
Number of Purchase Orders processed	614	640
Percent of Fund Reservations (encumbrances & contracts) processed in 10 business days	93.5%	95%
Number of Funds Reservations (encumbrances & contracts) processed	1,200	1,250

<b><u>Financial Reporting and Control</u></b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>Key Measures</b>	<b>Estimate</b>	<b>Projected</b>
Attain the Certificate of Achievement for Excellence in Financial Reporting for the CAFR	Yes	Yes



# Economic & Demographic Trends





# County Economies 2016

Widespread Recovery  
Slower Growth

Source: National Association of Counties, February 2017

<http://www.naco.org/resources/county-economies-2016-widespread-recovery-slower-growth>





# COUNTY ECONOMIES 2016

## DURHAM COUNTY, NC

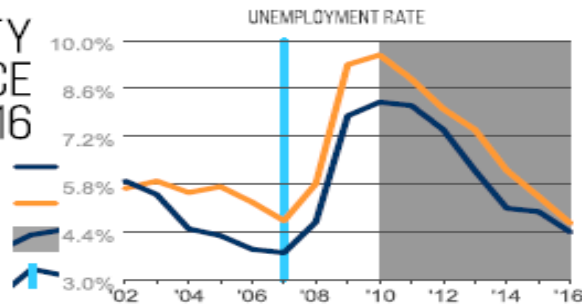
### UNEMPLOYMENT RATE CHANGE

2015-2016

**-0.6PPS**

COUNTY PERFORMANCE 2002-2016

COUNTY ECONOMY  
MID-SIZED COUNTY ECONOMIES  
RECOVERY PERIOD  
PEAK YEAR

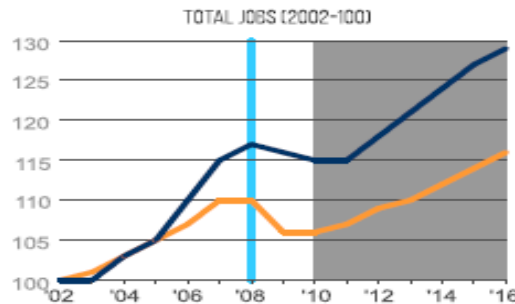


**RECOVERED BY 2016**

**NO**

### JOBS GROWTH RATE

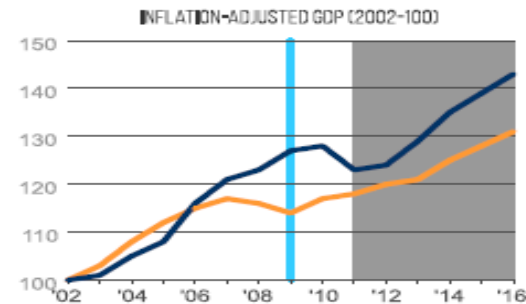
**2.1%**



**YES**

### ECONOMIC OUTPUT GROWTH RATE

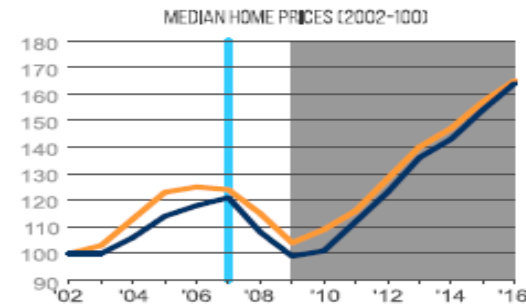
**3.1%**



**YES**

### MEDIAN HOME PRICES GROWTH RATE

**6.3%**



**YES**

### SIZING UP 2016

POPULATION, 2015	<b>300,952</b>
UNEMPLOYMENT RATE, 2016	<b>4.4%</b>
REAL GDP, 2016, IN 2009 DOLLARS	<b>\$29.5 Billion</b>
AVERAGE REAL WAGES, 2016, IN 2009 DOLLARS	<b>\$50.5 Thousand</b>
Durham County, NC has a county government.	
Durham County is a medium-sized county in the Durham-Chapel Hill, NC metropolitan area.	

### TOP FIVE SPECIALIZED INDUSTRIES, BY EMPLOYMENT, 2016

HEALTHCARE & SOCIAL ASSISTANCE	- 43.3 THOUSAND JOBS - 16.6%
PROFESSIONAL & BUSINESS SERVICES	- 29.1 THOUSAND JOBS - 11.2%
EDUCATIONAL SERVICES	- 18.7 THOUSAND JOBS - 7.2%
FINANCIAL ACTIVITIES	- 15.2 THOUSAND JOBS - 5.8%
FEDERAL GOVERNMENT	- 6.1 THOUSAND JOBS - 2.4%

### MEDIA CONTACT

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### QUESTIONS

Dr. Emilia Istrate  
Managing Director, Counties Futures Lab  
research@naco.org

### FINDINGS

[www.naco.org/countyeconomies](http://www.naco.org/countyeconomies)

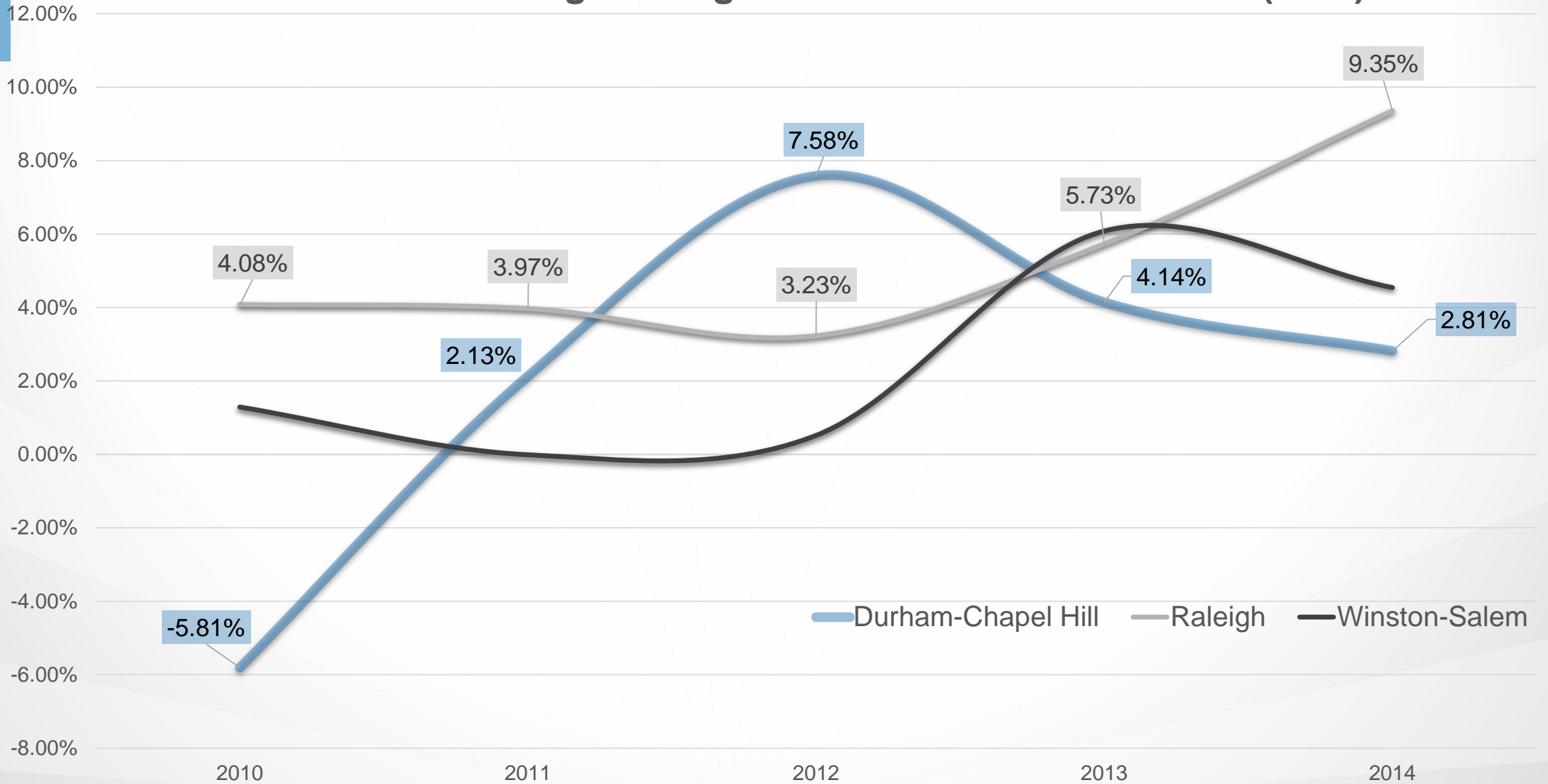
**#COUNTYECONOMIES**

DEFINITION OF TERMS: (Data Sources: Woods & Poole Economics, Inc., 2016 Data and U.S. Census Bureau)

Economic output (gross domestic product - GDP): Total value of goods and services produced by a county economy, also known as GDP. Jobs: Total wage and salary jobs, whether full or part-time, temporary or permanent in a county economy. This is a measure of the number of jobs, not employed people, for all employers in a county economy, not only for the county government. Median Home Sales Price: Median sales prices of existing single-family homes in a county economy. Unemployment Rate: The proportion of the civilian labor force that is employed.

For more on the methodology and indicators, see the Key Terms document available at [www.naco.org/CountyEconomies](http://www.naco.org/CountyEconomies)

# Year to Year Percentage Change in Gross Domestic Product (GDP)



# ECONOMIC TRENDS

## Ten Largest Employers

### 2007 to 2016 Comparison

Rank	2007 Ten Largest Employers	Employees	% of Total County Employment
1	Duke University & Health System	30,551	16.68%
2	IBM Corp.	11,530	6.29%
3	Durham Public Schools	5,489	3.00%
4	GlaxoSmithKline	5,272	2.88%
5	BCBS of NC	2,745	1.50%
6	Nortel Networks	2,600	1.42%
7	Durham City Government	2,336	1.28%
8	Lenovo Group, Ltd.	2,300	1.26%
9	VA Medical Center	2,162	1.18%
10	Research Triangle Inst. (RTI)	2,117	1.16%
<b>Total</b>		<b>67,102</b>	<b>36.64%</b>

Rank	2016 Ten Largest Employers	Employees	% of Total County Employment
1	Duke University & Health System	34,863	17.69%
2	IBM Corp.	10,000	5.07%
3	Durham Public Schools	4,600	2.33%
4	GlaxoSmithKline	3,700	1.88%
5	BCBS of NC	3,200	1.62%
6	Durham City Government	2,437	1.24%
7	Fidelity Investments	2,400	1.22%
8	Quintiles Transnational Grp.	2,300	1.17%
9	Research Triangle Inst. (RTI)	2,300	1.17%
10	VA Medical Center	2,162	1.10%
<b>Total</b>		<b>67,962</b>	<b>34.48%</b>

Source: DCoNC CAFR June 30, 2016, Durham Chamber of Commerce, BLS

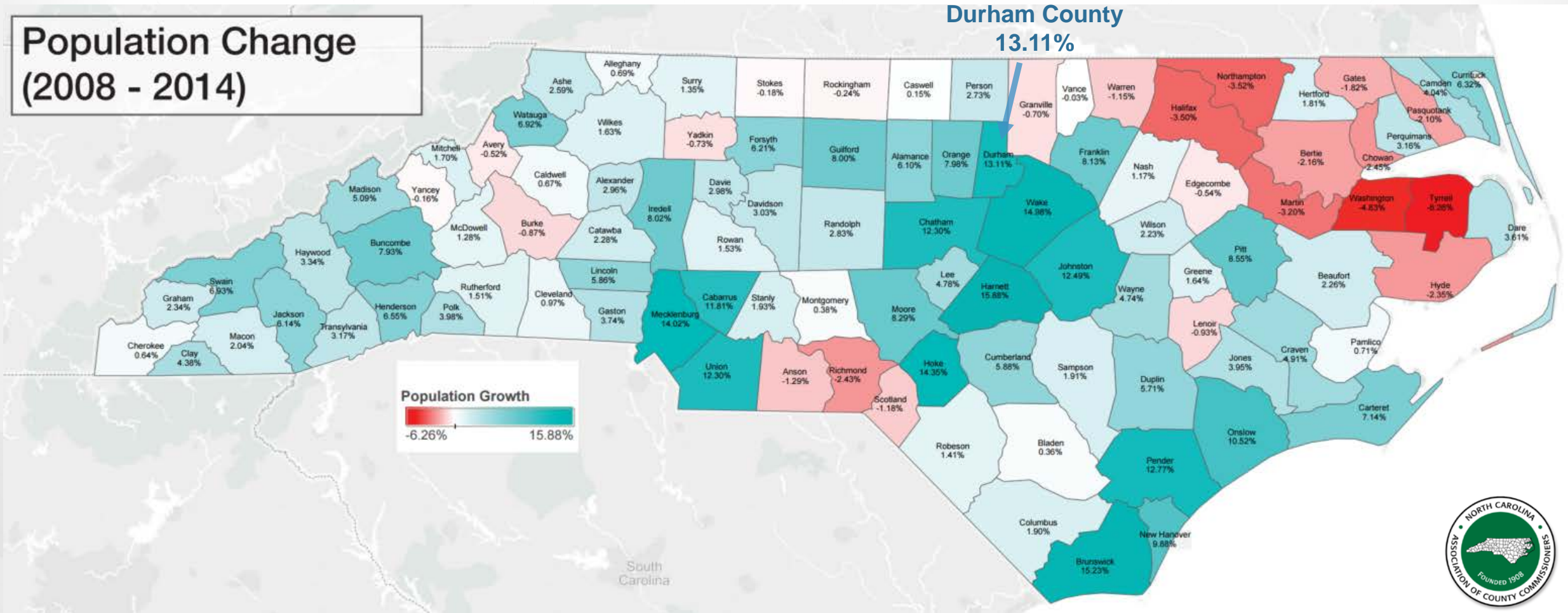




# North Carolina County Population Changes, 2008 – 2014

Population Change  
(2008 - 2014)

Durham County  
13.11%

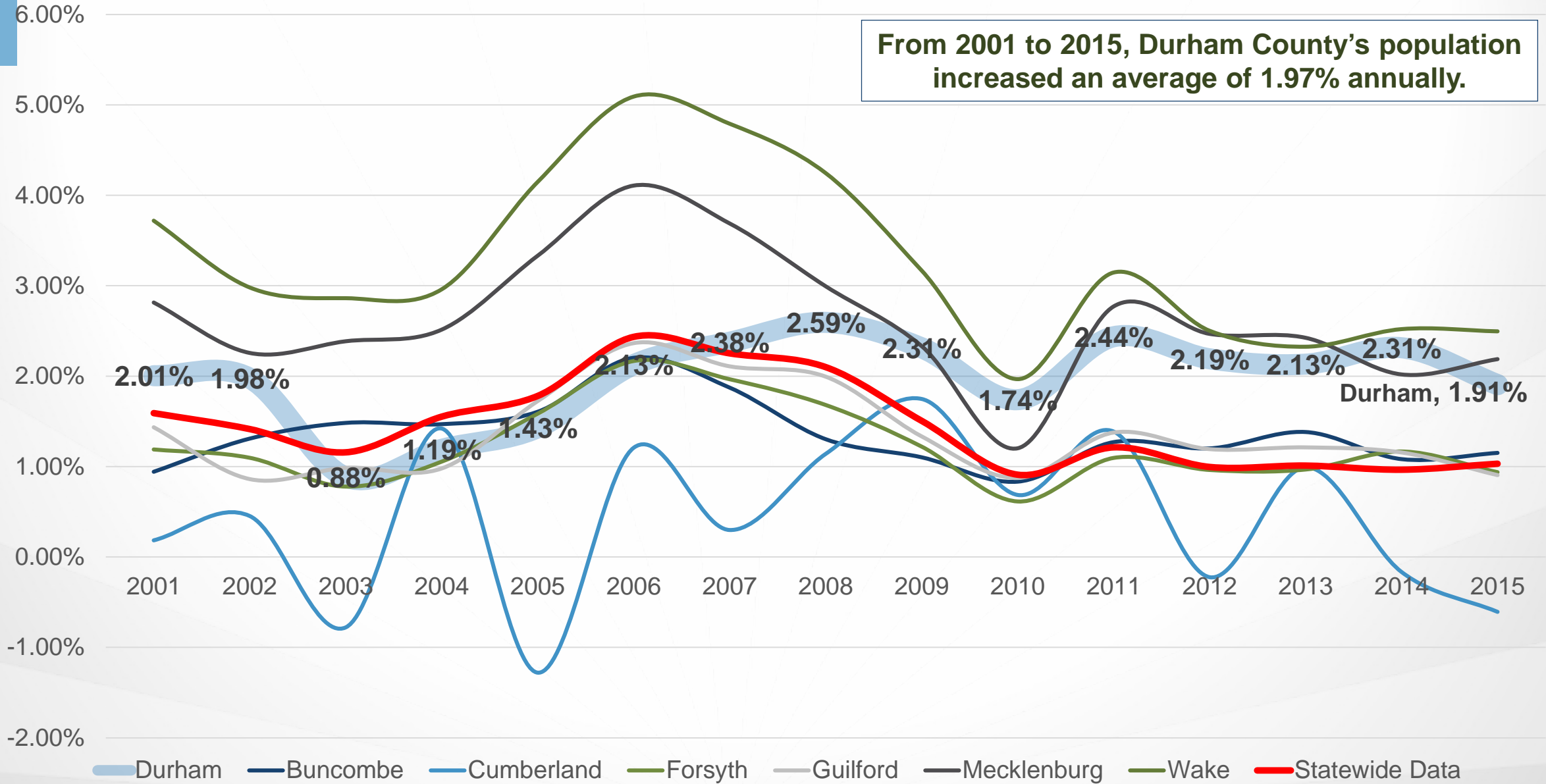


Source: 2015 County Snapshots, NC Association of County Commissioners. <http://nc-ncacc2.civicplus.com/DocumentCenter/View/1925>



# Percent Population Change from Previous Year - US Census Data

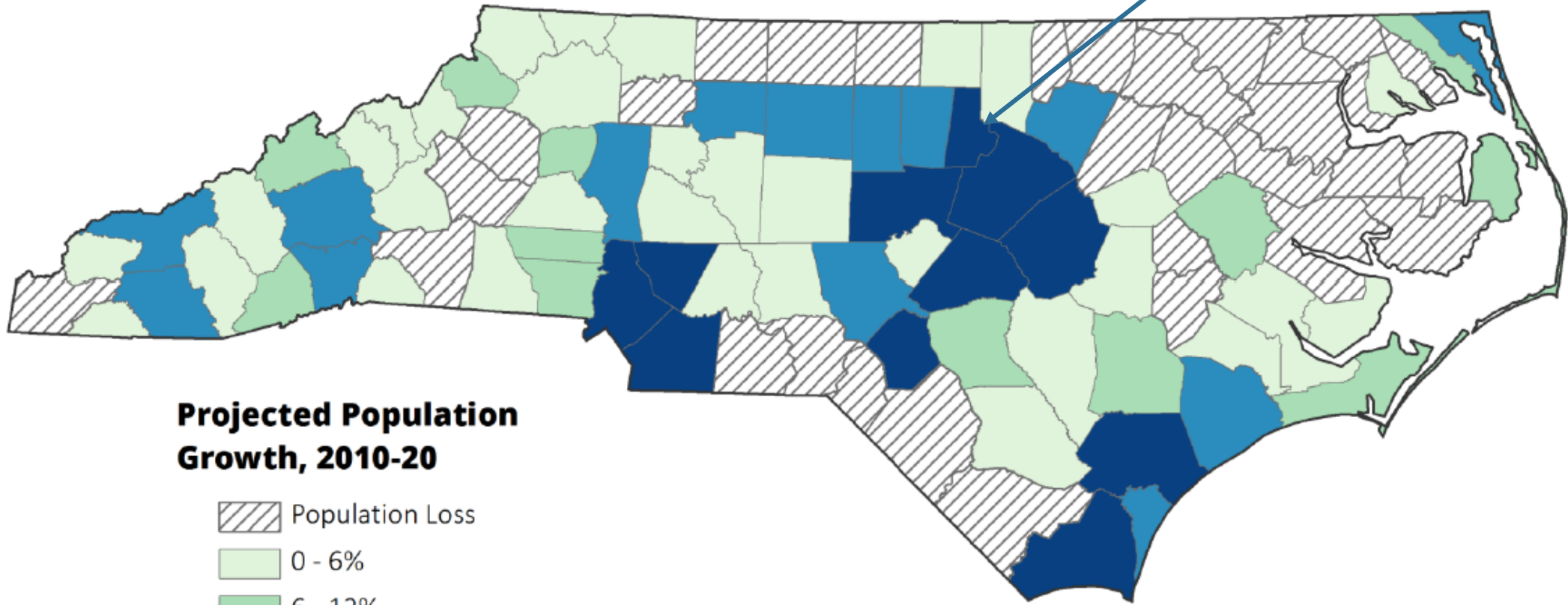
From 2001 to 2015, Durham County's population increased an average of 1.97% annually.



According to UNC Carolina Population Center, Durham County's projected growth above 18%

# Projected Population Growth 2010-2020

Durham County



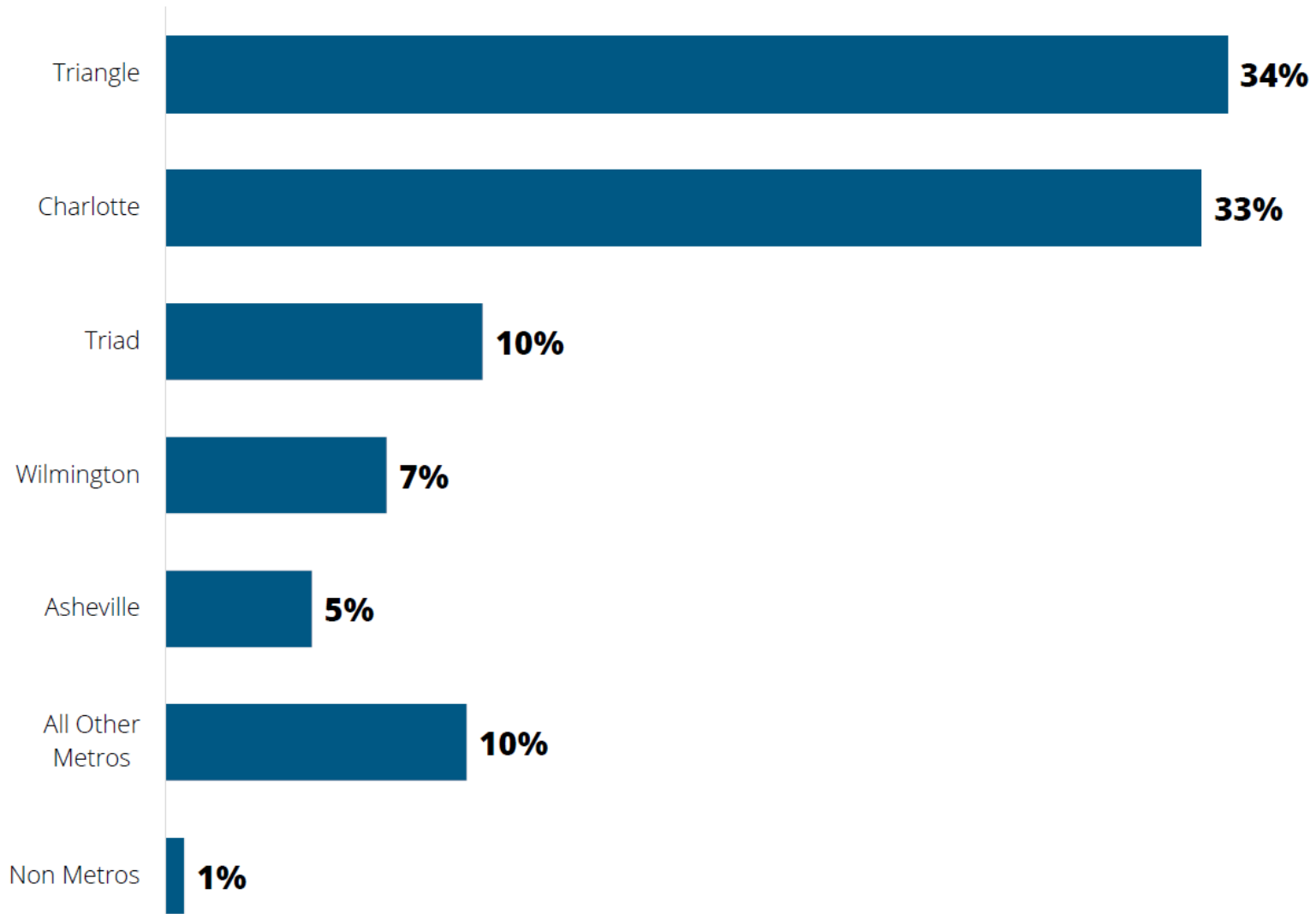
## Projected Population Growth, 2010-20

- Population Loss
- 0 - 6%
- 6 - 12%
- 12 - 18%
- 18% or more

Source: NC OSBM  
UNC Carolina Population Center



# Projected population growth 2010-2020



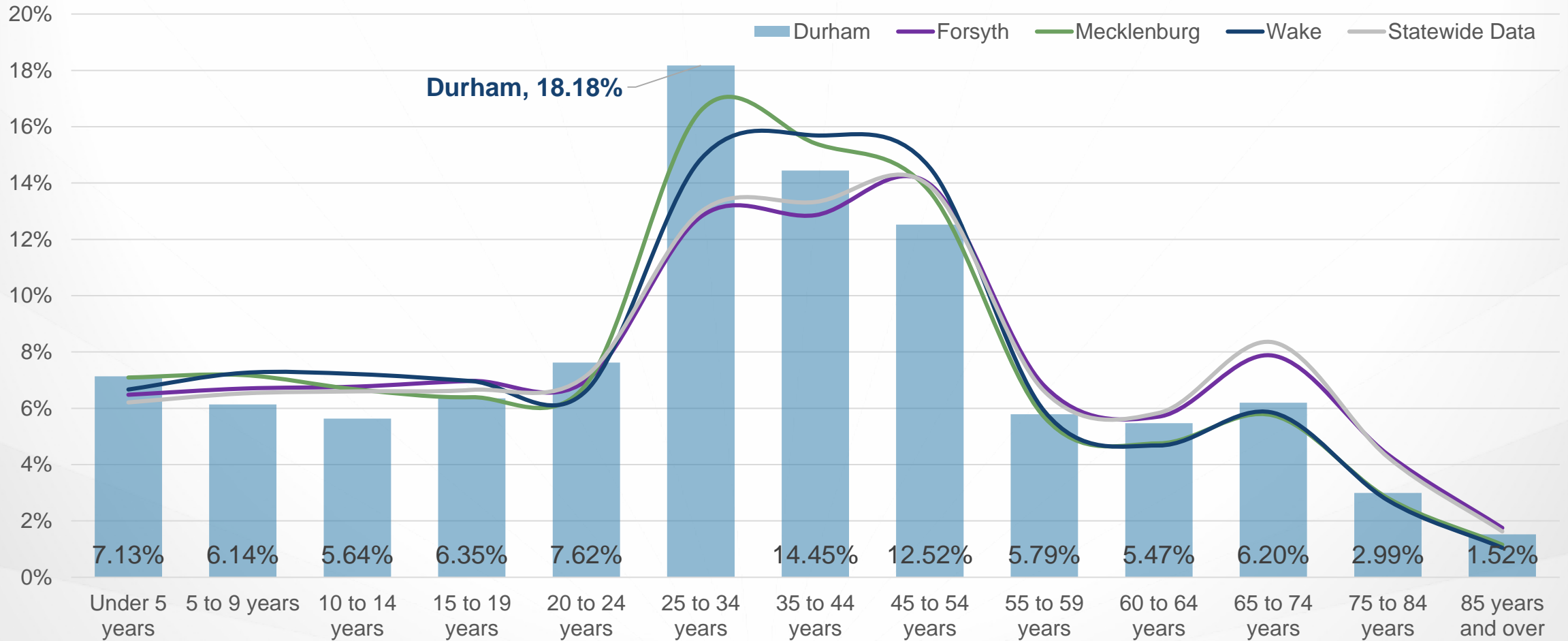


# Population by Age Group

## 2011-2015

According to the US Census Bureau Census, Durham County's highest population is between the ages of 25 to 34 at 18.8%.

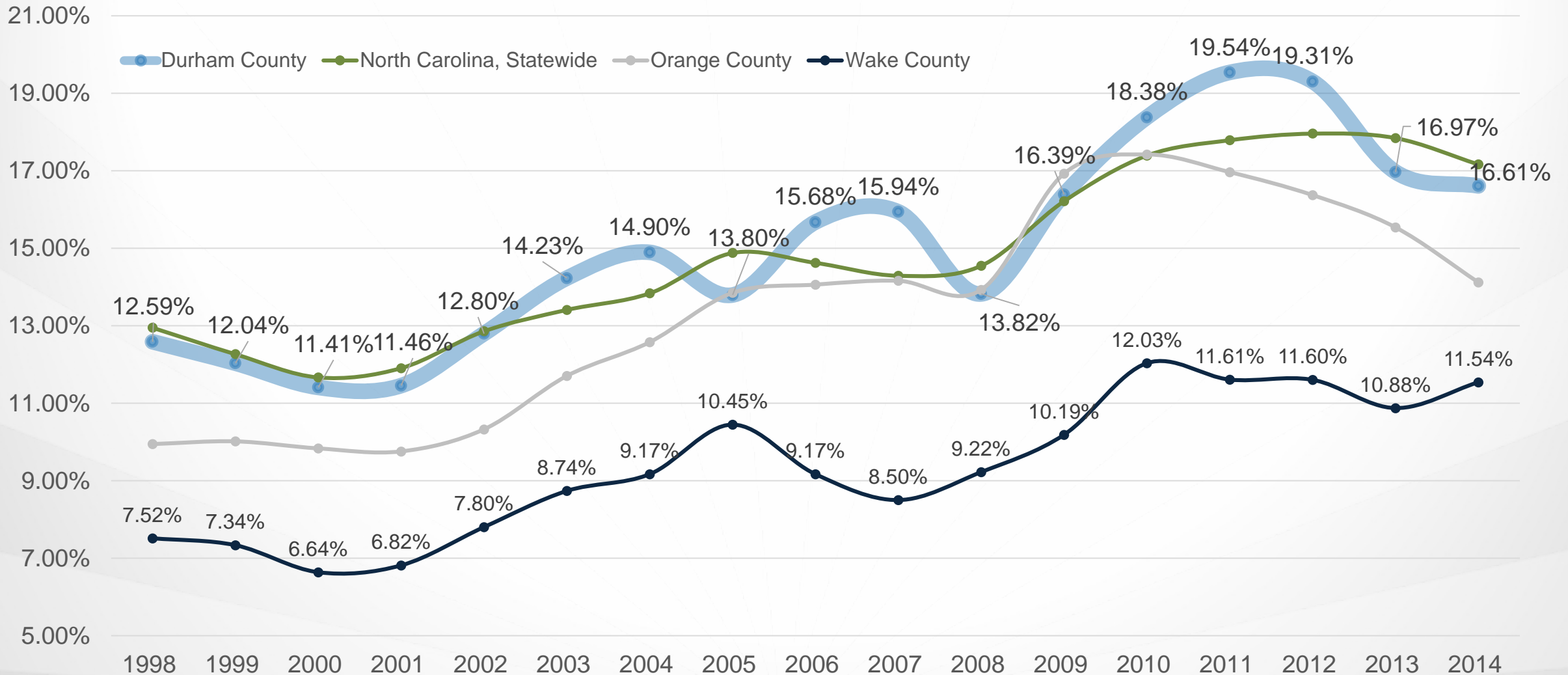
With the remaining two categories between that ages of 35 to 44 and ages 45 to 54.



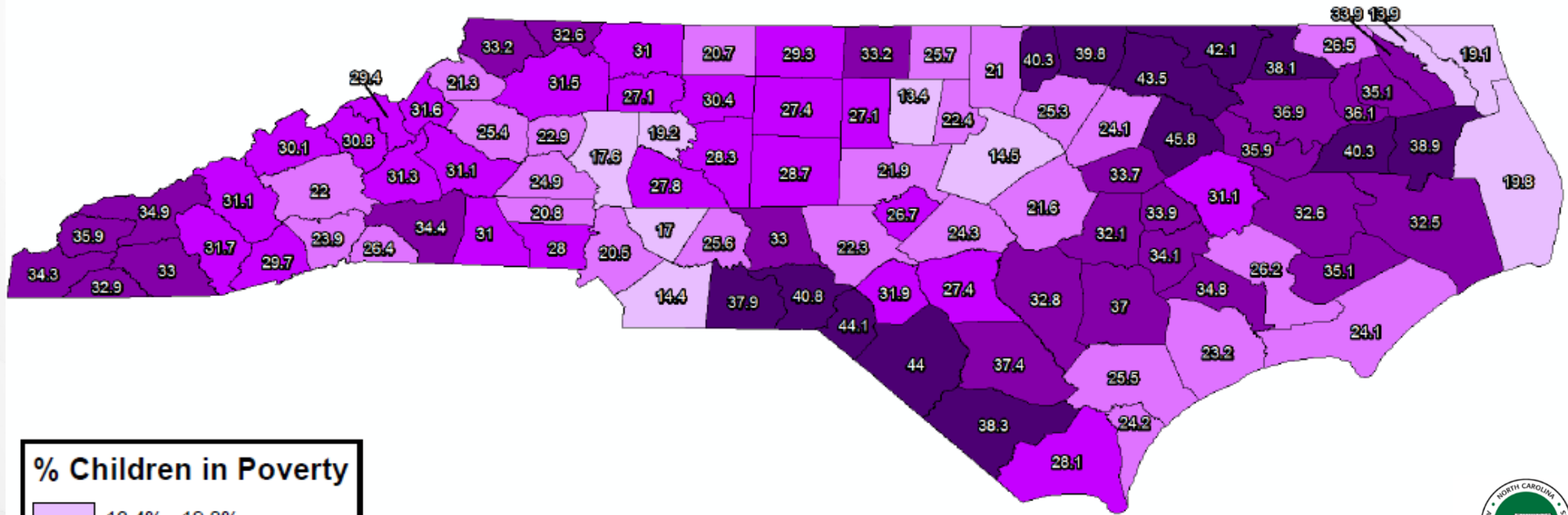


# County Poverty Rate

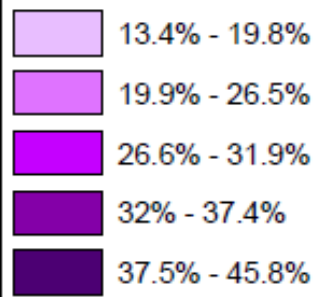
On average, Durham County's Poverty Rate has trended close to the State Poverty Rate since 1998.



# Percent of Children Living in Poverty, 2016



## % Children in Poverty

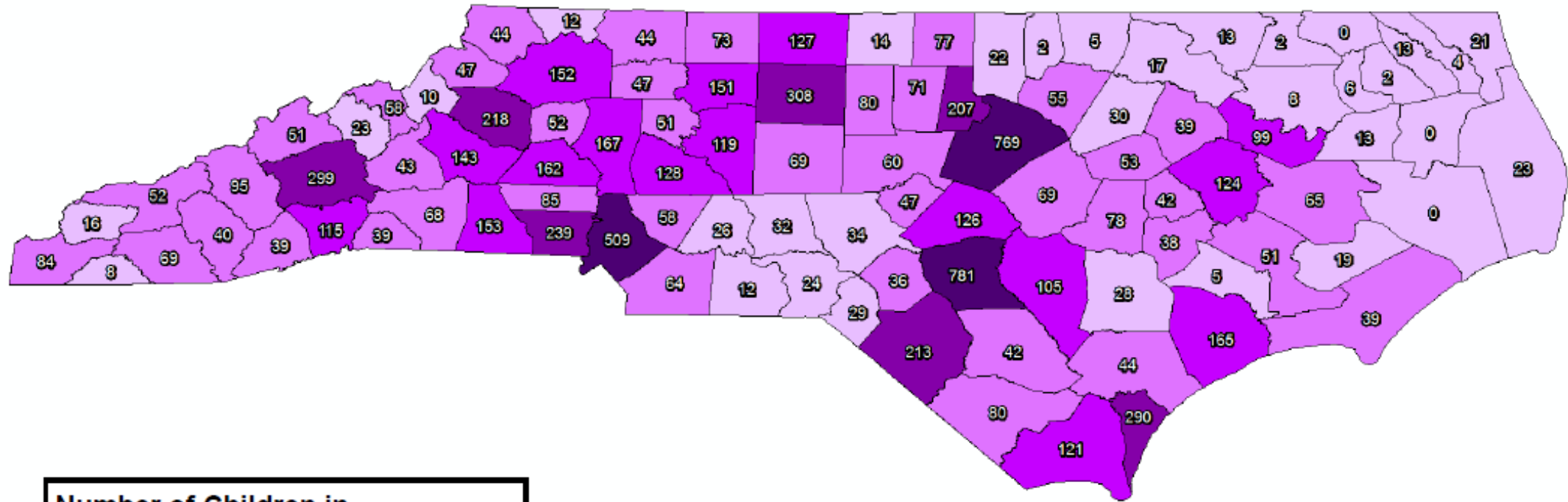


**Source:** 2016 NC County Health Rankings, University of Wisconsin Population Health Institute

**Note:** Poverty is defined as everyone in the family living below the poverty threshold determined for the state. In North Carolina the poverty threshold is set at \$23,283 or less annual income for a family of four, and \$11,945 or less annual income for an individual. The statewide percent of children in poverty is 24%.



# Number of Children in Foster Care (as of 12/2015)



Number of Children in Foster Care (as of December 2015)

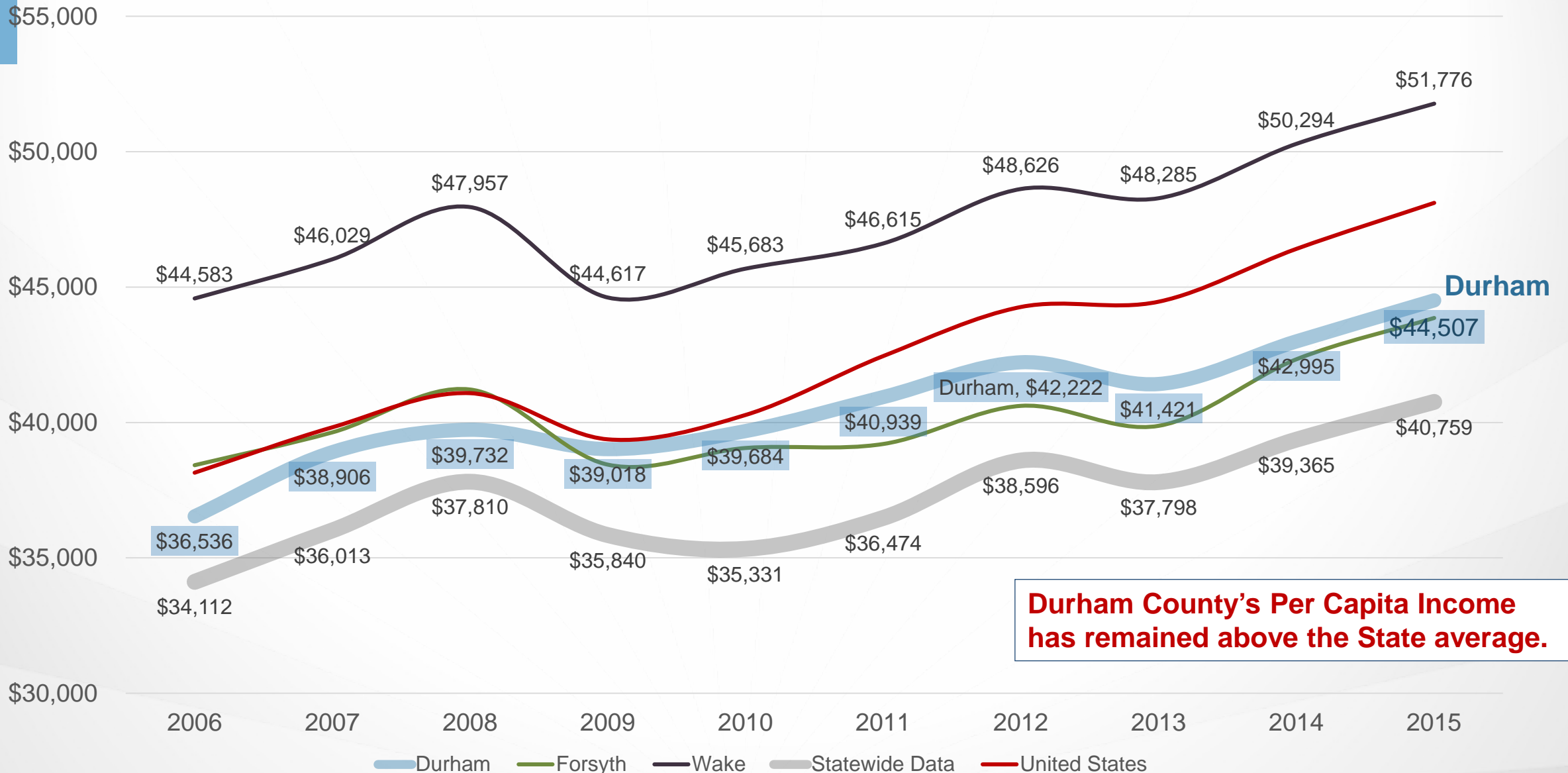
- 0 - 34
- 35 - 95
- 96 - 167
- 168 - 308
- 309 - 781

**Note:** Foster Care includes the number of children open for foster care services at the end of each month. This number does not include children open for adoption.

**Source:** 2015 Child Welfare Workforce Databook, NC  
Department of Health and Human Services



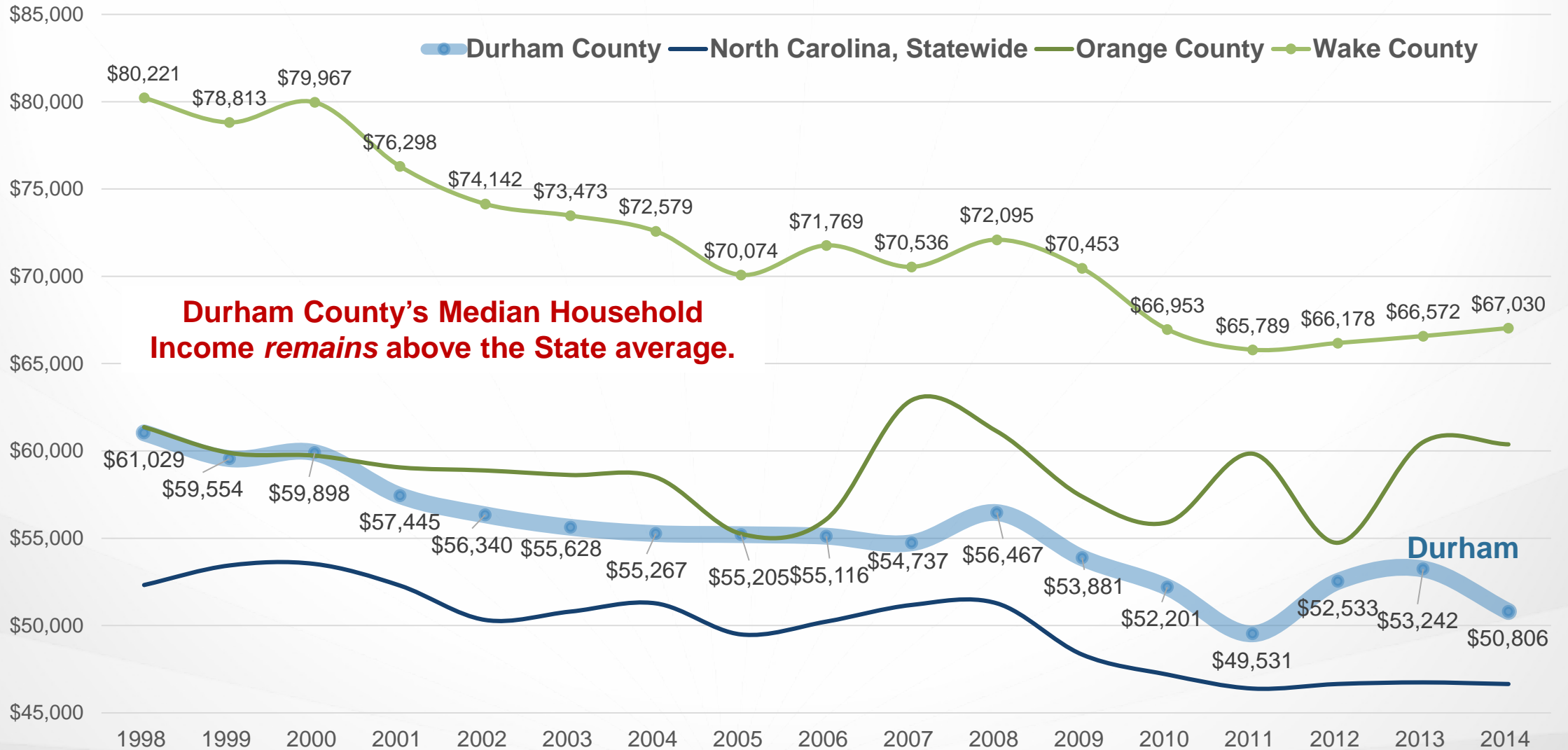
# Per Capita Income (Not Adjusted for Inflation)



**Durham County's Per Capita Income has remained above the State average.**

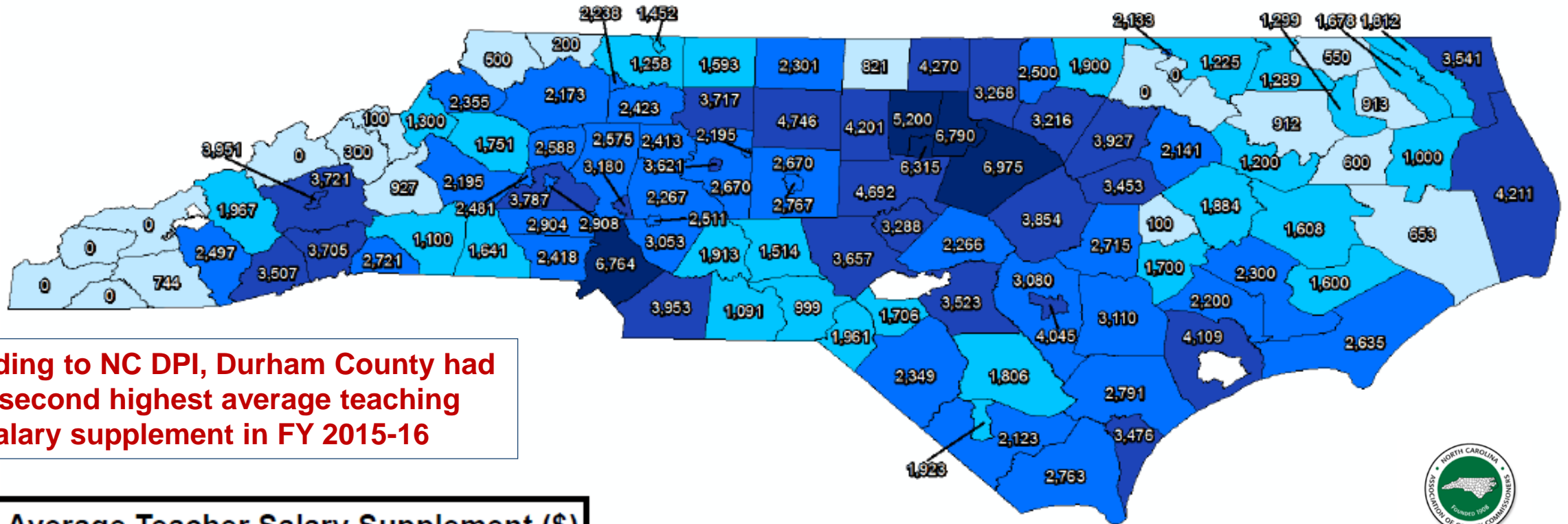


# Median Household Income (Adjusted for Inflation)

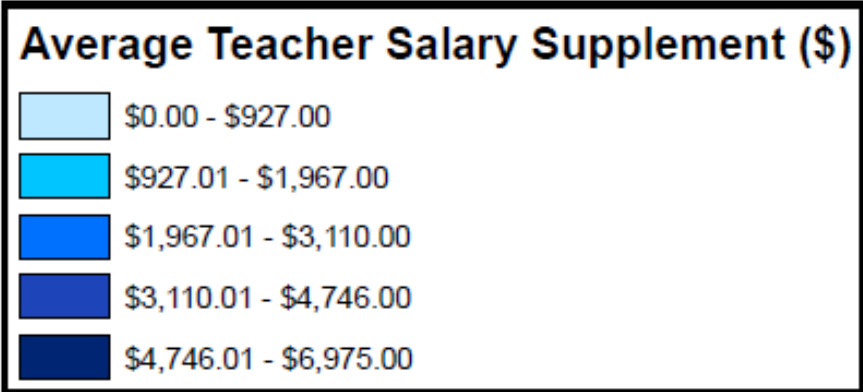




# Average Teacher Salary Supplement, 2015-16



**According to NC DPI, Durham County had the second highest average teaching salary supplement in FY 2015-16**



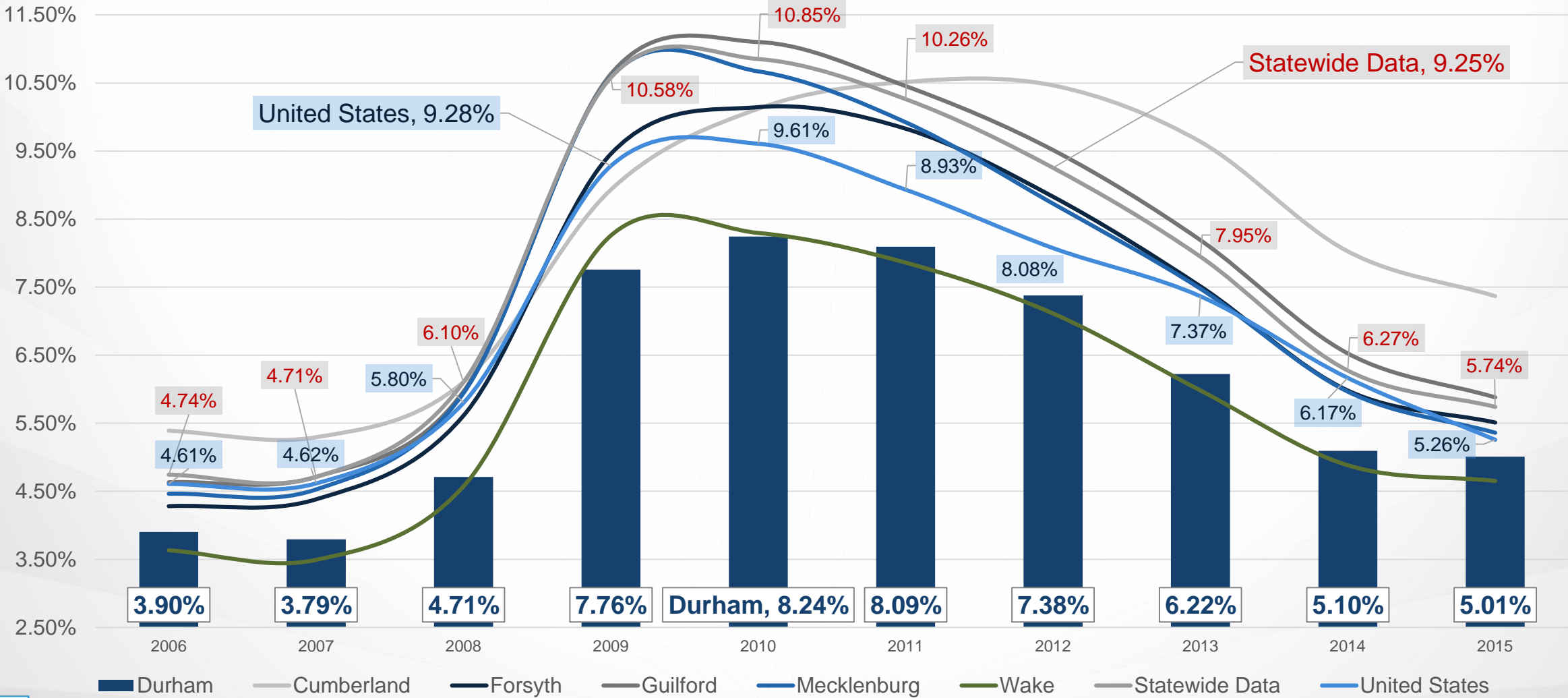
**Note:** Average Teacher Salary Supplement is the amount of additional, locally-funded salary that a teacher receives for working in a particular school district. These values do not include the Camp Lejeune School District (Onslow County), Fort Bragg School District (Cumberland and Hoke Counties), or the Eastern Cherokee Reservation School District (Swain and Jackson Counties).



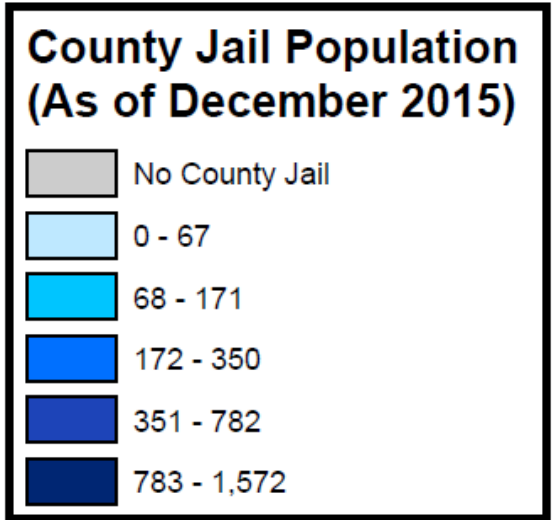
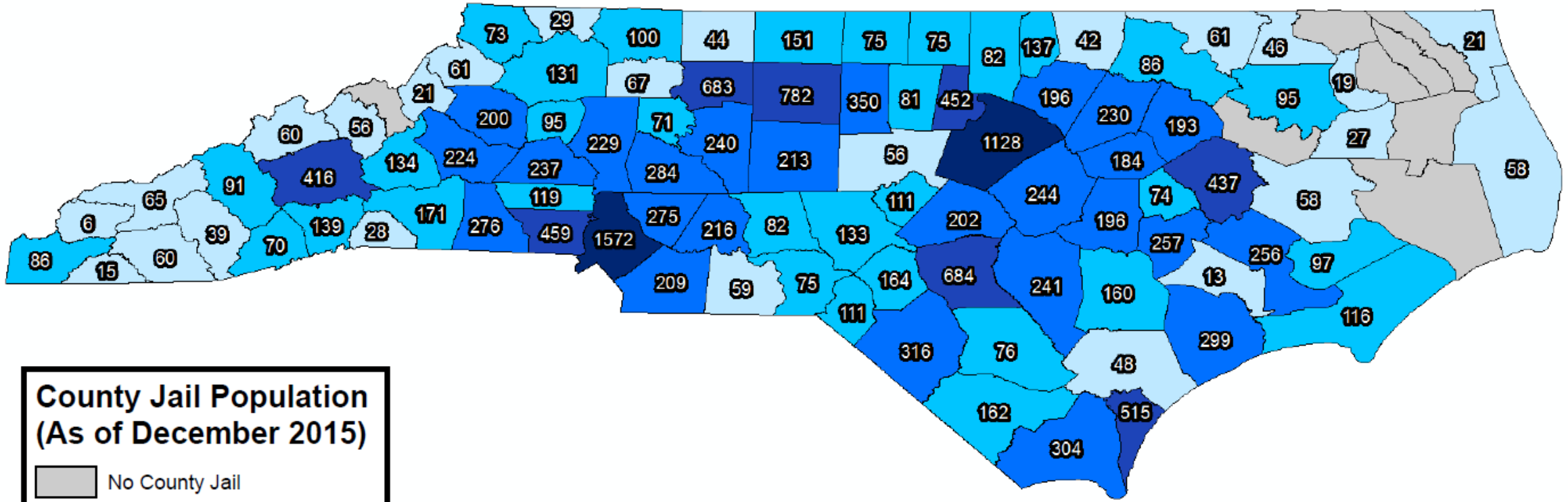


# Unemployment Rate

Since 2006, Durham County's unemployment has remained below the State and National rate.



# County Jail Average Daily Population as of 12/2015



**Note:** Average Daily Population is the average number of inmates being held in the county jail per day during that month. This is a single month in time; inmate numbers vary each month over the course of a year.

**Source:** NC Department of Health and Human Services, Division of Health Service Regulation—Jails and Detention Unit



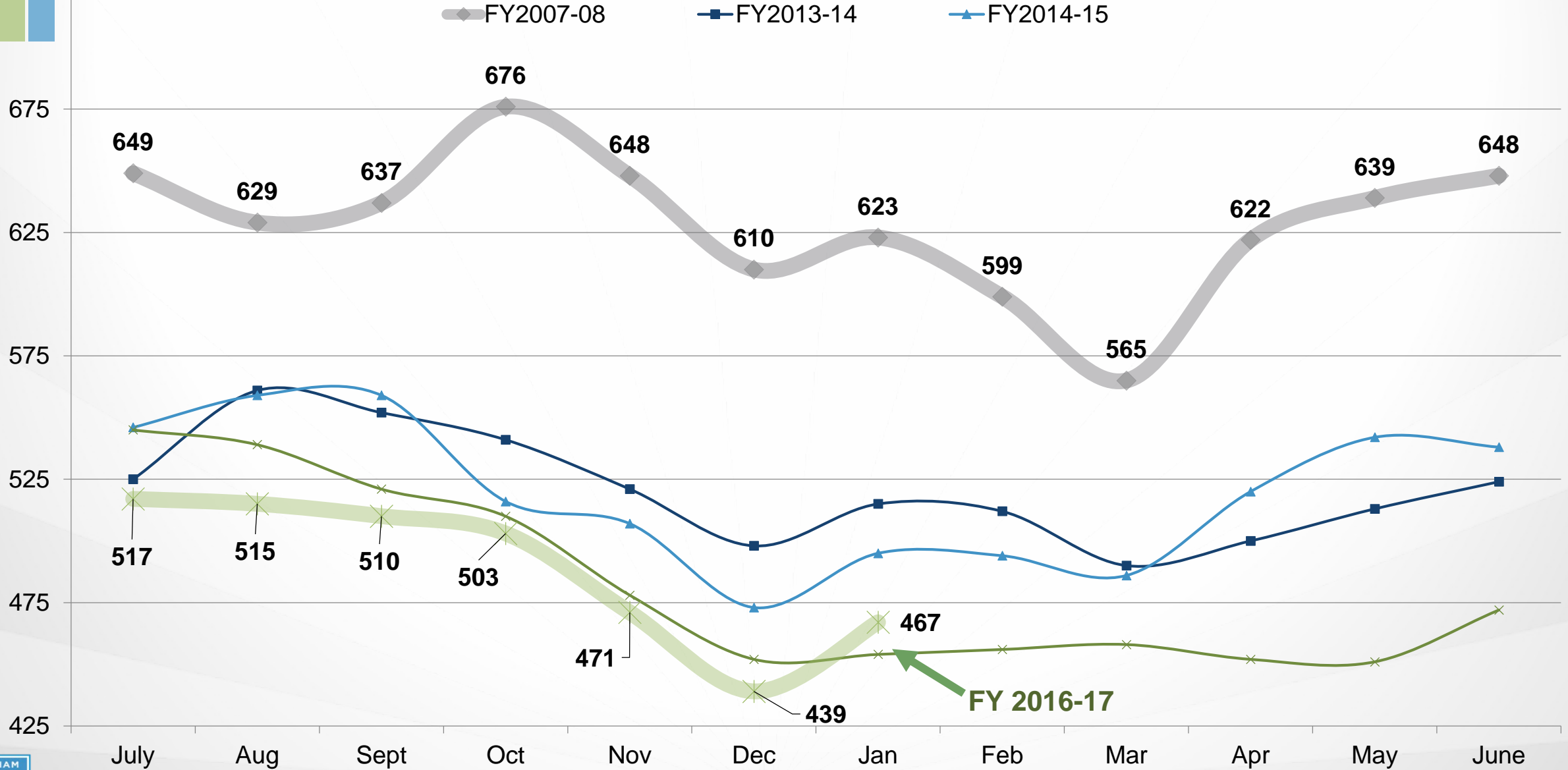
# Average Daily Jail Population Comparison 2015

Rank	County	Avg. Daily Jail Pop.	County Pop.	Population Per Inmate
1	Union	209	211,539	1,012.15
2	Wake	1,128	964,616	855.16
3	Guilford	782	507,419	648.87
<b>4</b>	<b>Durham</b>	<b>452</b>	<b>286,053</b>	<b>632.86</b>
5	Mecklenburg	1,572	991,867	630.96
6	Buncombe	416	248,872	598.25
7	Forsyth	683	360,471	527.78
8	Cumberland	684	332,553	486.19
9	Gaston	459	209,571	456.58
10	New Hanover	515	213,809	415.16

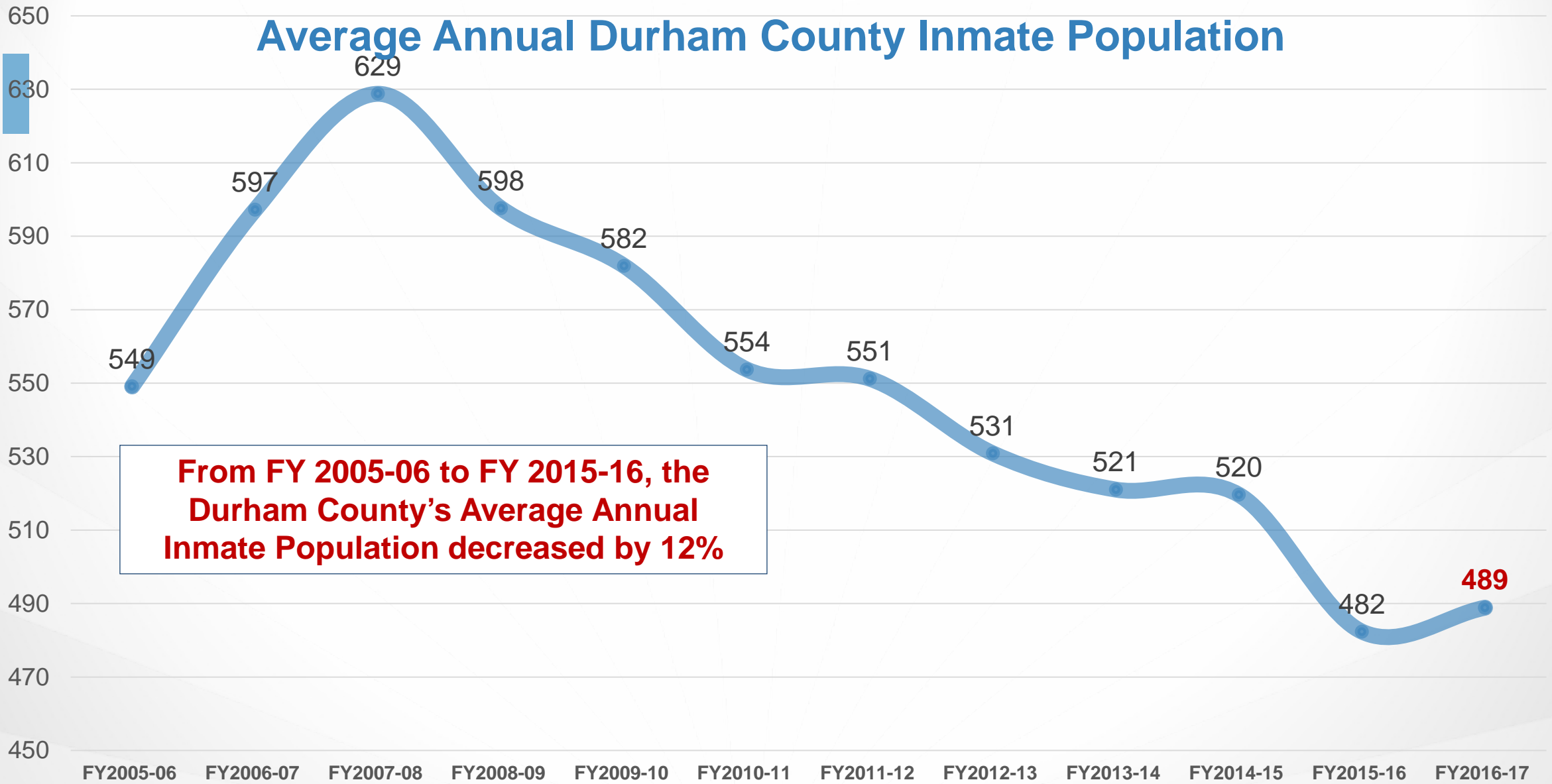


# Historical Durham County Inmate Population

725



# Average Annual Durham County Inmate Population

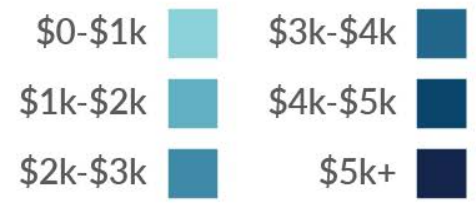
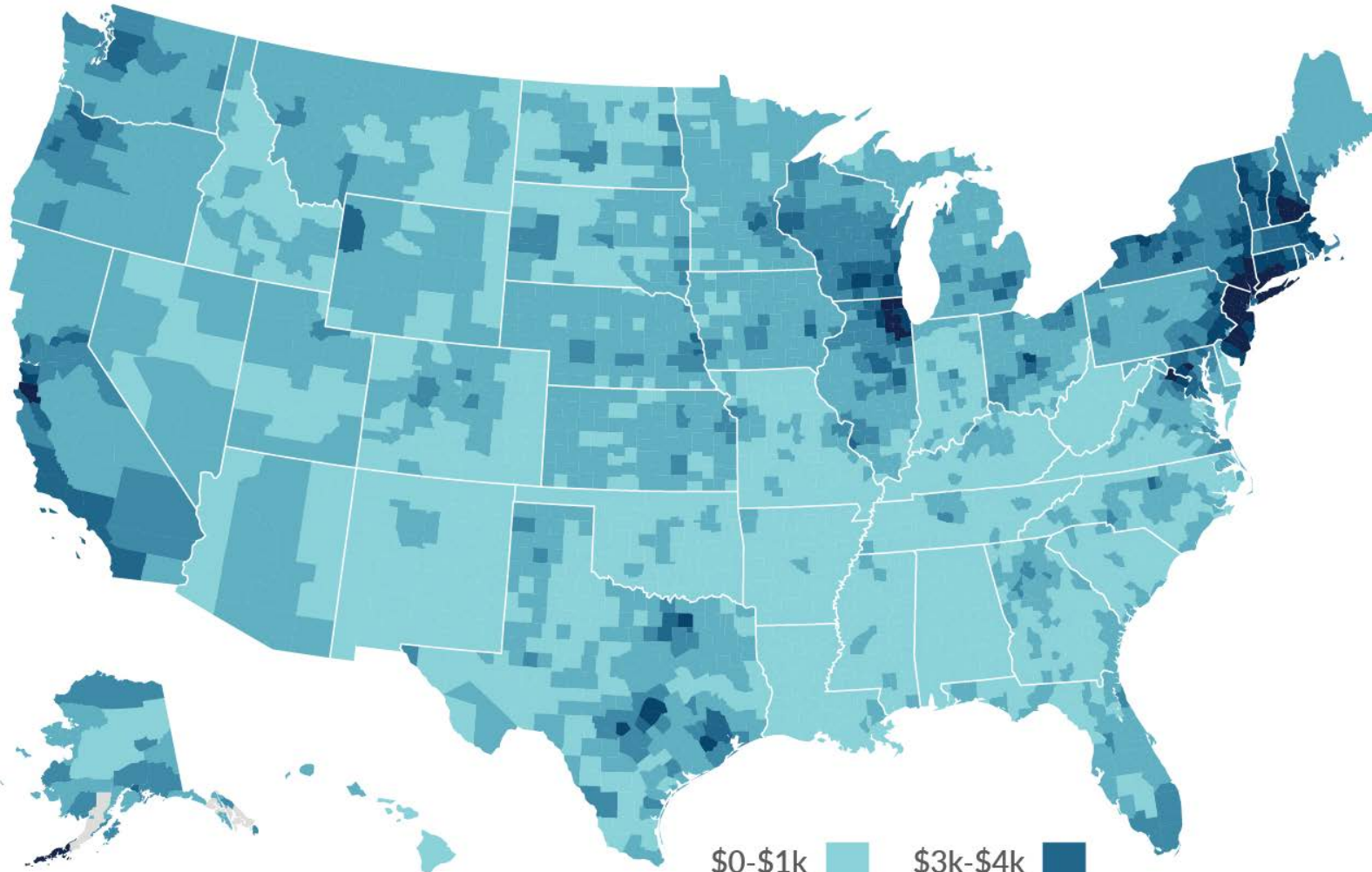


**From FY 2005-06 to FY 2015-16, the Durham County's Average Annual Inmate Population decreased by 12%**



# Which Places Pay the Most in Property Taxes?

Median Property Taxes Paid by County (2010-2014)



Note: Missing values are due to small sample sizes in low-population counties.  
Source: U.S. Census Bureau

## Tax Valuation Review

**Kim Simpson**  
Tax Administrator

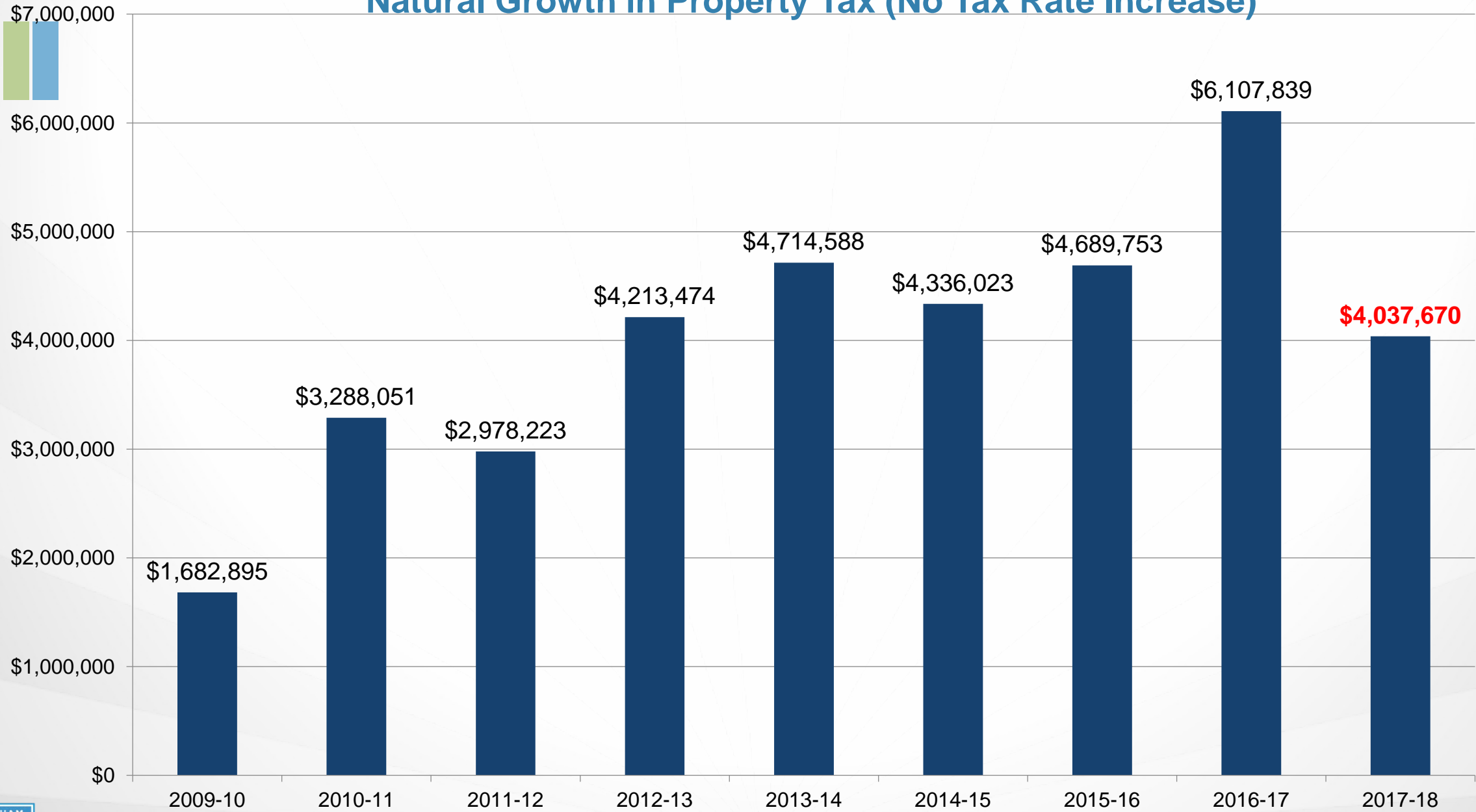
# 2017-18 Tax Base Variances

Category	FY 2016-17 Adopted Budget	FY 2017-18 Projected	% Change FY18 from FY17 Budget
Real Property	\$28,895,852,694	\$29,398,185,706	1.74%
Auto Value	\$2,094,006,400	\$2,231,898,041	6.59%
Personal Value	\$3,584,452,249	\$3,488,484,093	-2.68%
Public Service	\$562,100,012	\$565,369,921	0.58%
<b>Total</b>	<b>\$35,136,411,355</b>	<b>\$35,683,937,761</b>	<b>1.56%</b>

# County Valuation Holdback

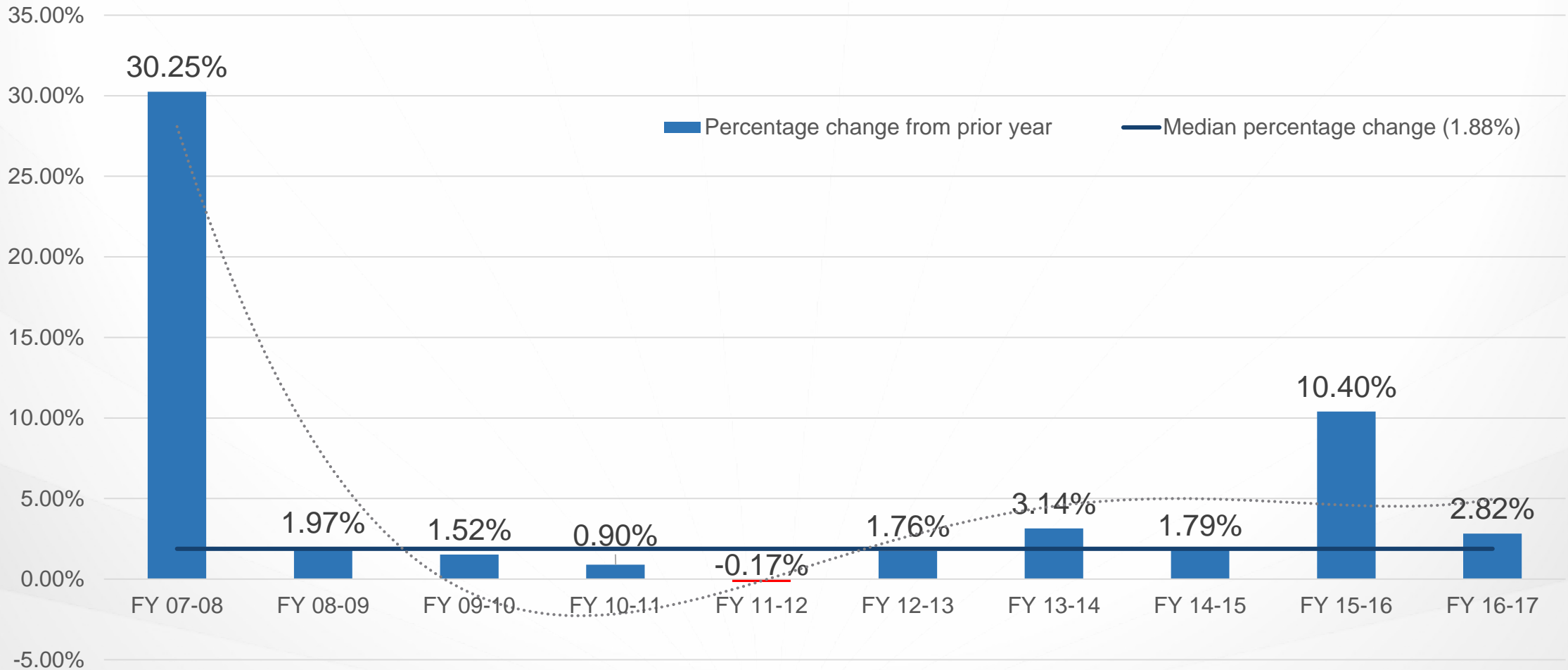
<b>\$ 29,763,841,138</b>	<b>2017-18 as of January 1, 2017 Database Review</b>
<b>(\$ 114,245,829)</b>	2016 PTC appeal loss (potential)
<b>(\$ 74,409,603)</b>	Reduction for Builders Inventory
<b>(\$ 62,000,000)</b>	Potential loss from Veterans Exemption at 100%
<b>(\$ 115,000,000)</b>	2017 Appeals, Exemptions (potential loss) Buffer
<b>\$ 29,398,185,706</b>	Net Projected Real Property Value

# Natural Growth in Property Tax (No Tax Rate Increase)



# Last year, overall real property values increased, but the rate of increase has remained fairly steady since the market recovery

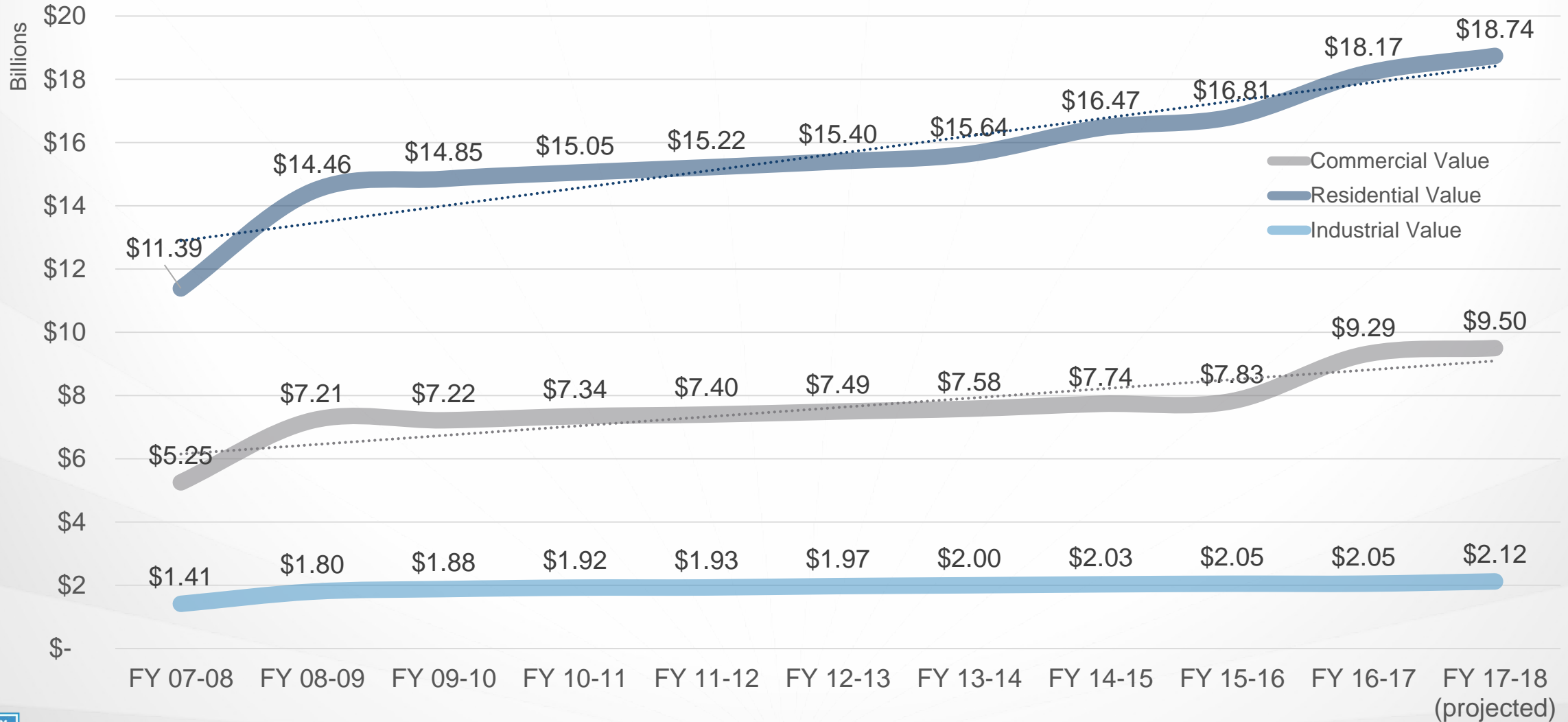
Real Property Year to Year Value Change





# Residential growth has outpaced commercial growth. There has been relatively little growth in industrial value.

Real Property Value Change by Property Type (Billions)



Some of the residential growth is offset by property exemptions. In 2016, there was an increase of over \$100 million in exemptions.

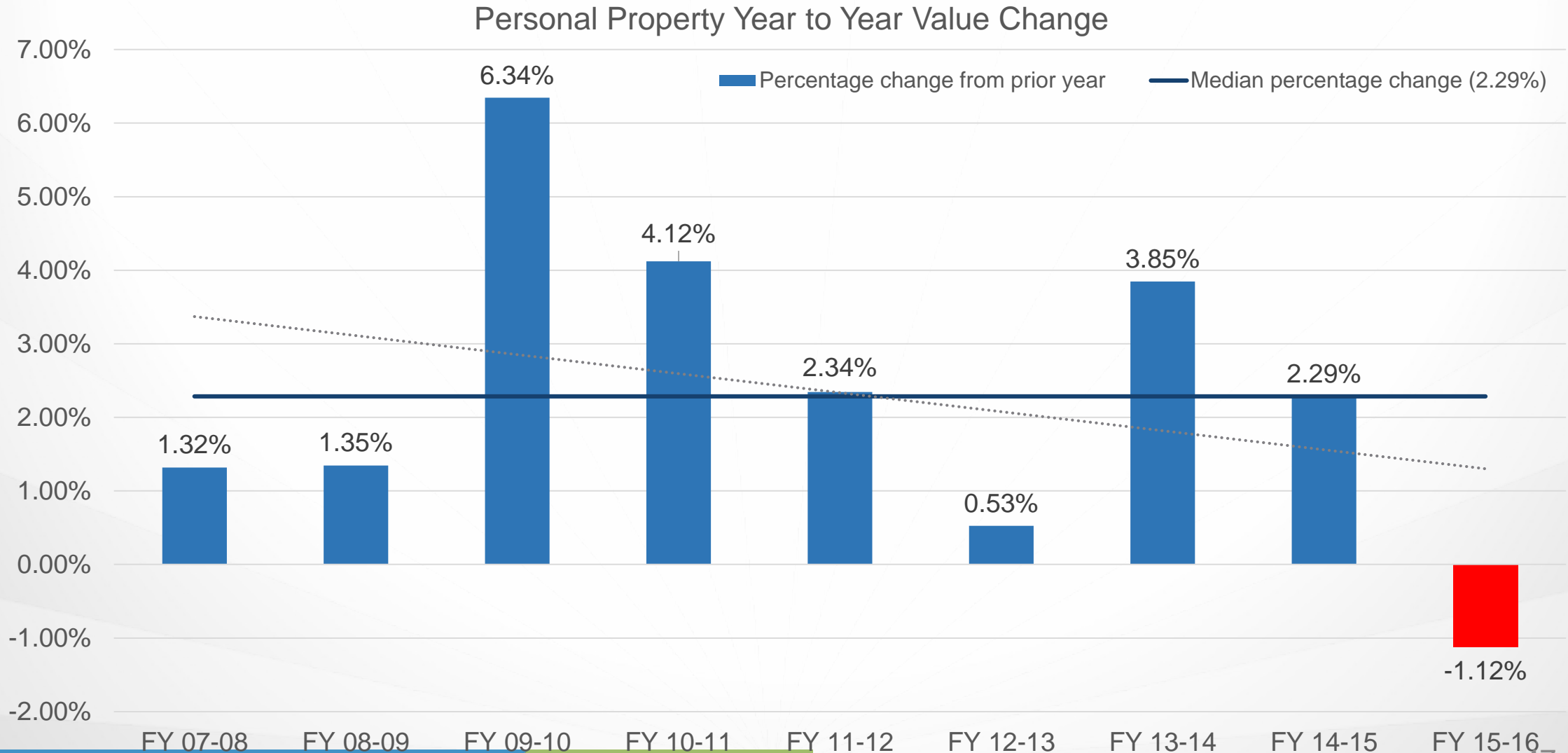
Real Property Exemptions (Millions)



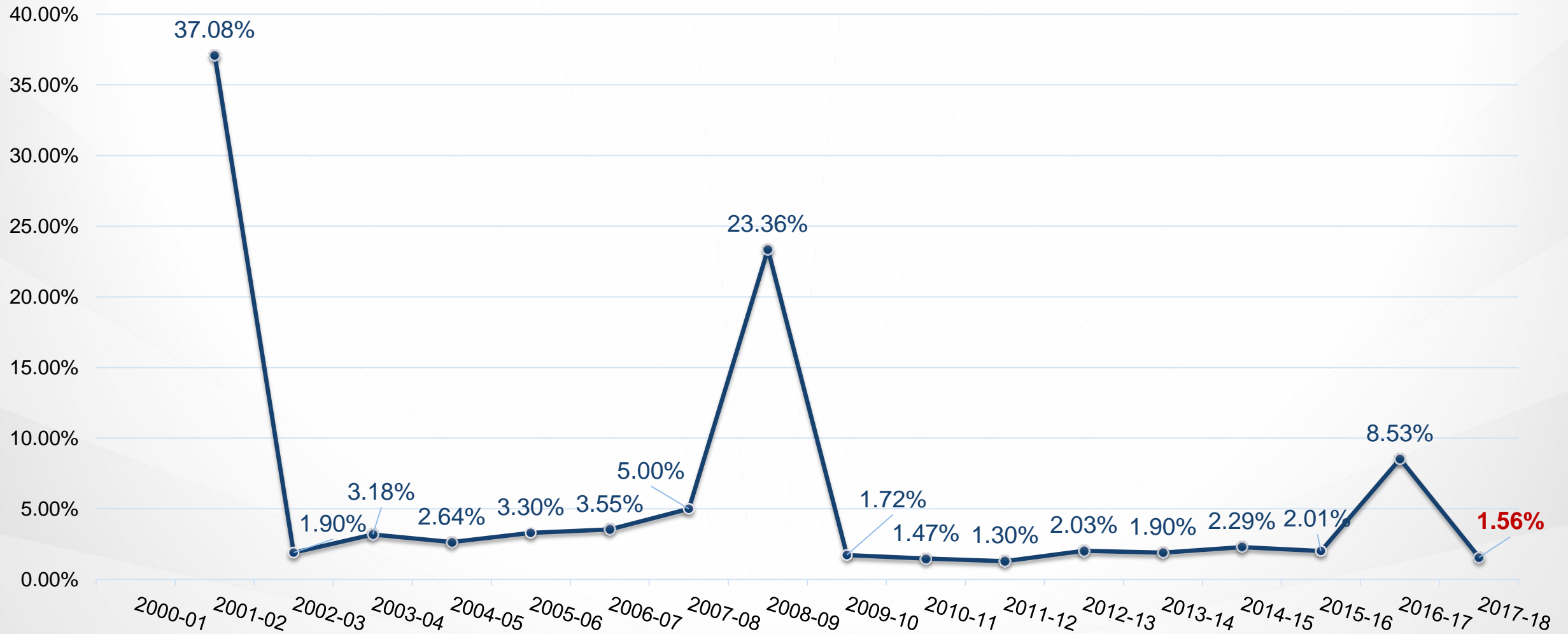
**\$4.4 million lost  
property tax revenue**



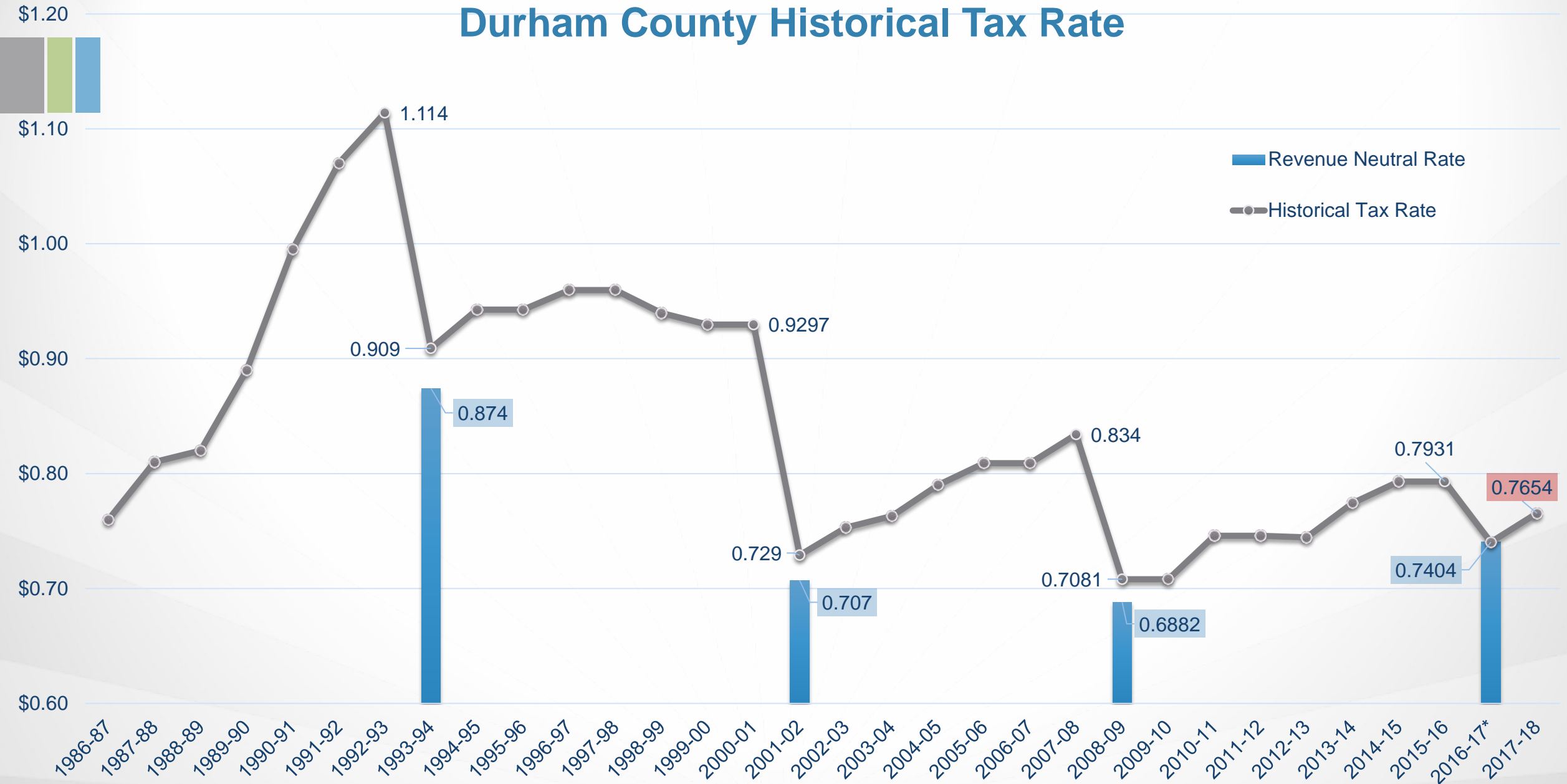
There appears to be a decline in the rate of annual growth for taxable personal property. 2016 was unusually low, but value was almost \$40 million less than the 2015 value, and since we had expected to see growth again, value was over \$100 million less than expected.



# DURHAM COUNTY ACTUAL VALUATION GROWTH FROM THE PREVIOUS YEAR



# Durham County Historical Tax Rate







# **Current County Financial Condition**

**George K. Quick  
Chief Financial Officer**

## SWAP HISTORY

FY2005	\$	327,068.54	
FY2006		541,750.02	
FY2007		835,799.97	
FY2008		1,253,817.28	
FY2009		1,205,274.48	
FY2010		2,643,434.60	
FY2011		2,071,848.59	
FY2012		1,986,871.55	
FY2013		3,430,234.19	
FY2014		3,065,035.87	
FY2015		2,983,142.77	
FY2016		3,310,416.34	
FY2017		<u>1,403,702.24</u>	1st payment received for FY2017

Total SWAP funds  
received to date \$ 25,058,396.44

Estimated amount to receive for

\$ 1,300,000.00 2nd payment for FY2017 (March; payment to be received)

\$ 10,836,183.63 Total fund balance as of June 30, 2016

Estimated fund balance as

\$ 13,543,910.00 of June 30, 2017





## COMMUNITY HEALTH TRUST (CHT) FUND

Estimated as of June 30, 2017

Estimated total fund

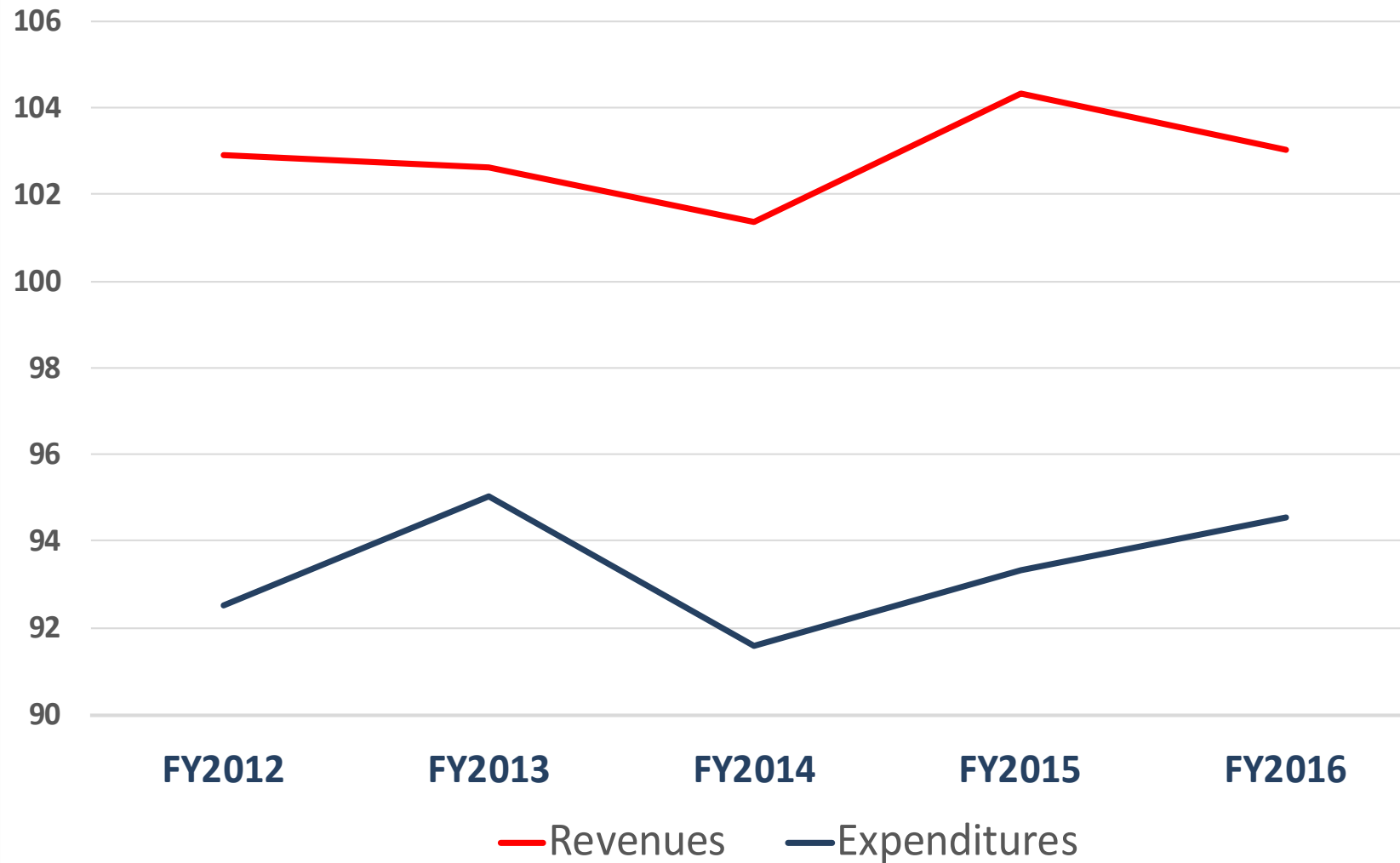
balance as of June 30, 2017

\$ 6,421,407

Note:

Any proposed/planned spending of CHT funds in FY18 will be included in the County Manager's Recommended Budget to the BOCC in May of 2017.

## FY2012 - FY2016 Annual Revenues & Expenditures as a % of Budget



# North Carolina Financial Condition Analysis

Key: **DURHAM COUNTY**

■ Benchmark —

Benchmark peers selected:

FORSYTH COUNTY, GUILFORD COUNTY,  
MECKLENBURG COUNTY, WAKE COUNTY

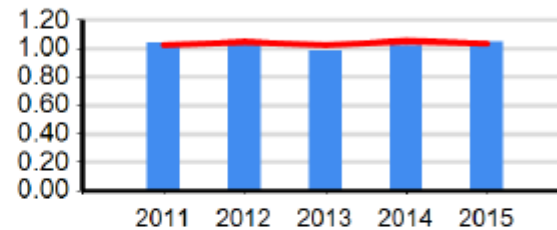
Report Generation: 2/13/2017 4:38:43 PM

## General Fund

### Resource Flow

#### Service Obligation

Operations ratio

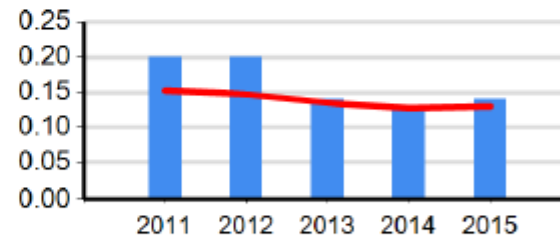


DURHAM COUNTY = 1.05, Benchmark = 1.04

Service obligation measures whether or not a government's annual revenues were sufficient to pay for annual operations. The operations ratio is calculated as total revenues divided by total expenditures (plus transfers to debt service fund).

#### Dependency

Intergovernmental ratio

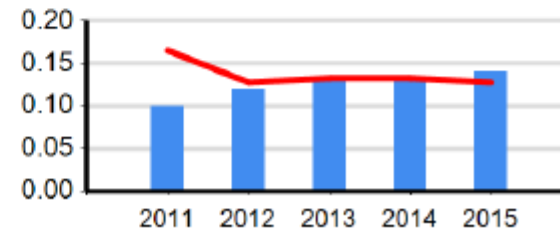


DURHAM COUNTY = 0.14, Benchmark = 0.13

Dependency measures the extent to which a government relies on other governments for resources. The intergovernmental ratio is calculated as total intergovernmental revenue divided by total revenue.

#### Financing Obligation

Debt service ratio



DURHAM COUNTY = 0.14, Benchmark = 0.13

Financing obligation addresses service flexibility or the amount of expenditures committed to annual debt service. The debt service ratio is calculated as debt service divided by total expenditures (plus transfers to debt service fund).

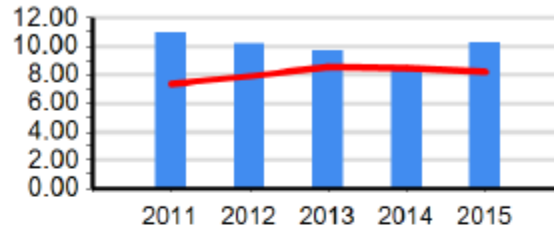




## Resource Stock

### Liquidity

Quick ratio

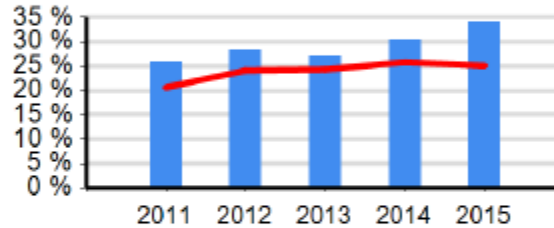


DURHAM COUNTY = 10.29, Benchmark = 8.22

Liquidity measures a government's ability to meet its short-term obligations. The quick ratio is calculated as cash & investments divided by current liabilities.

### Solvency

Fund balance available as percentage of expenditures



DURHAM COUNTY = 34.26 %, Benchmark = 25.06 %

Solvency measures a government's ability to meet long-term obligations. Fund balance as a percentage of expenditures is calculated as available fund balance divided by expenditures plus transfers out.

### Leverage

Debt as percentage of assessed value



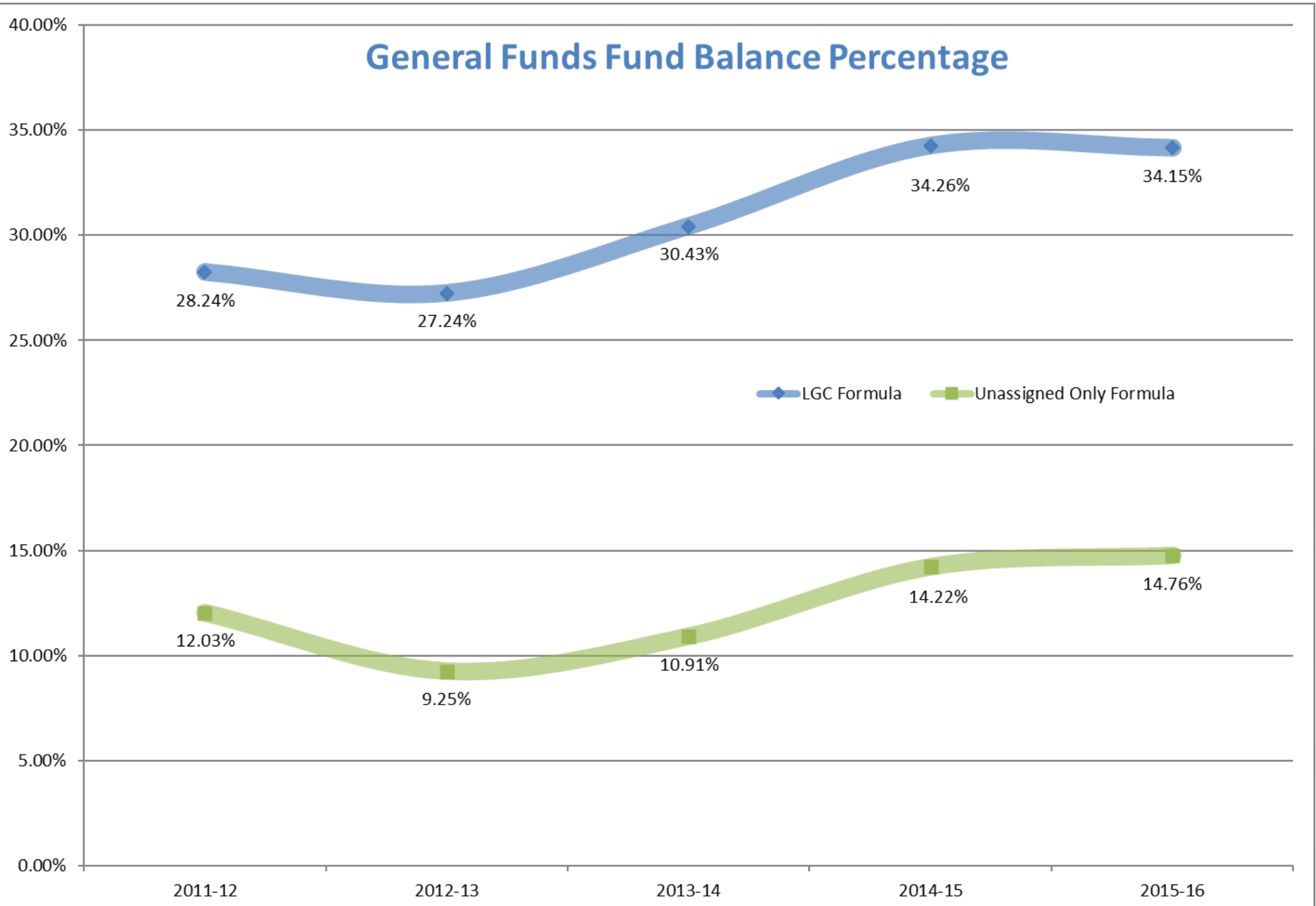
DURHAM COUNTY = 1.61 %, Benchmark = 1.93 %

Leverage measures the extent to which a government relies on tax-supported debt. The ratio of debt as a percentage of assessed value is calculated as tax-supported, long-term debt divided by assessed value.

**FY16 General Fund  
Fund Balance Comparison with  
Forsyth, Guilford, Mecklenburg and Wake Counties**

	<u>Durham</u>	<u>Forsyth</u>	<u>Guilford</u>	<u>Mecklenburg</u>	<u>Wake</u>
<b>Nonspendable</b>	\$ 972,635	\$ 122,250	\$ 1,172,718	\$ -	\$ 1,087,851
<b>Restricted:</b>					
<b>Stabilization by state statute</b>	35,472,644	30,330,791	46,163,819	110,500,260	73,286,772
<b>Restricted for other purposes</b>	2,642,538	1,344,021	5,773,754	-	556,512
<b>Committed</b>	67,133,359	37,544,316	16,630	24,867,389	200,494,326
<b>Assigned</b>	13,289,584	18,603,884	26,979,256	-	1,134,000
<b>Unassigned</b>	63,235,816	59,187,664	85,287,999	366,169,614	-
	<u>182,746,576</u>	<u>147,132,926</u>	<u>165,394,176</u>	<u>501,537,263</u>	<u>276,559,461</u>
<b>Total expenditures and transfers out</b>	<u>428,380,680</u>	<u>397,003,926</u>	<u>572,492,878</u>	<u>1,179,526,642</u>	<u>1,140,128,275</u>
<b>Fund balance expressed as a % of expenditures</b>	<u>34.15%</u>	<u>29.39%</u>	<u>20.62%</u>	<u>33.15%</u>	<u>17.73%</u>
<b>Unassigned fund balance expressed as a % of expenditures</b>	<u>14.76%</u>	<u>14.91%</u>	<u>14.90%</u>	<u>31.04%</u>	<u>0.00%</u>

# General Funds Fund Balance Percentage





# Summary

- Stable Economy
- Solid Fiscal Condition
  - Durham County continues to maintain its AAA Bond Rating
- Slowed revenue growth in recent five years
- The 2016 reappraisal and state legislative changes are affecting 2017 valuation growth
- In light of current economic trends, a changed budgeting strategy required to manage short and long-term priorities.

# FY 2017-18 Budget Environment Issues

## Revenue Issues

- Slowed Economic Growth
- Flat Sales Tax Growth
- Reduction of annual Community Health Trust Fund revenue starting in FY 2018-19
- Potential continuing sales tax reallocation changes by the State legislature

## Expenditure Issues

- 2.5 cents for debt service
- Federal and/or State policies that may shift local service burden
- Deferred Maintenance
- Pre-K growth (Whitted School)





# County Manager Charge to Departments

## Before requesting additional dollars ....

- **Evaluate the Return on Investment (ROI)**
  - Are there opportunities to decrease, realign, or merge efforts?
  - Use of existing dollars to support inflationary increases
  - Increased scrutiny of historical budget trends
  - Identify operational efficiencies

# FY 2017-18



## Overview

# FY 2017-18 Budget Process Highlights

- December 15, 2016 Budget Kickoff meeting
- January 3-20, 2017 Pre-Budget Meetings with General Managers
- February 17, 2017 Departmental Budget Requests Due
- March-April, 2017 Departmental Budget Presentations with Manager
- May 22, 2017 County Manager Recommended Budget
- May-June BOCC Budget Worksessions
- June 26, 2017 BOCC Budget Adoption

# FY 2017-18 Budget Methodology Streamlined

Base budgets fully funded – excluding one time purchases (capital items)

- Change from previous years:
  - Fewer line items zeroed out
    - Travel and Training, Contracted Services, Gasoline loaded in base
  - Inflationary increases supported by base budget reallocation
    - Tools provided to evaluate historical spending
  - Priority requests are for new and expansion items only

# Base Budgets and Inflationary Growth

- Most departments underspend their budget and have room for inflationary growth
- Strong emphasis this year on reallocation of existing dollars within a department/program budget
  - Supports Managing for Results strategy



# Departmental Budget Evaluation Tools

## Departments Should Use the Following Tools to Realign Dollars:

- Budget office will provide
  - 5 Year Expenditure Averages by Line Item
  - End of Year Expenditure Averages by Department
  - Vacancy report
- Department will provide
  - Performance Measures
  - Mandated Services Form
- Department and Budget office joint effort
  - Benchmarking against peers to bolster request

### NC Peer Counties

Mecklenburg  
Guilford  
Forsyth  
Wake  
Cumberland  
Buncombe  
New Hanover  
Union  
Gaston  
Orange\*



# FY 2017-18 Budget Challenges and Opportunities



# Budget Expansion Drivers

## Trended Growth and Projected Increase

- 2%-3% Pay for Performance
  - \$2.7million
- Benefits
  - **\$0 million (Amazing!)**
- Durham Public Schools
  - **Initial County request being discussed = \$4.4 million**
    - Includes Whitted School Pre-K expansion

**\$7.1 Million – Annual Growth**



# Budget Expansion Drivers

## Policy Changes

- \$15 per hour livable wage built into FY 2017-18 salaries
- Paid Parental Leave
- Extra holidays (overtime for public safety agencies)

## Other Issues

- ~~Triangle Go Transit Funding (\$135 million over 10 years)~~
- ~~New minimum salary overtime rule (\$47,476 versus \$23,660)~~
- Potential expanded Pre-K support?
- Public Safety employee retention, recruitment, and equity?
- School Nurse support?
- EMS response time?
- Deferred maintenance?

# Budget Expansion Drivers

2.5 cent property tax increase for Debt Service related to voter approved General Obligation Bonds and other capital financing

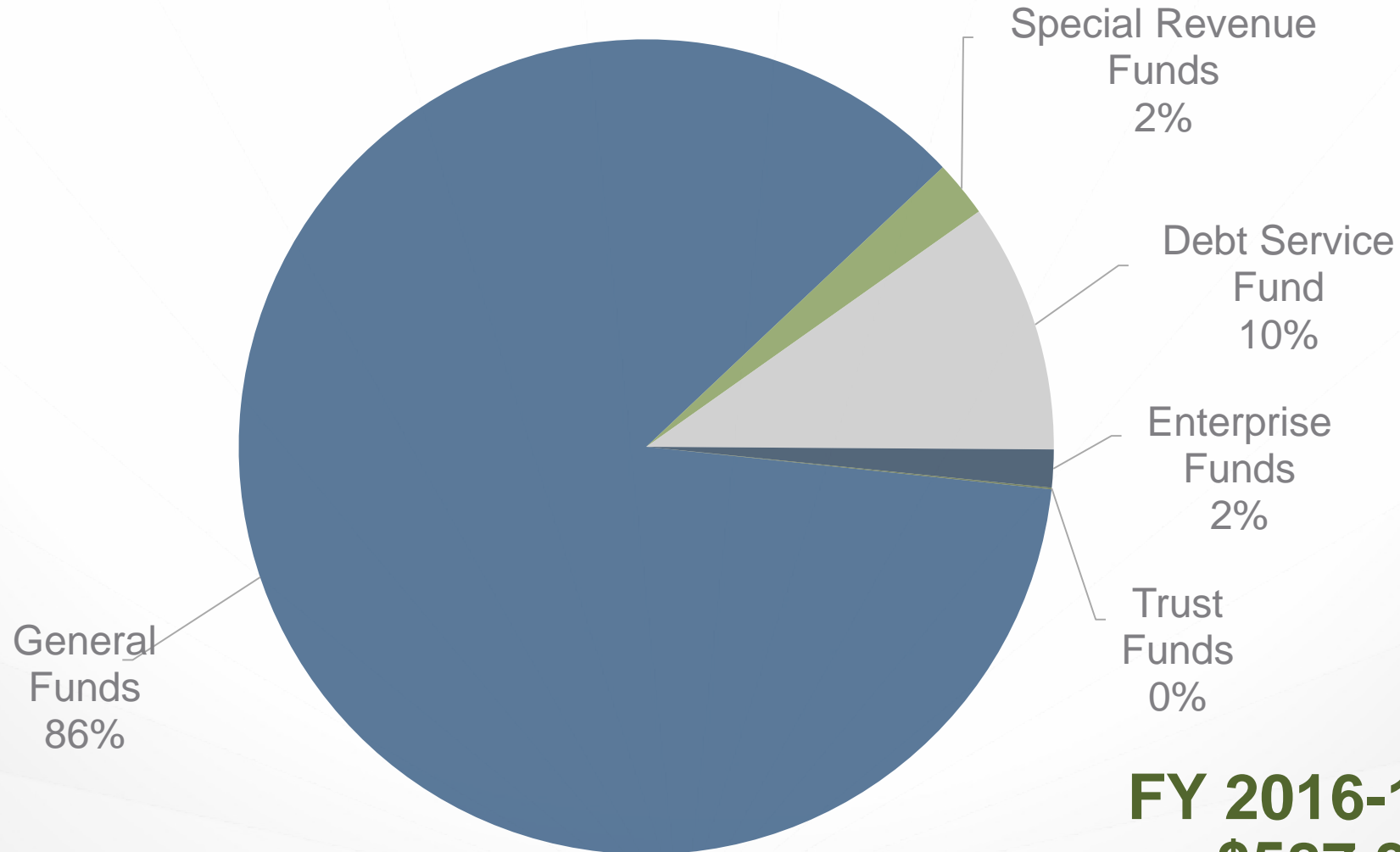




# Significance of Managing Base Budgets

Due to known (built-in) expenditure increases and a 2.5 cent tax increase related to debt service, realigning base budget dollars is critical as a means for Departments to support FY 2017-18 budgetary needs

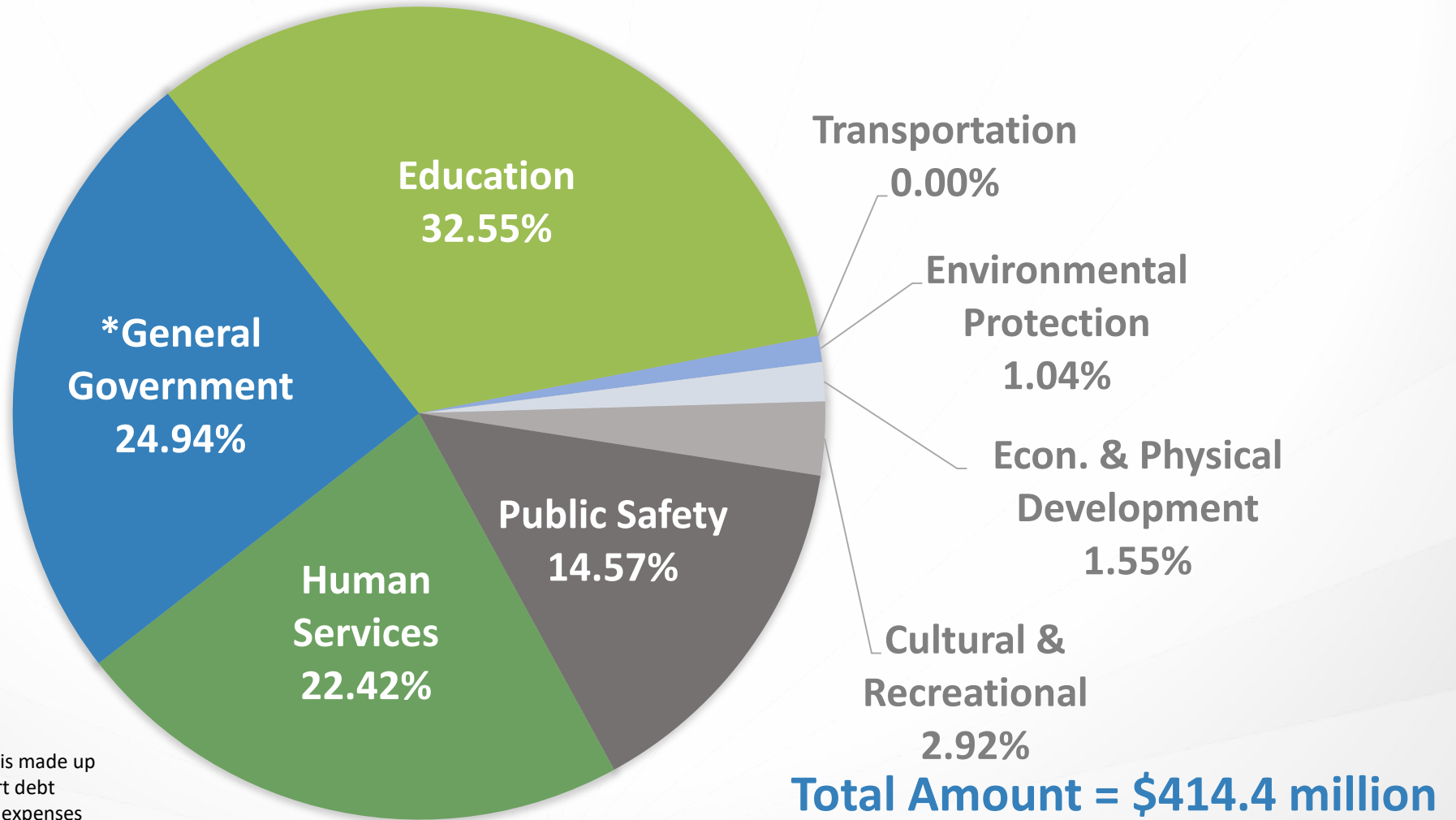
# Durham County Government Budget



**FY 2016-17 Budget**  
**\$587,307,721**

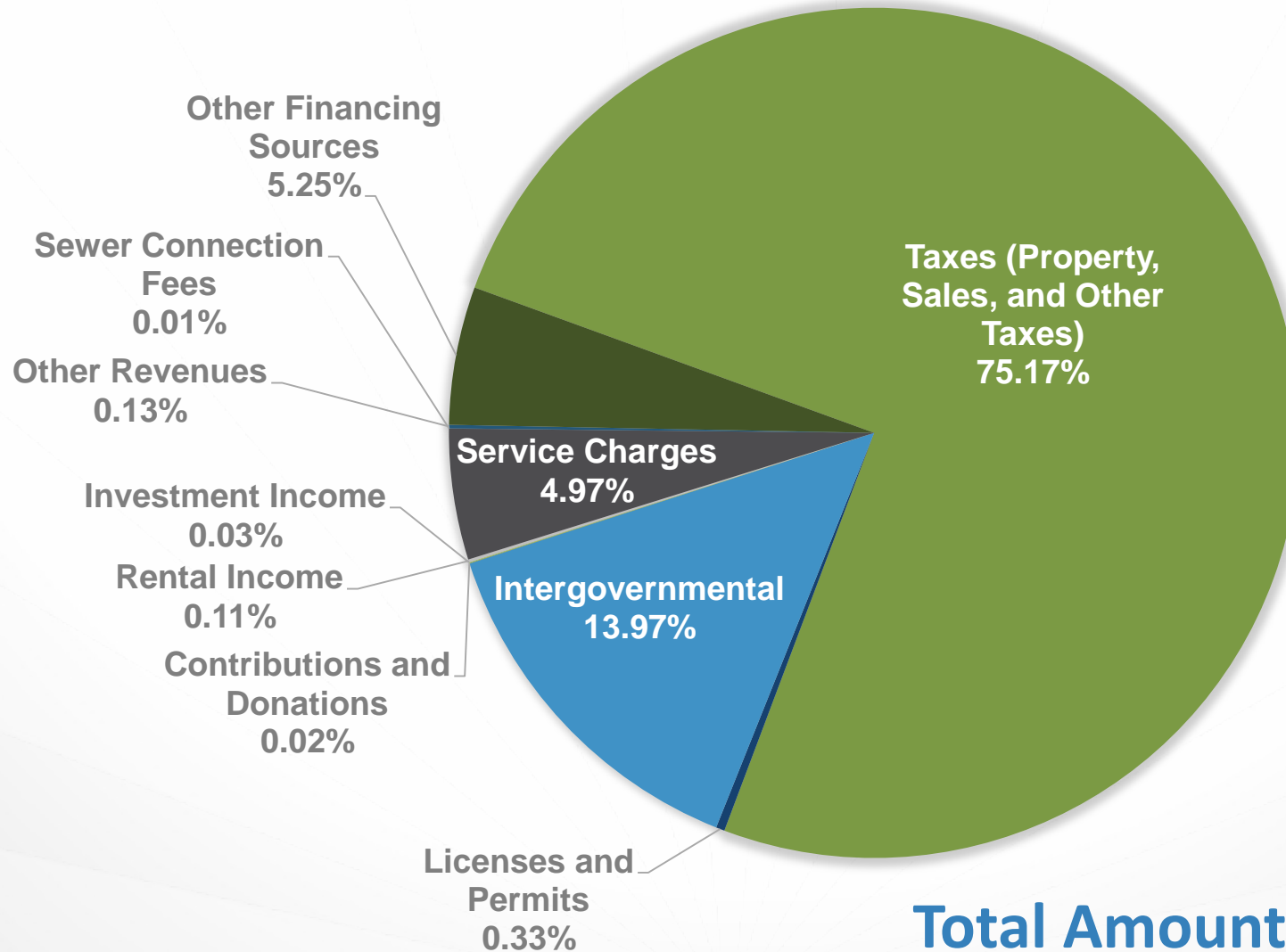


# General Fund Expenditures



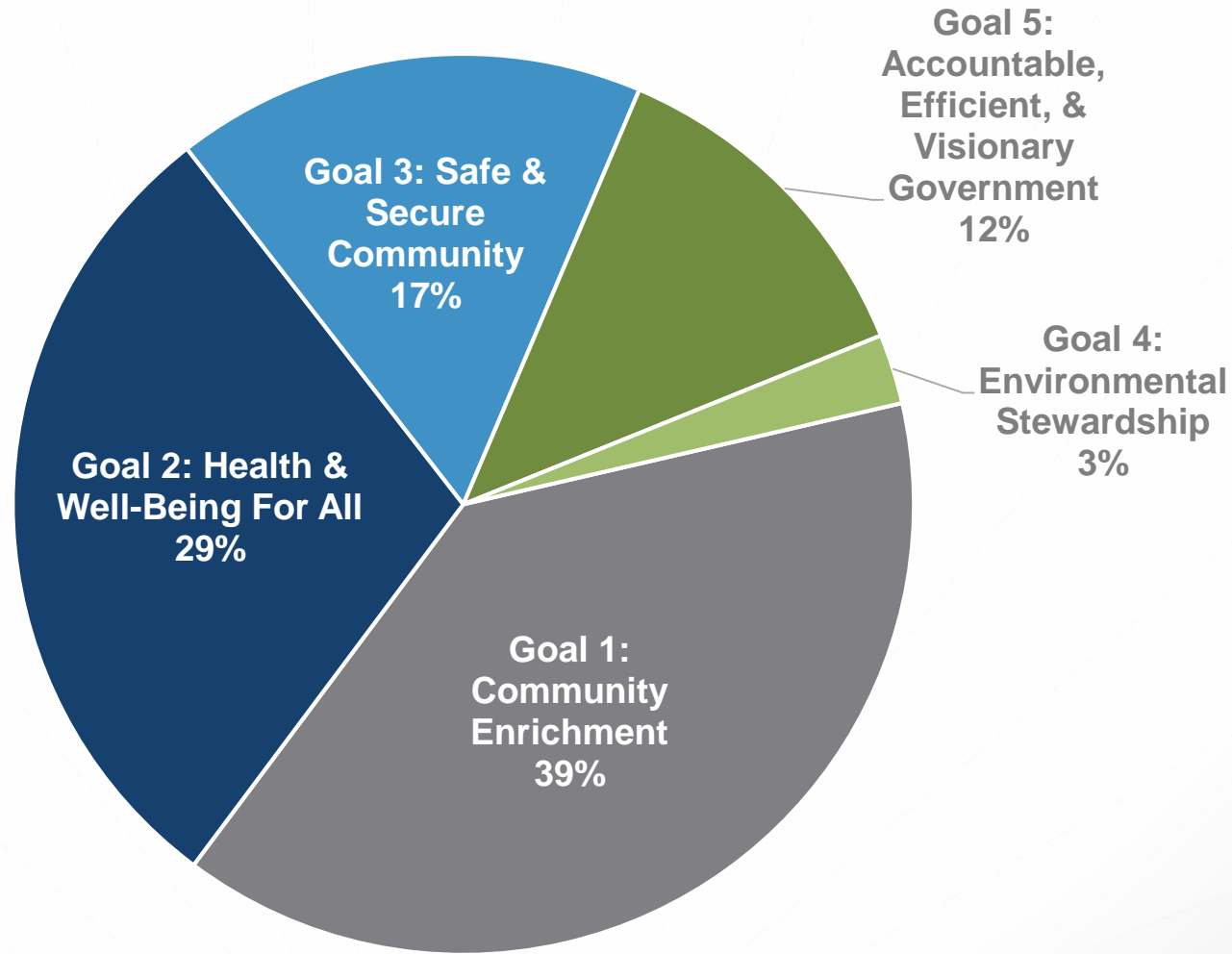
\*Note: 52.8% of General Government is made up of "transfers to other funds" to support debt service payments, benefits, and other expenses

# General Fund Revenues



**Total Amount = \$414.4 million**

# General Fund Expenditures



Goal 1: Community Enrichment

Goal 2: Health and Well-being for All

Goal 3: Safe and Secure Community

Goal 4: Environmental Stewardship and Community Prosperity

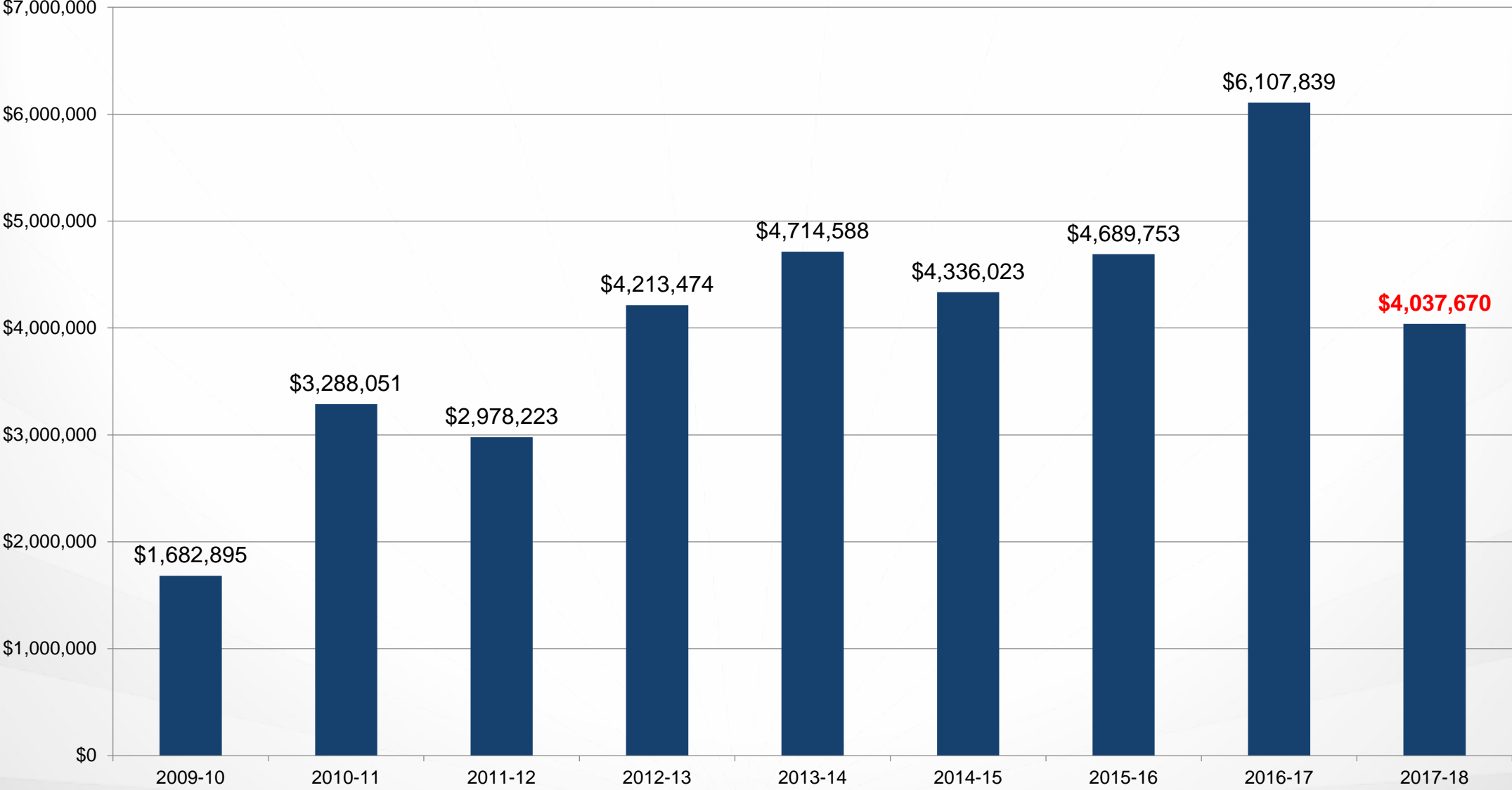
Goal 5: Accountable, Efficient and Visionary Government



# 2017-18 Tax Base Variances

Category	FY 2016-17 Adopted Budget	FY 2017-18 Projected	% Change FY18 from FY17 Budget
Real Property	\$28,895,852,694	\$29,398,185,706	1.74%
Auto Value	\$2,094,006,400	\$2,231,898,041	6.59%
Personal Value	\$3,584,452,249	\$3,488,484,093	-2.68%
Public Service	\$562,100,012	\$565,369,921	0.58%
<b>Total</b>	<b>\$35,136,411,355</b>	<b>\$35,683,937,761</b>	<b>1.56%</b>

# Natural Growth in Property Tax (No Tax Rate Increase)



# Property Tax Collection – One Cent



= \$3,554,120

# July-November (5 Months) Sales Tax Actual Collection

Sales Tax	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017 % Inc. From 2016
1/2 Cent (40)	\$3,700,049	\$3,875,289	\$4,103,918	\$4,645,235	\$4,922,267	\$5,158,149	4.79%
1/2 Cent (42)	\$4,283,779	\$4,453,236	\$4,525,552	\$5,810,974	\$6,129,898	\$6,199,484	1.13%
1/4 Cent (46)	N/A	\$4,298,536	\$3,864,552	\$4,932,587	\$5,190,317	\$5,362,478	3.32%
1 Cent (39)	\$8,677,092	\$8,963,479	\$9,062,761	\$11,630,063	\$12,265,098	\$12,408,846	1.17%

# 5 months Sales Tax Collection - July to November

\$14,000,000

\$12,000,000

\$10,000,000

\$8,000,000

\$6,000,000

\$4,000,000

\$2,000,000

2007-08

2008-09

2009-10

2010-11

2011-12

2012-13

2013-14

2014-15

2015-16

2016-17

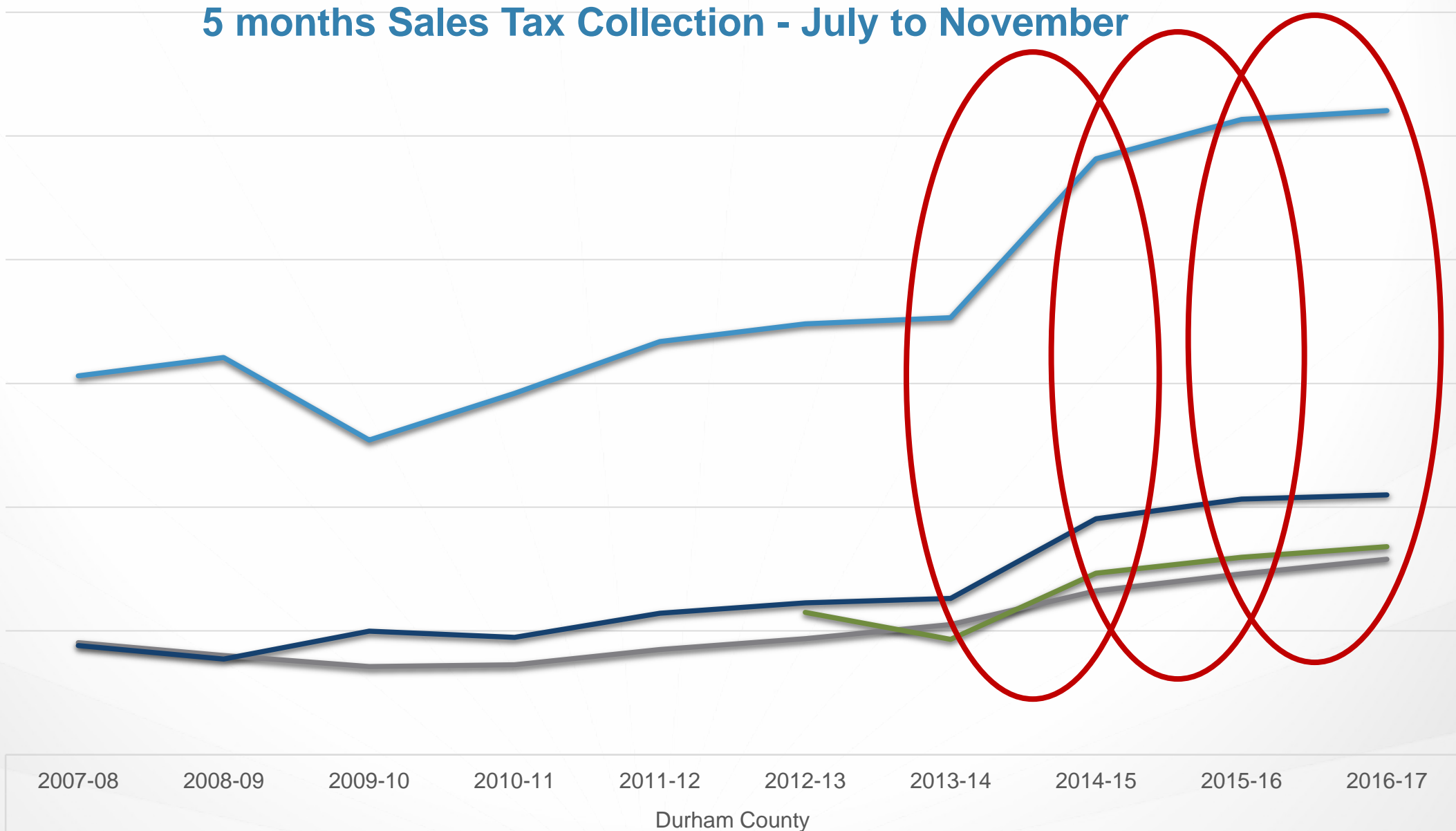
Durham County

— 1/2 Cent (40)

— 1/2 Cent (42)

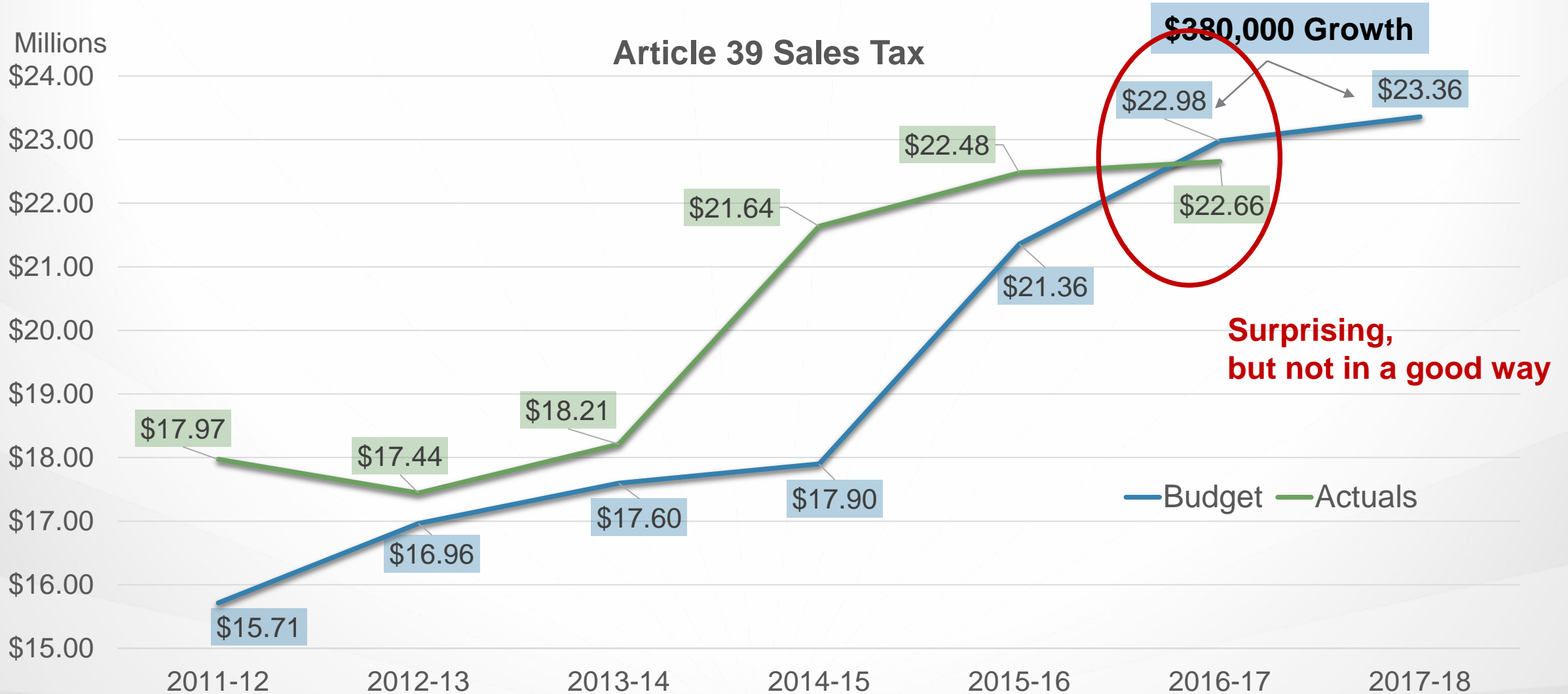
— 1 Cent (39)

— 1/4 Cent (46)



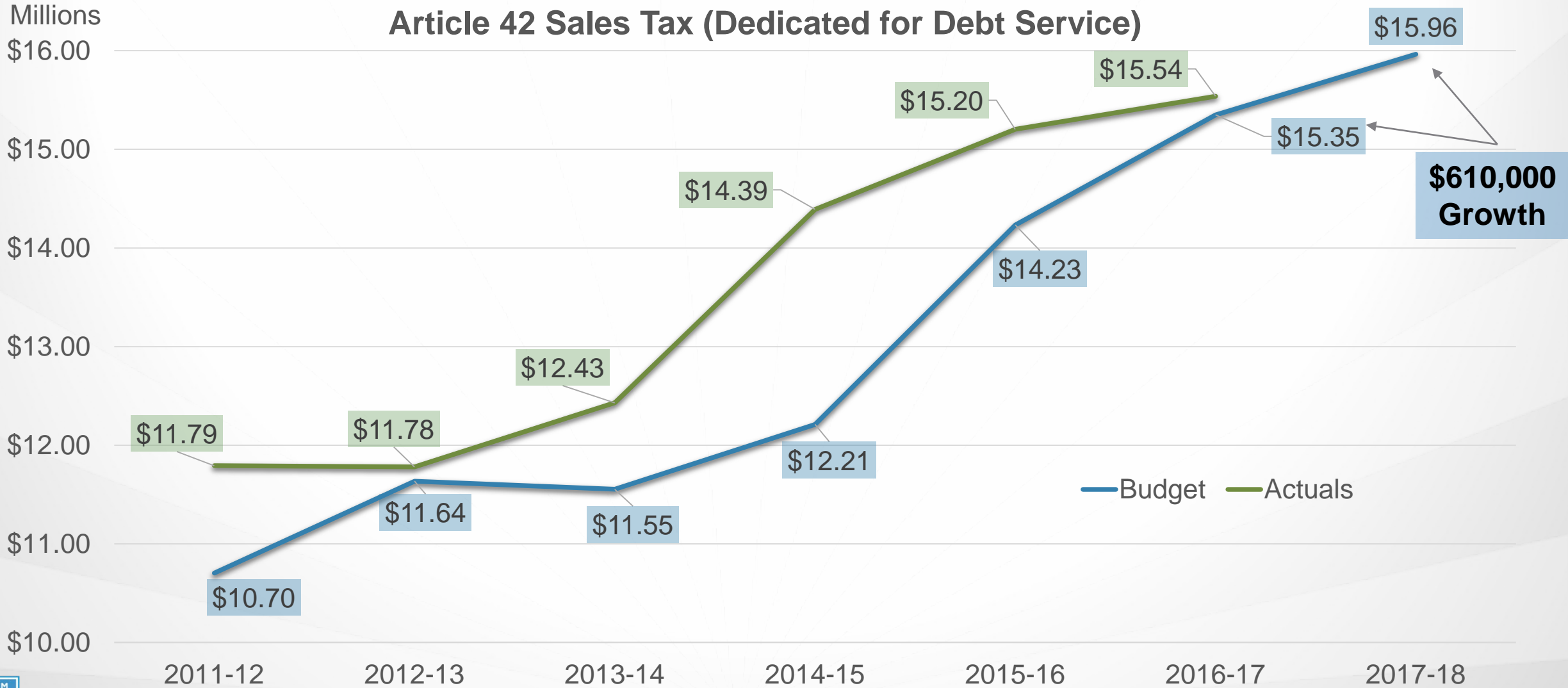


# Sales Tax Historical - Budget to Actuals



# Sales Tax Historical - Budget to Actuals

Article 42 Sales Tax (Dedicated for Debt Service)



**\$610,000  
Growth**

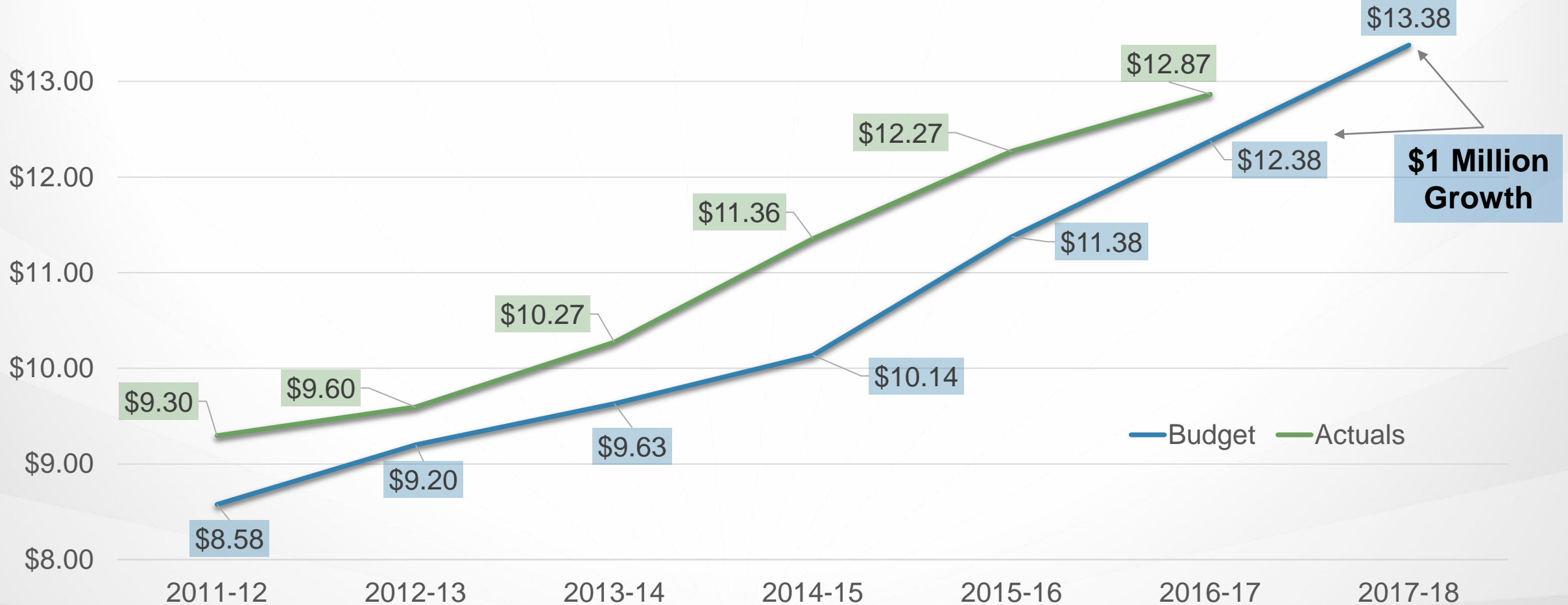
— Budget — Actuals



# Sales Tax Historical - Budget to Actuals

Millions  
\$14.00

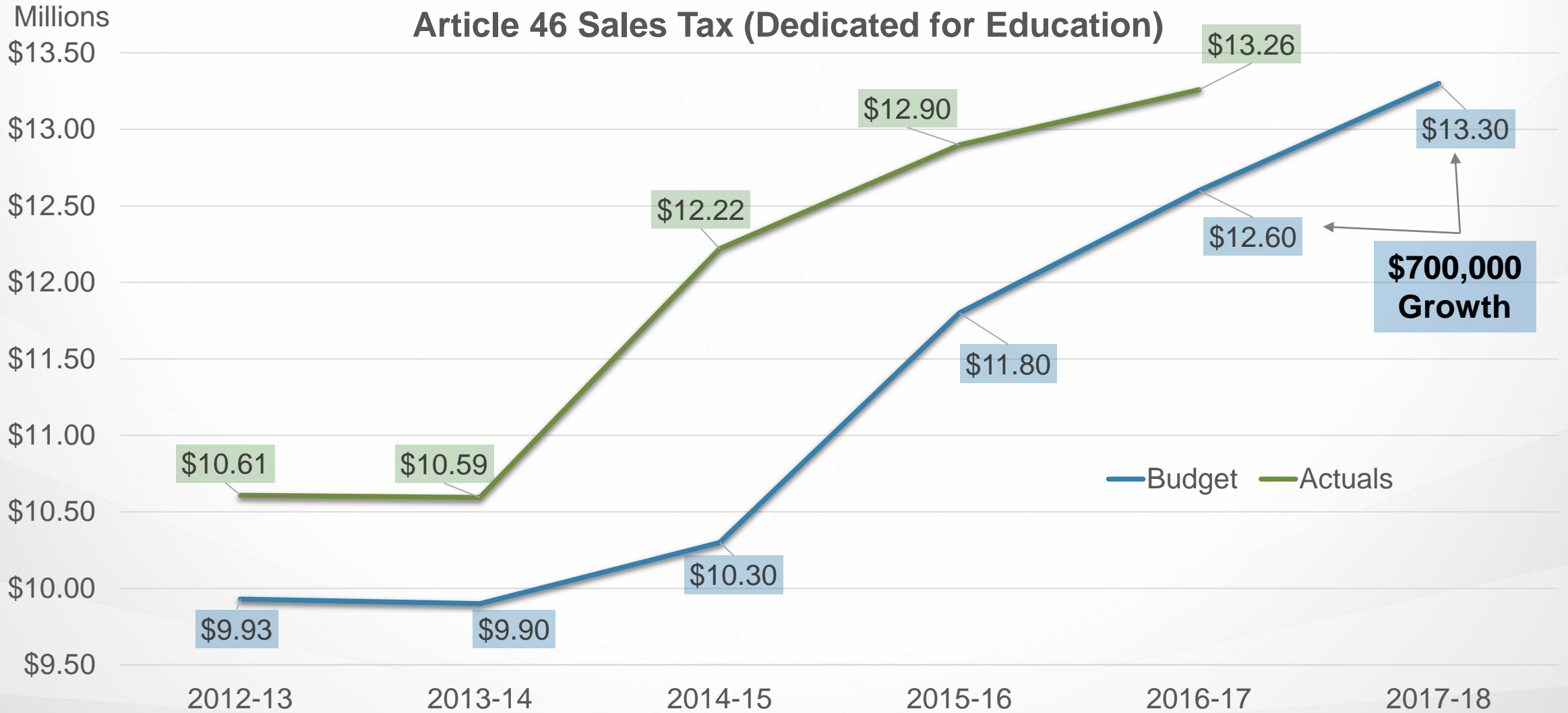
## Article 40 Sales Tax (Dedicated for Debt Service)



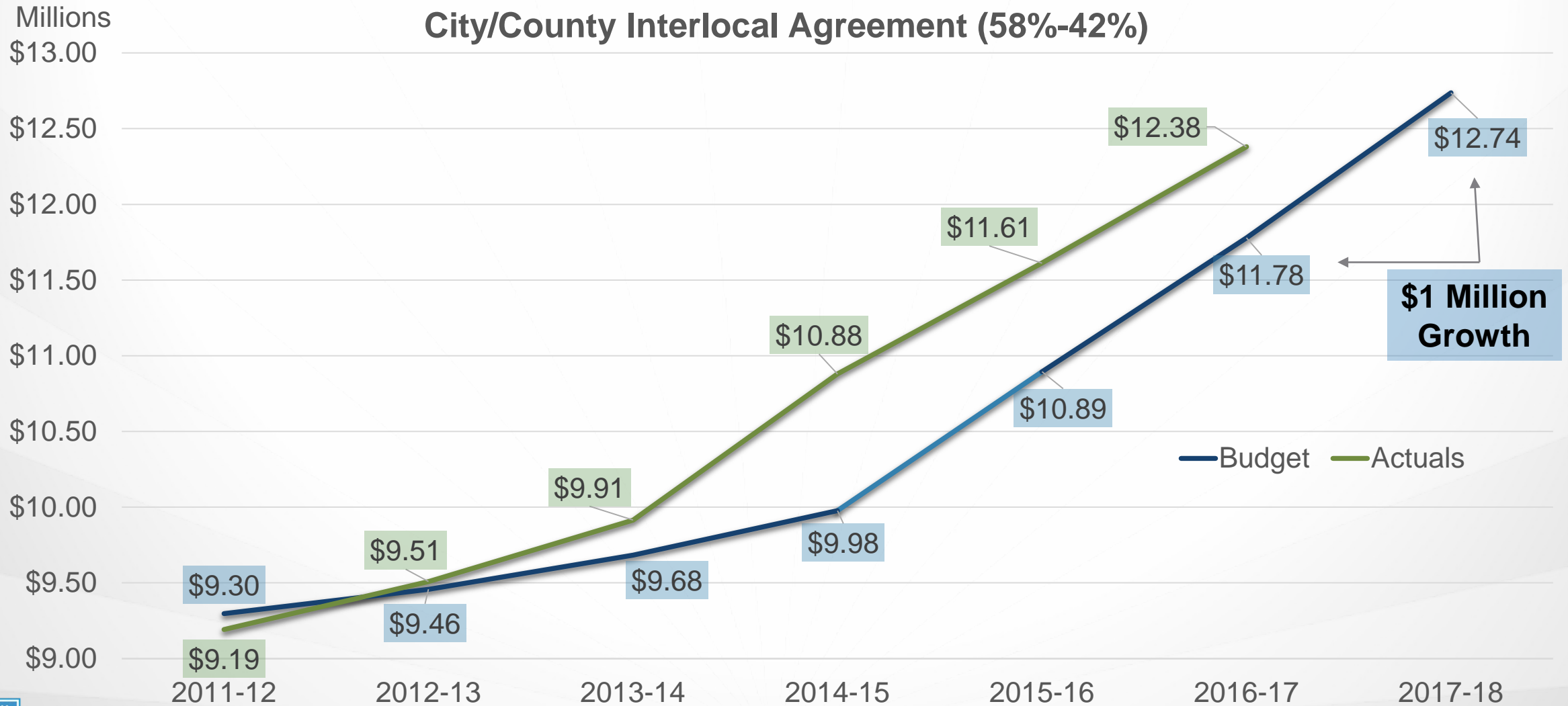
— Budget — Actuals

**\$1 Million Growth**

# Sales Tax Historical - Budget to Actuals



# Sales Tax Historical - Budget to Actuals



# Sales Tax Historical - Budget to Actuals

Total Sales Tax	2012-13	2013-14	2014-15	2015-16	2016-17* (YTD)	2017-18* (Projected)
<b>Budgeted</b>	\$57,788,234	\$57,730,067	\$60,525,372	\$69,661,446	\$75,085,530	\$78,738,374
<b>Actuals</b>	\$58,975,023	\$61,414,431	\$70,484,647	\$74,471,795	\$76,702,300	
<b>Difference</b>	\$1,186,789	\$3,684,364	\$9,959,275	\$4,810,353	\$1,616,770	

\*This is a very early estimate (based on only 5 months of actuals for FY 2016-17) and is subject to change.



# Sales Tax Historical - Budget to Budget

Total Sales Tax	2012-13	2013-14	2014-15	2015-16	2016-17* (YTD)	2017-18* (Projected)
Budgeted	\$57,788,234	\$57,730,067	\$60,525,372	\$69,661,446	\$75,085,530	\$78,738,374
Difference		(\$58,167)	\$2,795,305	\$9,136,074	\$5,424,084	\$3,625,844

\*This is a very early estimate (based on only 5 months of actuals for FY 2016-17) and is subject to change.

# Sales Tax Articles Definitions

**Article 39:** 1% (1 cent) tax on purchase of goods in Durham County

- Largest portion of sales tax collected for the County
- Not dedicated by the BOCC for any specific purpose – supports General Fund needs

**Article 40:** ½% (0.5 cent) tax on purchase of goods in NC and distributed to municipalities based on population

- Good indicator of statewide economy
- Dedicated by BOCC for Debt Service

**Article 42:** ½% (0.5 cent) tax on purchase of goods in Durham County

- Tracks very similarly to Article 39 except roughly half as much
- Dedicated by BOCC for Debt Service

**Article 43:** ½% (0.5 cent) tax on purchase of goods in Durham County

- Durham County voter approved in 2011
- Dedicated for Transit funding, collections go directly to GoTransit

**Article 46:** ¼% (0.25 cent) tax on purchase of goods in Durham County

- Durham County voter approved in 2011
- Dedicated for Education (67.12% DPS, 21.74% Education related debt service, 8.97% DTCC need based scholarships, 2.17% Pre-k support)

# Local Occupancy Tax Collection

\$4,500,000

\$4,000,000

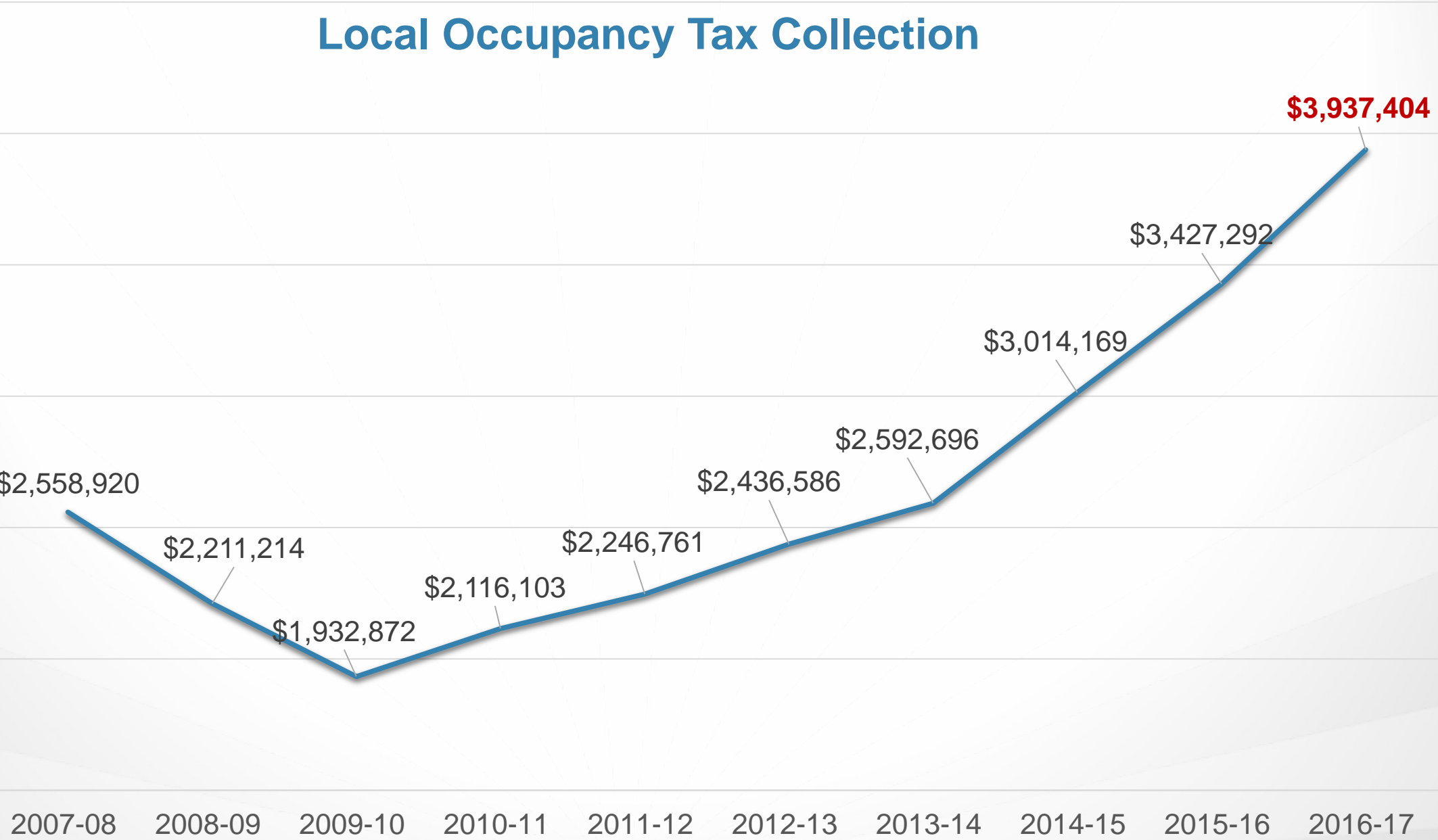
\$3,500,000

\$3,000,000

\$2,500,000

\$2,000,000

\$1,500,000



**\$3,937,404**

2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16 2016-17



# Declining Community Health Fund Support

Fiscal Year	Funds Support EMS
FY 2017-18	\$3,950,000
FY 2018-19	\$2,600,000
FY 2019-20	\$1,250,000

# FY 2017-18 Estimated Shortfall

## ■ Revenues Assumptions

- 1.56% estimated property valuation growth
- Sales tax revenue growth – slower growth, unknowns w/future legislative actions
- Other key revenues – little real growth anticipated
- Continued use of lottery funds for school debt service

# Summary of General Fund Expenses vs Revenues

Budget Expansion Drivers	Annual Revenue Patterns
\$?*	\$6.4 Million

**\*DPS Request (\$4.4M) and Salary/Benefits Growth (\$2.7M)**

**Does not include County expansion requests**

- Usually \$20+ Million Out of Balance when Dept. Requests are totaled**
- Potential expanded Pre-K support?
- Public Safety employee retention, recruitment, and equity?
- School Nurse support?
- EMS response time?
- Deferred maintenance?





# FY 2017-18 Budget Development

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

# FY 2017-18 Estimated Shortfall

## ■ Expenditure Assumptions

- Inflationary operating expenses
- Deferred maintenance and equipment replacement
- Education – (DPS, DTCC)
- Public Safety (EMS, Sheriff)
- Health & Human Services
- Capital Improvement Plan

# Other Budget and Policy Matters



*NC House Chamber*

## State Budget Legislation:

- Unknown fiscal policy changes that increase/shift county budget obligations
  - Possible growth in Property Tax Exemptions
  - Continued distribution of Sales Tax to rural Counties
  - Unfunded Mandates

## Federal Budget Legislation:

- Unknown fiscal policy changes that increase/shift county budget obligations



# Questions for the BOCC

**As you reflect on your previous Board discussions and evaluating current trends,**

- **Overall Progress:** To what extent are you satisfied Durham County is making progress to address what is most important?
- **Priorities Still Current:** To what extent does the existing list of priorities still reflect what you see as most important?
- **Budgeting vs. Priorities?:** To what extent do current budget investments align with BOCC priorities?

**Rate each using 1 to 5 scale with 5 being the highest agreement and 1 being the lowest agreement. Use a separate Post-It note for each rating.**



# Questions for the BOCC

In light of current trends, and other policy items discussed today, there are many competing priorities for additional investments and some funding limits. To help staff prioritize in a strategic way:

- Where would you like to see additional investments or fewer investments in the FY 2017-18 budget?
- Thinking longer term (3 or more years), do you see any important needs for greater investment on the horizon? Do you have any suggestions about funding these investments?

*Please make notes throughout the day of your top priorities. Staff will help compile your individual top 3 during the mid-afternoon break*



# **Policy Discussion:** **Health and Well-being for All** **Department of Social Services** *Foster Care Impact Update*

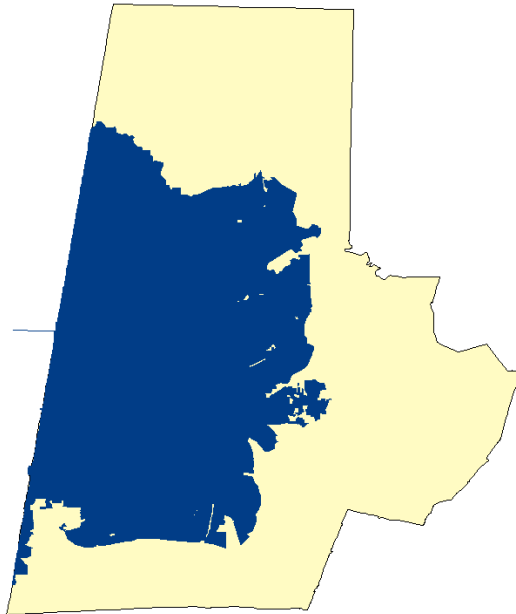




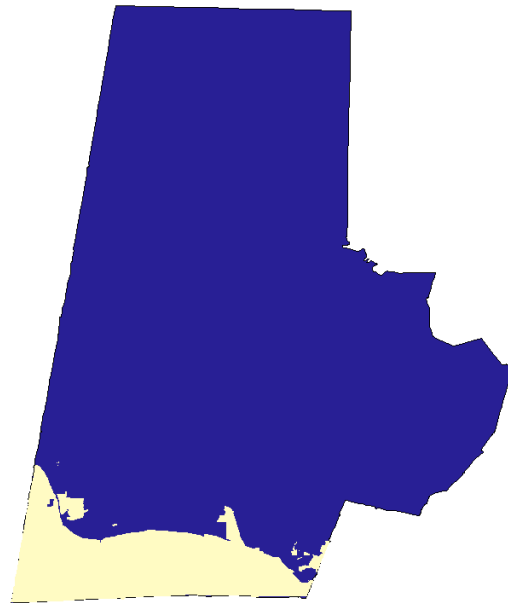
# **Policy Discussion:** **Safe and Secure Community** **Emergency Medical Services** *Funding Updates and Highlights*

# Durham County EMS - Geography

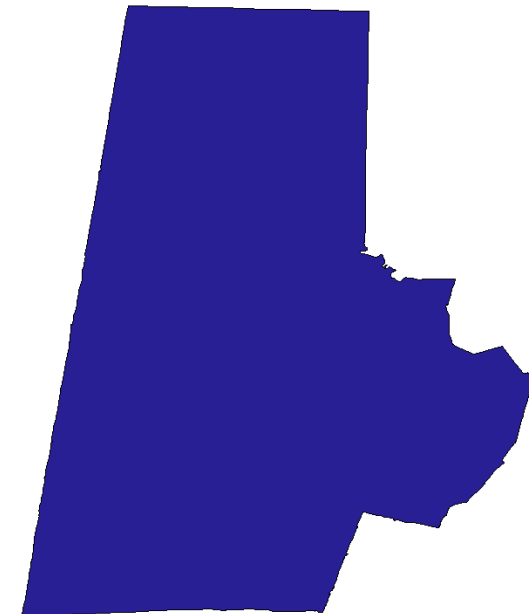
FY 2011



2012-2013



2014-present



# Staffing Investments

- FY13/14
  - 114 FTEs
- FY14/15
  - 165 FTEs
- FY15/16
  - 172 FTEs
- FY16/17
  - 177 FTEs



# Vehicle and Equipment Investments

- FY13/14
  - \$734,926
- FY14/15
  - \$3,121,420
- FY15/16
  - \$1,599,902
- FY16/17
  - \$1,549,992
- **4 Year Total: \$7,006,240**



# Priority Capital Projects

- Station 17 co-shared facility with City of Durham
- Station 1 renovation/rebuild
- Stations at
  - MLK Blvd. and Fayetteville Street area
  - Patterson and Hwy 98 area
  - Duke Campus and west





# Initiative Updates

- Adding Basic Life Support Ambulances
- Compensation study and recommendations for paramedic positions
- Human Centered Design recruitment and retention efforts
- Training for Sheriff's Office to administer Narcan





# Issues Impacting Budget Request

- Overall cost of medications has increased by 35%
- Growth and service demands in County
- Community paramedicine pilot program
- “Grow your Own” paramedic program
- Real-time performance and operational dashboard technology





# **Policy Discussion: Accountable, Efficient, & Visionary Government General Services**



# Cost-Benefit Analysis Janitorial Services



## Health & Human Services Facility



**242,914 square feet**

**LEED Gold Certification**

## Durham County Courthouse



**200,793 square feet**

**LEED Gold Certification**

# INDUSTRY STANDARDS FOR JANITORIAL SERVICES

Levels of Cleaning	SF/per 8 hr. Shift	Description	Estimated Cost Analysis
Level 1	11,000 SF	Spotless cleaning found in Hospital	Estimated in <b>Health Clinic Areas</b>
Level 2	20,000 SF	Cleaning found in food service facility	
Level 3	31,000 SF	Normal for most school facilities	Estimated in <b>High Traffic Areas</b>
Level 4	50,000 SF	Rooms Cleaned every other day, vacuumed every 3 days, dusting once a month	Estimated in <b>Low Traffic Areas</b>
Level 5	90,000 SF	Trash Cans emptied & Carpets Vacuumed Weekly	

(Ref. L&S Associates, LLC -Educational, Environmental, Maintenance & Operations Consultants)



# **Phase I:** **FY 2017-18 Durham County Court House Janitorial Services Contract Review**

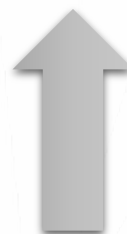




# Durham County Court House

223,104 SF \*.90% = 200,793.6 SF needed to be cleaned

Areas	Level of Cleaning	Square Footage of Classified Area	Number of Janitors Needed
If all SF were High Traffic Areas	Level 3	200,794/ 31,000	7
If all SF were Low Traffic Areas	Level 4	200,784/ 50,000	5
<b>AVERAGE</b>			<b>6</b>



- Based on industry standards, the Courthouse needs a total of six janitors.
- Two positions currently funded. Proposed change requires four new positions.

# Durham County Courthouse

## Current Contractor

2 Day Janitors (37.5 hours)  
12 Evening Janitors (20 hours)

Current schedule: Day Janitors  
8:00am-5:00pm M-F

Current schedule:  
Evening Janitors  
5:00pm-11:00pm M-F

Total hours per month:  
1,040 hours

Total cost:  
Monthly \$21,951  
Yearly \$263,421

## Proposed DCo Employee Hours

2 Day Janitors (37.5 hours)  
4 Evening Janitors (37.5 hours)

Proposed Schedule: Day Janitors  
8:00am-5:00pm M-F

Proposed Schedule:  
Evening Janitors  
5:00pm-1:30am M-F

Total hours per month:  
650 hours

Total cost:  
Monthly \$16,154  
Yearly \$193,857

# ANNUAL COST SAVINGS:

# \$69,564

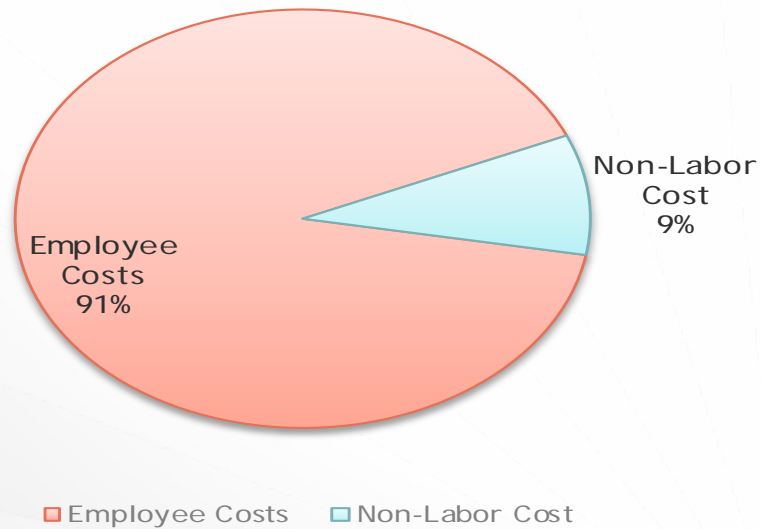
ONE- TIME START UP EQUIPMENT COST:  
\$23,173

# Courthouse

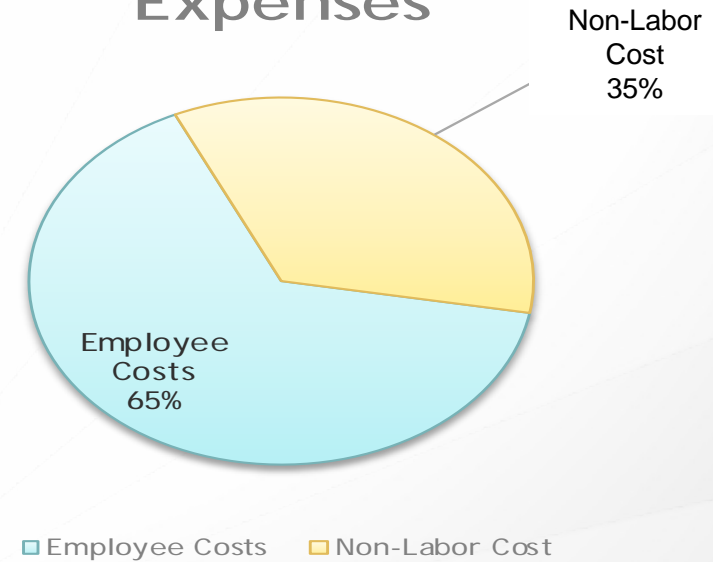
## Janitorial Cost Analysis FY 17-18

Expense Category	DCO	Other	Expense Variances	Variance Percentage
Employee Costs	\$175,857.47	\$172,044.00	\$3,813.47	2%
Non-Labor Cost	\$18,000.00	\$91,377.60	(\$73,377.60)	-408%
Year Total	\$193,857.47	\$263,421.60	(\$69,564.13)	-36%
Monthly Total	\$16,154.79	\$21,951.80	(\$5,797.01)	-36%

### Durham County Expenses



### Outside Vender Expenses



**\$69,564 annual savings**

# ESTIMATED COUNTY 5-YEAR SAVINGS

**\$347,820!!**





# **Phase II:** **FY 2019-20 Health and Human Services Building Janitorial Services Contract Review**

# Health and Human Services Facility

242,914 SF \* .90% = 218,622.6 SF needed to be cleaned

Areas	Level of Cleaning	Square Footage of Classified Area	Number of Janitors Needed
Medical Clinic Areas	Level 1	31,368/ 11,000	2.85
High Traffic Areas	Level 3	59,056/ 31,000	1.9
Low Traffic Areas	Level 4	128,198/ 50,000	2.85
<b>TOTALS</b>		218,622	8



- Based on industry standards, the Courthouse needs a total of eight janitors.





# Durham County Goals Accomplished

**Goal 1-Community and Family Prosperity and Enrichment:** *Provides a quality wage for Durham County citizens and offers opportunities for young men and women to enter the workforce.*

**Goal 2-Health and Well-being for All:** *Can ensure a level one cleaning to all health clinic areas.*

**Goal 3-Safe and Secure Community:** *With vetted County employees working in these facilities, it would only increase the security to government property and personnel.*

**Goal 4-Environmental Stewardship:** *Cleaning will be done with new environmentally friendly technology that will compliment our LEED facilities, which will lessen our environmental impact.*

**Goal 5-Accountable, Efficient and Visionary Government:** *General services will be directly responsible for the janitorial services of LEED buildings ensuring that the standards and quality of service meet customer's expectation and provide a cost savings to the County budget. General Services will coordinate with local contractors to perform janitorial services for non-LEED buildings.*



# Board Discussion: Future Investments



# Record and Post BOCC Priorities



# Discussion





# Moving Forward



