

**DURHAM COUNTY, NORTH CAROLINA
FY 2017-18 APPROVED BUDGET**

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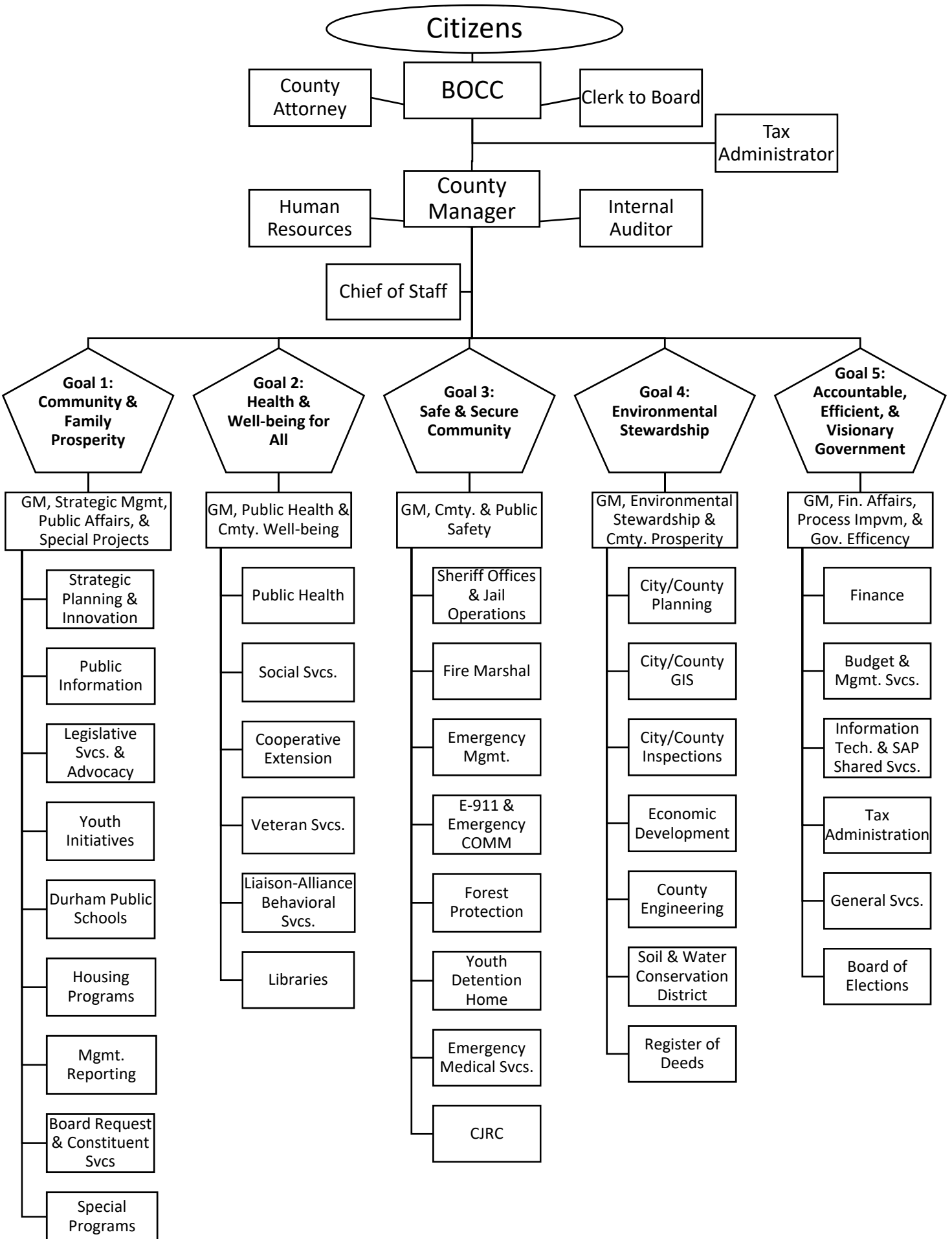
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**Durham County
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For the Fiscal Year Beginning

July 1, 2016

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Durham County, North Carolina for its annual budget for the fiscal year beginning July 1, 2016. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

READER'S GUIDE

This section is designed to help the reader understand the budget by explaining how the document is organized. This document is a financial plan for Durham County government operations for the July 1, 2017 through June 30, 2018 fiscal year and shows how funds are allocated and how they will be spent.

FUND STRUCTURE

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

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

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

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

The remaining budgeted funds are described below.

Other General Funds

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

SWAP Fund (Fund 1001030000): This fund represents a complicated financial agreement based on outstanding debt (see page 256 of the document) that brings in over \$2.75 million in revenue to the County each year. The revenue is used to offset yearly debt service payments.

Reappraisal Reserve (Fund 1001050000): This fund recognizes a state statute requiring funds to be reserved and budgeted for future reappraisals to ensure adequate resources for this less than annual recurring expense. The creation of the Fund in this way is in accordance with the Government Accounting and Standards Board (GASB) best practice.

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

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

Debt Service Fund

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

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted for specific purposes. The County budgets the following special revenue funds: **Durham Fire and Rescue Service Tax District (Fund 20022280000)**, **Bethesda Fire District (Fund 2002130000)**, **Lebanon Fire District (Fund 2002140000)**, **Redwood Fire District (Fund 2002160000)**, **New Hope Fire District (Fund 2002170000)**, **Eno Fire District (Fund 2002190000)**, **Bahama Fire District (Fund 2002210000)**, **Special Butner District (Fund 2002250000)**, **Special Park District (Fund 2002220000)**, and **Community Health Fund (Fund 7007080000)**.

The Community Health fund accounts for the financial resources acquired through the leasing of Durham Regional Hospital to Duke University, accounts for the earnings of these financial resources, and ensures the financial resources are used for health-related operating and capital expenditures. Due to recent rule changes from the General Accounting Standards Board the Community Health Fund is now categorized as a Durham County Special Revenue Fund, and no longer within the Trust Fund group of funds. This change is effective July 1, 2016.

Enterprise Fund

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

Trust Funds

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

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

SUPPLEMENTAL SECTIONS

The **Summary** section provides a summary of sources of revenue and expenditures from the General Fund. A detailed overview of revenue sources is included. This section also provides a brief account and graphs of all funds budgeted for the fiscal year beginning July 1, 2017. In addition, the section contains a summary of FTEs for all funds.

The **Appendix** contains supplemental information that includes the FY 2017-18 Budget Calendar, the **Glossary Terms**, which contains information to help the reader understand the terminology used in the budget document, the budget and amendment process; a statement of revenues, expenditures and changes in fund balance, Durham County fiscal policies, a multi-year budget forecast, the Capital Improvement Plan (CIP) overview which provides background and a description of the process, the 10 year CIP with project detail and the 10 year CIP finance plan model.

ADDITIONAL INFORMATION

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

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

This document was prepared by the Durham County Budget and Management Services Department and is available online at www.dconc.gov. If further information is needed, contact Budget and Management Services at 200 East Main Street, 4th Floor, Durham, North Carolina 27701, by phone at (919) 560-0017, or by email at budget@dconc.gov.

**DURHAM COUNTY
FY 2017-18 APPROVED BUDGET**

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COUNTY OF DURHAM

WENDELL M. DAVIS
COUNTY MANAGER

July 1, 2017

Dear Durham County Residents,

I am honored to present a Board of County Commissioners approved comprehensive spending plan for Durham County Government for fiscal year 2017-18. The document is in accordance with the North Carolina Local Government Budget and Fiscal Control Act and it fulfills the County's obligation to present a balanced fiscal plan by July 1, 2017. The FY 2017-18 approved budget supports the continuation of vitally important County services and progressively moves our community towards strategic planning coupled with data driven decision making for new and existing needs.

Durham continues to be a beacon of local, regional and national opportunity, a thriving economic engine that provides a good quality of life for a majority of its residents. To sustain and build upon this distinction, Durham County government is presently engaged in several "RE" processes. Refreshing its Strategic Plan; realigning funds and priorities based on the County's Managing for Results (MFR) change management model; reinventing itself through innovation and process improvement, and just as importantly; reimagining what it means to work, live, and thrive as a world class community.

The comprehensive strategy of a well-designed relevant strategic plan, accompanied with an implementation strategy (MFR) and the properly aligned organization (Reorganization) means that Durham County can set its priorities and apply laser-like focus on achieving them. Now that this important foundational work is done, we are better poised to become an even more robust and nimble organization. Over the past year we have identified over 100 programs and more than 2,500 metrics that positions departments and agencies to better make their case for resource allocations. The new program budget structure gives the Board and community greater insight on how our funding is allocated and will ultimately better aid in decision making. This approach is an imperative going forward as resources and revenue constraints become more challenging.

The Strategic Plan also includes community goal indicators and objective measures that provide a high-level look at the progress of the community and the organization across the County's five strategic goal areas. The Managing for Results model is maturing, now in its third year, with all departments having gone through training and measures development, but the hard work of data collection and measurement analysis now begins in earnest.

This last step, the linkage of the Strategic Plan goals to the daily operating support provided by departments, will fulfill my vision of data driving and supporting policy decisions made by the County and the Board.

As we work through the 2017-18 fiscal year, the County will face many competing challenges and opportunities that one entity alone cannot solve. The most recent complex negotiation on the regional light rail is a clear and present reminder of how interdependent we are on others to resolve complexities in our community and within our region.

I particularly want to thank all the departments and staff for the extraordinary amount of work they have invested in developing the Managing for Results model into a functioning performance tracking and analysis system. This has been no easy feat, and has been done while staff has been asked to continue carrying out their day-to-day work. We have a committed, dedicated workforce and to all Durham County employees I humbly say, thank you.

We received many valuable and important budget requests that were simply unable to be supported in light of fiscal constraints, in fact the requests totaled approximately \$26.8 million more than the available revenue. Going into the FY 2017-18 budget development process the County was committed to a 2 ½ cent tax increase dedicated to support a voter-approved bond referendum last fall. The voters pledged their full faith and credit to fund capital for Durham Public Schools, renovations for the Main Library, and capital support for Durham Technical Community College and the NC Museum of Life and Science. Although this commitment was in place, we were also mindful that we faced many critical public safety, human service and other long-term capital needs. However, considering slow revenue growth we were forced to prioritize these requests towards the highest performance and alignment.

To that end, I directed staff as part of the FY 2017-18 budget process to look closely at historical spending trends within their departments and realign existing, already budgeted dollars to support inflationary increases and potentially any new requests. Departments responded impressively, finding a total of \$1.88 million dollars within their existing budgets to realign, supporting everything from inflationary contract increases to new position requests. In fact, 10 new positions proposed for FY 2017-18 were directly related to realignment of existing vacant positions or offset by realignment of dollars from reductions in other parts of the organization. This process of continuously reviewing and analyzing spending patterns is another facet of the MFR model, where all aspects of performance are assessed, including financial performance.

Durham County continues to be in sound fiscal position with a 20+ year history of being rated as a Triple A community. We remain 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 consistent declines in certain revenue streams, compounded by the threat of 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 approved Fiscal Year (FY) 2017-18 budget totals \$633,143,7264, with a 2.75 cent property tax increase to support Durham Public Schools current expense growth needs (1.0 cent), and future debt service needs including support for the November 2016 voter approved \$170 million General Obligation bond referendum (1.75 cents). Increased capital funding also supports annual debt service related to long-term capital investments, including those projects already completed such as 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.

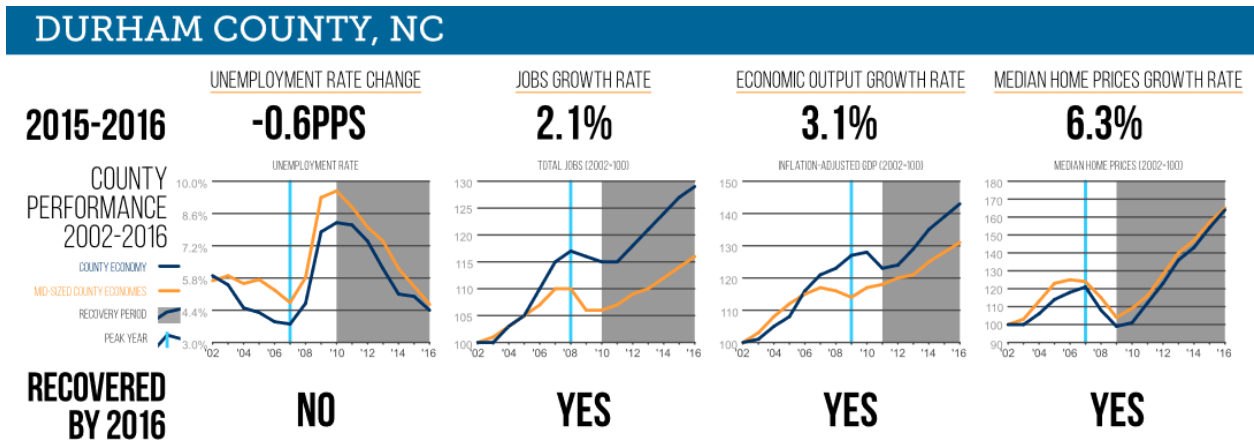
The total Durham County budget increase is \$45,838,005 or 8.21% over the FY 2016-17 approved budget, while the General Fund budget increases \$20,400,902 or 4.92% over the FY 2016-17 approved budget. A 1.0 cent tax increase for the General Fund generates \$3,554,120 of new property tax revenue while a 1.75 tax increase for capital financing doubles that amount, \$6,219,710.

Table 1: FY 2017-18 Approved Budget Summary

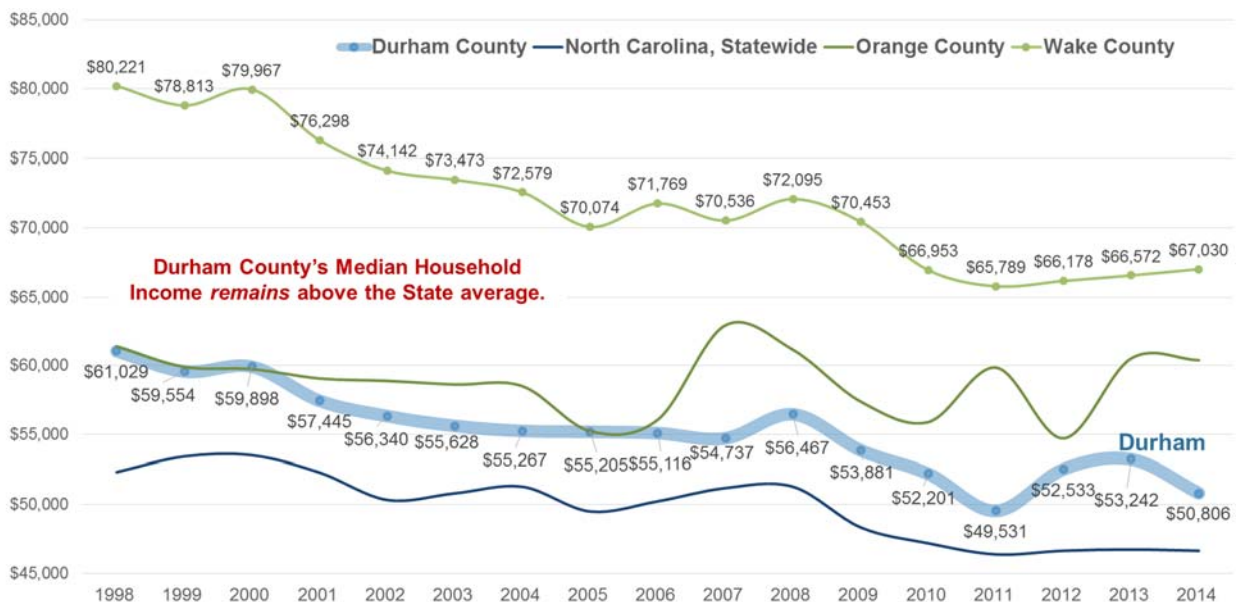
Fund	FY 2016-17 Original Budget	FY 2017-18 Approved Budget	% Difference
General	\$414,362,524	\$434,763,426	4.92%
Total All Funds	\$587,305,721	\$633,143,726	8.21%

Outlook

Durham County's fiscal and economic outlook is positive, but mixed, while continuing its slow recovery from pre-recession levels in several key economic indicators. A National Association of Counties (NACo) report, "County Economies 2016" shown below evaluated trends between 2002 and 2016 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. Overall, while Durham County's economic outlook remains positive; the growth factors are slower than the historical pre-recession period.



While the NACo report illustrates jobs growth, economic growth and median home price growth (all positives for many Durham County residents) it does not reflect some of our other realities. The County's child poverty rate was 22.4% in 2016, slightly below the state's 24% average, while the overall poverty rate for the County hovers around 17%. Another concerning trend our community must be mindful of is the wage stagnation and decline seen across Durham County, the region, and the state (Illustration below).



During this same period in the graph shown above Durham County’s population grew 36%. 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 region by 2030. These combined factors make it necessary to be more deliberate about planning for Durham County’s needs for the short and long-term future.

As resources dwindle and the demands for services grow, the single most important thing our community can do is understand the value of effective collaboration and move rapidly toward the development of collective impact approaches. Our successful future is inextricably linked to working in concert with the City of Durham, adjacent counties and municipalities, Durham Public Schools, the Chamber of Commerce, local universities, non-profit partners and many others to ensure we collectively leverage our talents and resources to ensure Durham’s continued economic success.

Budget Overview

Property Tax Revenue

FY 2016-17 was a revaluation year for Durham County, the first in 8 years. The total growth in property valuation of 9.71%, was much slower growth than previous revaluation years. Unfortunately, this is a recurring theme and such slowing growth continues in FY 2017-18, with an estimated valuation growth of 1.56%. The revenue neutral tax rate for FY 2016-17 was approved by the BOCC as the current fiscal year tax rate and totaled 74.04 cents, a 5.27 cent decrease related to revaluation. For FY 2017-18 the approved property tax rate includes a 1.75 cent tax rate increase for the Capital Financing Fund related to current and future debt service needs and a 1 cent tax increase for additional Durham Public School funding, equaling a total tax increase for FY 2017-18 of 2.75 cents.

Table 2: Property Tax Rate Change

Property Tax Rate	FY2016-17 Approved	FY2017-18 Approved	FY2017-18 Change from FY 16-17
General Fund	66.08	67.08	1.00
Capital Financing Fund	7.96	9.71	1.75
Total	74.04	76.79	2.75

As part of a 2016 General Obligation bond referendum the County estimated that a 2.5 cent tax rate increase would be needed in FY 2017-18 to support current and future debt service needs. However, due to multiple refinancing's of existing debt yielding lower annual and overall payments, along with lower interest rate estimates for future debt, and slower planned expenditures for projects in the pipeline, the estimated tax rate increase for the Capital Financing Fund has decreased to 1.75 cents. It is with pride that I note our County departments’ continuous evaluation of current circumstances to minimize taxpayer burdens while providing exceptional service.

Sales Tax Revenues

The total amount of FY 2017-18 budgeted sales tax revenue for Durham County is \$80.3 million, the equivalent of 22.6 cents of property tax. The estimated end of year FY 2016-17 sales tax collections is expected to grow 2.06% over budget which is slower than the 4.6% experienced in FY 2016-17. A growth factor for FY 2017-18 of around 4% translates to a 6.99% base budget increase for the upcoming fiscal year from the current fiscal year. Again, this is slower growth than what was experienced last year at 7.79%. In actual new revenue the budget impact of 6.99% growth in sales tax revenue this year equates to \$5.25 million, or 1.47 cents of property tax. Simply put, growth in sales tax revenue means less pressure on local property tax revenue. While this is an increase, it is less revenue from FY 2015-16 to FY 2016-17. Table 3 reflects summary sales tax budget trends.

Table 3: FY 2017-18 Sales Tax Budget

Sales Tax Article	FY 2016-17 Original Budget	FY 2016-17 12 Month Estimate	% from FY 2016-17 Budget	FY 2017-18 Approved	% from FY 2016-17 Budget
Article 39	\$22,979,684	\$22,083,864	-3.90%	\$23,919,039	4.09%
Article 40	\$12,377,711	\$12,823,178	3.60%	\$13,382,477	8.12%
Article 42	\$15,349,556	\$15,436,326	0.57%	\$16,327,164	6.37%
Article 44	\$0	\$2,093	#DIV/0!	\$0	#DIV/0!
Article 46	\$12,600,000	\$13,535,015	7.42%	\$13,900,000	10.32%
Inter-local	\$11,778,580	\$12,749,205	8.24%	\$12,807,106	8.73%
Total	\$75,085,531	\$76,629,681	2.06%	\$80,335,786	6.99%

Other Revenues

Overall General Fund service charges increase by 5.8% or \$1.2 million, most in the Emergency Medical Services department which saw significant growth from Medicaid reimbursement increases due to a lag in reimbursement from previous years. Intergovernmental revenues, which are pass-through dollars from other governmental entities grew by 4.12% due to increased state and federal funding that affected Public Health and Social Services.

Strategic Plan Refresh

Change remains the constant in Durham County. Whether it is with the County’s dynamic workforce or across a diverse community of residents or with regards to an ever-evolving landscape of buildings, organizations, businesses and institutions, Durham continues to change. Within our organization we’ve intentionally focused on creating positive organizational and service change, with continuous improvement as a guiding principle.

Since our first Strategic Plan was adopted in spring 2012, County leadership has been implementing the Managing for Results (MFR) change management model. Combined, the Strategic Plan and MFR will define the changes and direction that the County expects to achieve. We are proud of these needed evolutions and advancements, and we eagerly look to the future.

A refreshed Durham County Strategic Plan will help the organization plan for the future and successfully adapt to unforeseen changes. This time around, County leadership and staff have been more intentional about developing a Strategic Plan that truly connects the work of our 27 departments to overarching goals, objectives and strategies. Also, with Managing for Results as the County’s change management model, performance measurement is better integrated into how the organization plans and provides services. Those performance measures will help us continually make improvements and investments based on what the data tell us. This Strategic Plan does not shy away from the complexities of the organization’s and the community’s challenges and opportunities. This plan, which connects the work of multiple departments in a series of overarching strategies, embraces collaboration, between departments, with other local governments, and with other community organizations.

The 2017-2021 Durham County Strategic Plan, like the first document from 2012, is a dynamic guiding vehicle for the organization. It will be reviewed each year through the County’s annual operating budget process, allowing for minor updates to keep the plan timely and dynamic. It will also serve as a framework for future conversations and decisions about ways that the County can continue to improve service delivery to prepare for what the future brings. Durham County is a passionate, growing community of employees and residents, and we look forward to

continuing to serve and work with the community and employees to address the challenges and opportunities ahead. The following sections of this message will highlight our budget by Strategic Plan goal area.

FY 2016-17 Budget Highlights

Goal 1: Community and Family and Enrichment

The community enrichment goal focuses on Durham County's efforts to uplift individuals, households and families regardless of their circumstance, composition or aspirations. One key area of this goal highlights the County's continued investments in and concern for the publicly funded institutions providing early childhood, K-12 and post-secondary education.

Durham County plans significant new investments in high-quality preschool so that all Durham children and youth have a stronger chance to succeed. In addition to pushing greater coordination and emphasis on the birth-to-8 continuum, the County continues to prioritize high K-12 funding levels – funding Durham Public Schools at a level higher than all but a few districts across the state while also maintaining high expectations for performance. Graduation rates are near all-time highs, but academic proficiency and college-and-career readiness, especially when broken down by race and household income, continue to reflect stubborn achievement gaps.

Durham Public Schools

Durham Public Schools continues to be the single largest source of expenditure for Durham County Government. For FY 2017-18, the Durham Public Schools Board of Education requested an increase of \$10.93 million in additional county funding. The request supports local supplement support for state teacher salary increases (\$2.3 million), additional school positions increase (\$3,155,000), teacher retention requests (\$2,600,000), and other expansion requests (\$2.880,000).

The approved budget includes a total DPS current expense increase of \$6.06 million through a combination of property tax dollars and BOCC policy directed use of additional Article 46 sales tax. This funding increase will support the local supplement of state salary increases, automatic contracted services increases, and several other DPS initiatives. The annual operating costs of the Whitted School Pre-K program requested by DPS will also be supported, but funding will be housed within the County in another area and needed amounts will be invoiced to various Pre-K partners as necessary. The Board of County Commissioners also made a slight change to its Article 46 sales tax use policy to offset a portion of the cost of future Pre-K obligations going forward.

We have consistently stayed among the top five county governments in local funding per student and with the approved DPS local support Durham County will maintain that position with "per pupil" funding at \$3,312, an increase of \$165 per pupil from FY 2016-17 local current expense funding. It should be noted that while enrollment in Durham County charter schools continue to grow, the number of students in Durham Public Schools has decreased the last two years, an issue that will need to be addressed in the future.

Durham County will also pay \$29.58 million in debt service for school facilities during FY 2017-18. Per this approved budget, the total annual funding for Durham Public Schools for FY 2017-18 is \$134,035,201 or 30.82% of the entire General Fund budget. In addition to the direct operating expense and debt service payment for Durham Public Schools, an additional \$4.43 million is allocated in County department budgets to support School Resource Officers, School Nurses, and education related non-profit agencies.

Pre-K Expansion

The community received several critically important reports in the weeks before the recommended budget was sent to the Board of County Commissioners. First was the State of Durham County's Young Children Report, and more recently, the findings of a blue-ribbon pre-school task force outlining a plan for the expansion of high quality Pre-K. We are working with Dr. Phail Wynn at Duke University and many other community partners to identify

additional, strategic investments along the birth-to-8 continuum, but we are moving forward with haste to make new investments in high quality pre-school opportunities. There are young children and young families in this community in desperate need of additional, high quality educational experiences to ensure that are ready to succeed as they enter kindergarten.

The Board of County Commissioners approved funding of \$1.5 million for operation of eight additional pre-school classrooms at the newly renovated Whitted School. Also, to make sure that the County is playing its part to thoughtfully support moves toward continued pre-school expansion. additional funding support was budgeted for the Durham Children's Data Center at Duke University, an institution of increasing importance as we look to carefully evaluate pre-school and other key investments over time, as well as funding for further research to make sure we use the upcoming year to make certain new preschool classrooms of the highest quality are ready in the fall of 2018 and beyond.

As part of the Manager's recommended budget I took the opportunity to propose to the Board the concept of dedicating an additional one cent of property tax in FY 2018-19 for Pre-K expansion, noting that the financial burden of making high quality pre-school available to every four year old in Durham is heavy. As "universal" Pre-K has been a positive uplift for other states and cities, this concept has the potential to greatly reduce the achievement gap in Durham, and to improve educational, workforce, and other outcomes in the long run. This is not just a County responsibility, this is not just schools' responsibility, this is a community responsibility, and universal Pre-K represents a community investment in our future which will benefit every individual, institution, and corporation in Durham. The County would put these resources forward as a challenge grant with the hope that they can be matched by re-investment of some public school funding as well as by private and philanthropic funding. I believe this model constitutes a shared investment that our business, education and government partners can get behind for the greater good of Durham.

The County also is committed to strengthening Durham through expanded and creative workforce development programs and supports, especially for historically difficult to employ populations. In addition to pursuing enlightened hiring and personnel policies internally, Durham County wishes to expand its work through both governmental and non-governmental institutions to help its residents see, train for and successfully move into rewarding, living wage careers. Ongoing partnerships with Durham Public Schools, Durham Technical Community College, the Durham Workforce Development Board, NC Works and Made in Durham are vital to community success in this area. Durham County further seeks to provide expanded opportunities for historically underutilized businesses by supporting greater recruitment, development and contracting with minority and women-owned businesses.

Durham Technical Community College

Durham Technical Community College (DTCC) requested funds to support campus salary market-adjustments, contracted services and rental space support. 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 slightly by \$49,335 in FY 2017-18, bringing the total projected funds to \$1,323,075. Over the past several years, the Article 46 sales tax funds allocated to support tuition scholarships have not been fully utilized.

DTCC received approved funding increases of 3.77% or \$260,204. The dollars will fund inflationary operating expenses, additional personnel cost, operational expenses related to new potential leased space, and increased annual capital support.

Nonprofit Support

This year brought several process changes to the Nonprofit Funding Program's application cycle that were a result of a comprehensive program review. The review compared our process to that of our North Carolina peers and incorporated policy direction from the Board of County Commissioners, with the most significant process improvements made to the solicitation and application review components of the application process. The solicitation process included paring down the range of service providers that we were looking to partner with through aligning with a Target Area Outcome, a narrower subsection of Strategic Plan Goals 1-4.

In the FY 2017-18 application cycle, 57 individual agencies and 2 collaborations applied for funding with requests totaling \$1,561,656. This included 36 nonprofits that were currently funded as well as 23 nonprofits that are not currently funded in the nonprofit funding program. 40 nonprofit agencies are approved for funding at a total of \$650,000. A detailed list of funding amounts can be found in the Appendix.

Goal 2: Health and Well Being for All

The Board's support for Health and Human Services continues to be demonstrated by the significant funding provided for County government programs and nonprofit organizations that support this strategic goal. During the Board's May 8th 2017 regular session meeting the BOCC also documented its commitment, and support of, system changes that will positively impact the social determinants of health in a BOCC resolution.

The County continues to sharpen its focus on the cross-sector work that must be done to create a "Healthy Durham" – a Durham where all 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" and we are working hard to address the disparate health and quality of life outcomes that exist in our community.

Social Services

In past budgets, Social Services has requested significant funding increases for personnel needs or program support to implement new legislative mandates. We recognize there are potential legislative discussions that may impact Social Services at the state and federal levels and are hopeful that the North Carolina General Assembly and Congress will keep vulnerable families in the forefront of their deliberations. Last year, the department requested additional funding in anticipation of the impact of the "Extend Foster Care 18 to 21" legislation. On average the department serves 248 children within foster care annually. Although legislative change occurred that extended the foster participation rate to 21, DSS was able to manage those increased costs within their FY 2016-17 budget allocation. We will continue to monitor the situation and adjust as needed.

In the FY2017-18 budget, the Department of Social Services requested no additional local dollars. Due to increased revenue (\$2,267,578) associated with mandated service delivery, Social Services reduced its need for county funding by \$1,181,283. The additional increase in expenditures (\$1,086,295) supports program enhancements and the purchase of 2 new vehicles, 2 replacement vehicles, non-capital furniture and equipment, and non-capital computers to support integration of child welfare services into NCFAS.

Public Health

Increases in the Public Health department come from several different sources. FY 2016-17 saw increases associated with program realignment. In October 2016, the Board approved the transfer of Project BUILD (\$342,264) from Cooperative Extension to Public Health. At the request of Alliance Behavioral Healthcare their contract (\$86,157) with Durham Public Schools is now in Public Health's budget. These funds will continue to support contract personnel assigned to Durham Public Schools to use the System of Care framework to identify

and refer students who need mental health services. This amount is subtracted from the Alliance Behavior Healthcare contract.

To ensure all Durham residents attain physical, social and financial well-being we must pay attention to the experiences of residents' lives by listening to them, actively working with them, as well as by using data. Neighborhoods have considerable disparities in respect to how environmental factors influence health; to that end the County approved resources to work with Data Works, a new nonprofit that houses the Neighborhood Compass. Through this partnership the County is supporting three key efforts to deliver actionable HIPAA-compliant health information to Durham and to better understand and serve its neighborhoods.

The first of these is the Health Indicators Project, a partnership of Public Health, Lincoln Community Health Center, Duke Health /Duke's Center for Community and Population Health Improvement, and Data Works. This effort will serve locally-derived data on chronic conditions – starting with diabetes – through the Neighborhood Compass.

The second is a new effort between Public Health in Durham and Orange Counties and Data Works (with support in summer 2017 from Data + at Duke) that will deliver vital records summaries through the Compass, including life expectancy and more detailed mortality information. Each of those efforts represents novel and transformative opportunities to move Durham past reliance on national data.

The third is an effort to deploy these data resources in regular reporting to the Durham community on social determinants of health. With the comprehensive scope of local data sources now curated by Data Works, it is time to examine more closely the relationships between transportation, jobs, child care, education, housing, safety and health - and put this information to work for equitable outcomes across Durham neighborhoods.

While Public Health staff members are actively engaged in this work, an additional investment of \$43,000 was approved to further support this transformative work.

Last year to reduce the school student/nurse ratio in Durham Public Schools and to foster improvements related to student absenteeism as a result of health issues, the Board funded four 10-month positions (3.32 FTEs). However, during the interview process applicants were consistently seeking fulltime employment rather than 10-month employment. To that end, three fulltime positions were created. In order to limit growth costs in this budget, but still support this important health outcome, this budget approved funding to support an additional 1.68 school nurse FTEs (1 new position and 0.68 FTE that can be added to the remaining 0.32 FTE funded last year). Over the next several years, additional school nurses will need to be funded to support this critical public health need.

Last year we renewed the contract with Correct Care Solutions to provide medical services for detainees in the Detention Facility after going through an updated request for proposals process. As in the past, this new contract is reviewed annually for renewal over a five-year period. The agreement calls for an annual adjustment to the base amount calculated on the annual Medical Consumer Price Index (3.9%). To accommodate these annual growth terms an additional \$113,068 is included in this budget.

Library

This year has been an exciting and busy year for the Library. Related to approval of the 2016 General Obligation bond referendum, library staff vacated the Main Library and established alternate service locations in preparation for extensive renovations and expansion to the current Main library facility. The building is scheduled to reopen in 2019, and an opening day collection is needed. In the past \$400,000 was allocated to purchase the opening day collections at East, South, and Southwest Regional Libraries, this same amount is needed to purchase the opening day collection for Main Library. To lessen the burden on the County and to give our collection selectors and vendor time to plan appropriately, this budget funds \$272,300 to support the purchase of a portion of the opening day collection and the remaining amount will be requested in the FY18-19 budget.

Cooperative Extension

Cooperative Extension has undergone several major changes during the current budget year. With the retirement of County Extension Director Delphine Sellars in early fall, a new director, Morris White, was hired effective April 1st. The FY 2017-18 Extension budget includes funds to reclassify a position to Small Farm Agriculture Associate Agent, adding a part-time bilingual Associate Extension Agent position at 0.6 FTE, lease of MacBook computers to support NC State University software for extension agents and one county employee, and additional funds to replace a lift-equipped vehicle for use in the Transportation Program.

Goal 3: Safe and Secure Community

In the 2016 County and City Resident Satisfaction Survey, Durham residents rated their service satisfaction for EMS service (80%), Sheriff Protection (65%) and Fire Protection/Rescue Services (86%). These ratings were relatively high on a service satisfaction scale with all the scores rating above national benchmarks. Although residents are reasonably satisfied with the current level of services, there are key investments that we need to continue making to ensure Durham is a safe and secure community. For this reason the approved budget includes a 5.39% net increase in spending in the area of public safety. Increased investments in EMS and the Sheriff's Office are the primary new investments in the Strategic Goal 3 area. As previously shared with the Board of Commissioners, the County does not have the resources to fund all the public safety requests in a single year. The strategic investments funded will assist the County in continuing to address the public safety needs and opportunities within available resources over time.

Emergency Medical Services

This budget continues replacement and upgrading of EMS ambulances by replacing six ambulances (\$1.32 million) using funding from the Community Health Fund and also supports First Watch software to improve response time and clinical performance using real-time data and dashboard technology. Increased funding of almost \$250,000 has also been included for medications and medical supplies which are projected to increase by 35% (\$420,000) next year. This increase comes after EMS realigned \$170,000 in savings realized from the purchase of the new Sprinter ambulances.

In the spirit of innovation the County is implementing a community paramedicine pilot program (\$307,561) which includes three additional positions to assist citizens with chronic disease management, the homeless, and those with behavioral health issues, all who frequently find themselves in need of EMS services. After a year the pilot program will be evaluated and next steps determined. Important in the evaluation will be the effect it has on response times due to staffing adjustments needed to implement the program. The First Watch software included in the proposed budget will also assist EMS in implementing and monitoring the pilot program.

Recruitment and retention of paramedic level staff has been a challenge and EMS continues to struggle with a high annual vacancy rate (14%). It is our hope that the introduction of the Basic Life Support (BLS) service this summer using newly hired Emergency Medical Technicians (EMTs) and the newly implemented introductory pay and bonus program for paramedics will improve our ability to attract high quality candidates. To improve response times we are continuing with our "over-hire" of seven positions strategy to address the gap that occurs when new hires are in training. Further, we are reevaluating our progress in filling existing EMS positions (25) by fall of 2017, and if appropriate, will come back to the Board for additional staffing resources during the next fiscal year. Reviewing the vacancy status in the fall and completing a County wide compensation study, described later in my message under Goal 5, will allow us to make additional recommendations related to adding staff capacity to the EMS Department.

Finally, to assist with cost recovery for EMS services, this budget approved rate increases for transport (private insurance only), special events, bike team, and foot medic services that will result in approximately \$200,000 in additional revenue. The increases cover actual cost for service and is comparable with average rates of our peer counties. The last rate increase for EMS services was in 2013. Looking forward, I plan to evaluate and propose, where necessary, annual service rate increases for EMS services in future budgets to support funding this vital service.

Sheriff's Office and Detention Center

For the Sheriff's Office this budget supports investments in technology and replacement vehicles. Software upgrades to the CAD system and new computers for the Detention Center were included in the proposed budget. In addition, the Sheriff's Office had requested funding to purchase licenses for the Microsoft Office 365 software to better interface with County Government. A phased implementation approach needs to be developed with the County's IS&T Department to ensure utilization and cost are coordinated strategically and this planning will be completed over the next fiscal year. Thirty-one law enforcement replacement vehicles and vehicle equipment totaling \$1.1 million are included in the approved budget.

The Sheriff requested funding for additional personnel for the Animal Services Unit and to assist with serving domestic violence warrants, as well as funding to implement a law enforcement incentive and recruitment program. Based on Board discussions about compensation for law enforcement officers (LEOs) and the proposed County wide compensation study (discussed in Goal 5), we will evaluate the study's recommendations when it is completed and then determine possible next steps in addressing LEO compensation issues. Additional funding is set aside in the Nondepartmental budget to support some of the potential compensation study findings.

Additional Public Safety Investments

Additional investments in public safety focus on the Youth Home, Fire Marshal's Office, and Fire and Rescue Division. In preparation for changes that are expected to occur at the state level regarding raising the age for being charged as an adult and given the current condition of the Youth Home facility, funding for a facility masterplan and environmental assessment (\$87,660) is included to assist in preparing for this important capital improvement project. A new vehicle for the Fire Marshal's Office to help separate contaminated equipment and a new SUV response vehicle for the Durham Fire and Rescue Division (paid for by special tax district funds) have also been included in the approved budget.

The Lebanon Volunteer Fire Department special tax district requested a 1.0 cent increase to their tax rate bringing the total tax rate to 11.56 cents per \$100 valuation. The increase will assist with additional payroll expenses (holiday, comp and overtime pay), the purchase of new radio equipment, and the purchase of a new tanker truck. The last district property tax increase of 0.6 cent was implemented in FY 2013-14.

Goal 4: Environmental Stewardship & Community Prosperity

Environmental, Development, and Economic Programs

I am pleased to report the Rougemont Water System has been completed and is now fully operational. This fiscal year we will continue our focus on strategic infrastructure investments aligned with our Strategic Plan and community goals. This work will include improvements to our utility systems and treatment plant in the Research Triangle Park to support our reinvestment in Park Center as well as improvements to continue providing the foundational elements for economic growth in RTP. These investments will also continue the high level of environmental protection desired by our community.

We are also encouraged by the Legislature's recent action to repeal HB2. This bill impeded the economic development efforts of our staff and our partners at the Chamber in continuing to recruit high-quality companies to our community which provide a diverse base of quality jobs. With the repeal of this bill we believe our prospects for economic recruitment may improve. That said, current State legislative actions have introduced uncertainties into the various State incentive programs we have long partnered with as part of our recruiting efforts, so we will continue to monitor and assess the potential impacts.

Project Management

Implementation of the General Obligation bond program work, approved by the community in November 2016, is well underway. Work on the Judicial Building renovations has started and we will begin construction on the Main Library renovations during this fiscal year. Additionally, we continue providing project management work on the renovations/expansions at Lincoln Community Health Center to help our partners ensure healthcare services are available to as many citizens as possible. Finally, we have initiated work on two key parking structures which will also include residential/retail wraps. We have retained the University of North Carolina – Chapel Hill's School of Government Development Finance Initiative (DFI) team to provide the appropriate analysis of options to ensure our goals are best realized as we proceed with work at 300 and 500 blocks of East Main Street. We also will continue our work towards a more "green built" environment by our ongoing efforts in the High Performance Contracting program undertaken two years ago. Additionally, our renovated Judicial Building and Library facility will be LEED-eligible in accordance with Board's adopted policies.

The Durham County project management division has done a superhuman job of supporting a high number of large, sophisticated projects over the last several years, including the new Courthouse, Human Services complex, Rougemont water system, Whitted School renovations, Lincoln Community Health Center renovations, just to name a few. They are to be commended and we look forward to bringing the next set of critical projects on line.

Open Space and Real Estate Division

Our Open Space program has continued to increase protected acreage that will provide community benefits both now and for future generations. Our targeted investments in Stormwater/Soil-Erosion programs made in FY 2016-17 are now paying dividends in enhanced responsiveness and environmental quality, all with the goal of sound environmental stewardship while our Soil & Water Conservation District continues to be a leader in implementing practices designed to protect and enhance our natural/agricultural resources. We have many successes in our environmental stewardship programs, yet we also see increased challenges and uncertainties due to legislative changes at the State and Federal levels.

We should all be pleased within our organization at the results of our efforts to provide a high-quality, cost-efficient facility program. As part of our long-range facility planning efforts, as enumerated in our 2016 Facility Master Plan and EMS Facility plan, we must begin advance acquisition of key parcels of land in order to ensure land availability at such time as funding is available for construction of EMS facilities. Additionally, the proposed retail spaces in our renovated Judicial Building as well as in the proposed 300 and 500 East Main Street facilities demand more focused attention on real estate and leasing activities. To that end, I am recommending inclusion of a Real Estate Coordinator (1 FTE), to be staffed in our Open Space & Real Estate Division, to provide the necessary, ongoing work in this space.

Development Services Center One-Stop Shop

The City and County opened the Development Services Center One-Stop Shop in April 2017, a customer-focused, multi-agency initiative center designed to assist in citizens completing the Development Review Process, while ensuring community-adopted planning and development standards are appropriately upheld. The primary objective was to create a business-friendly environment that would provide a time-sensitive, easy-to-navigate

development review process which facilitated continuous process improvement. This one stop center included 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 as this new work process proceeds.

Related to these development-driven needs, we will continue to make key investments and re-investments in technology within our Register of Deeds department. These investments will help ensure many fragile historic records currently on file will be preserved and available for future generations.

Solid Waste

General Services' Solid Waste Management Division works daily providing citizens safe, efficient and effective waste collection, disposal, litter control and waste reduction outreach and educational services that protect and maintain the natural environment. Our General Services Management staff undertook a thorough analysis of all of their programs during FY 2016-17 and proposed a number of changes, including a pilot program for this division to purchase a Roll-Off container truck that will allow our staff to directly support and haul containers from 2 of the 4 sites. This replacement of formerly contracted services is being accomplished through reallocated funds within Solid Waste's budget allowing for the citizen's sticker fee to be maintained at the same rate as FY 2016-17.

Enterprise Fund

The Utility Division, located in the Sewer Utility Enterprise fund, is expanding in almost all aspects of provided utilities, including the extension of reclaimed water services and interlocal agreements with surrounding municipalities and Research Triangle Foundation businesses. To meet this service demand a new Assistant Utility Division Manager position was approved which will relieve additional duties that continue to arise due to economic growth and will oversee the day to day activities of the Utilities Division, including but not limited to the Utility Superintendent and Lab & Compliance Manager, and to assist in technical issues, permitting, and compliance within the Division. This new position, as are all costs related to running the Enterprise fund, is supported by fees charged to customers using the water and sewer services provided.

Goal 5: Accountable, Efficient and Visionary Government

Durham County Employees

Our County workforce continues to be our greatest asset, but one that is changing quickly and profoundly. Dealing effectively and proactively with these changes over the next five to ten years will be extremely important in recruiting, training, and retaining quality employees.

The County has more than 1,990 employees providing high level service to our residents, from EMS staff saving lives to school nurses keeping DPS students healthy, to Criminal Justice Resource Center staff working with citizens to avoid the debilitating cost of jail (where possible), to Detention Center staff protecting citizens and inmates alike 24 hours a day, seven days a week. With more than 17% of Durham County's active employee base eligible to retire between 2017 and 2022 or less, continued focus must occur on retaining and recruiting a talented workforce to ensure we meet residents' service demands.

In May 2017 (FY 2016-17), the Board approved compensation changes related to EMS and Detention Officers. Durham County is not alone in dealing with retention issues around Public Safety functions, but we continue to look deeply at long term solutions, including additional positions along with compensation refinements. However, the issues are not in Public Safety alone, I am concerned that the entire County compensation system may need review and adjustment, and to that end we are carrying out a county-wide compensation study. This comprehensive study, once completed, will offer a multi-pronged approach to employee compensation that meets the changing face, age, and work of County employees in the coming decade.

The approved budget maintains the continuation of the employee pay for performance compensation plan at the 2-3% range, and also sets aside potential funding to address public safety salary issues in high turnover areas within the Sheriff's Office, based off of what strategies may come from the proposed comprehensive compensation study.

I am very proud to note that our Benefits plan estimated costs, have no increase for FY 2017-18 due to strategic changes in the County's chosen benefit provider as part of the FY 2016-17 budget (moving from BCBS to Aetna's Accountable Care Organization). This is practically unprecedented and allows funds that would have been allocated for such increases to be used for other important community needs. A recommendation was made to contract with Aetna as the County's medical plan third party administrator which was approved by the BOCC in April 2016, 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 is also providing \$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.

Finance Department

Personnel costs are the largest increase for Finance for FY 2017-18. Much of the personnel increase is related to position changes that occurred during FY 2016-17, where one billing collection position was moved from EMS to the Finance department and a new Assistant Chief Financial Officer and Compliance Manager position was filled after being vacant for some time. These changes will support the growing oversight of several key issues including EMS related revenue collection as well as grants management and compliance. A new payroll clerk position is created for the Finance department to support coverage that is currently overseen by only 3 key senior positions. There may be no more important biweekly task that the County carries out than a correct and timely payroll activity.

General Services

Our General Services Management team worked diligently this year to responsibly review their budget and provide a means to accomplish a few key new objectives, all through reallocation of existing funds. While this internal services department may not be on the forefront of providing services to the citizen, they are a critical component of supporting many aspects of those departments that directly impact the citizens of Durham.

An Administrative Officer was added in the approved budget within their Business Services Program to meet a significant increase in workload demands created by the County's growing infrastructure, increased complexity of projects created by the updated Capital Improvement Plan, and some of our aging buildings. One of the key responsibilities of this position will be to support Accounts Payables and Warehouse and Fleet Services programs to provide greater support for these areas, and also working to provide thorough budget control and monitoring, data collection and analysis, as well as support the department's investment in MFR.

General Services staff has also identified a need to provide further support of the County's Building and Grounds Program. With approved funding of an additional HVAC FTE we are seeking to respond to General Services most frequently requested service need; the comfort, heating and cooling of our buildings. Industry Best Practices indicate a ratio of maintenance staff per square feet of buildings to be 1 FTE per 47,000 square feet. Currently, our FTEs are maintaining 1.8 million square feet in 66 buildings at an average of approximately 57,000 square feet per person.

In addition, as the Board heard at their Annual Budget Retreat, this budget fully supports the pilot project to provide in-house janitorial services to our County Courthouse. General Services administrative staff reviewed their contracts throughout FY2016-17 and completed a thorough analysis showing not only can we provide this service internally more effectively, but we can do so with a direct savings to the County of almost \$70,000.

Information Services and Technology

As part of a move to better software options and more timely updates of available office software, the County moved to Microsoft Office365 several years ago. Annual funding for this “software as a service” was offset by savings in annual purchases of software licenses. Funding support for Office365 was initially supported with capital project funds designated for technology upgrades, however it was always planned that annual costs for this particular software were to become part of the annual operating budget. FY 2017-18 sees the IS&T department taking on the last part of this overall charge with a \$500,000 increase to their operating budget.

Additional manpower support for IS&T is provided with a 0.5 FTE Sr. Business Analyst position that will maximize the use of a newly acquired SAP Open Text solution which will interface with the existing SAP solution and eventually Laserfiche. This position will support both Laserfiche and Open Text by performing the configuration of SAP and Open Text to support the Vendor Invoice Management function as well any new functionality required and implemented by Finance. In addition, the resource will work in conjunction with the two existing Laserfiche resources to support countywide Laserfiche initiatives which will include a major reorganization of the DSS Laserfiche environment as well as normal maintenance.

It is simply not enough to purchase software solutions to deal with certain technology issues, there must be the available expertise and support available to maximize the potential of new software. Such lessons have been long in learning, but we now better appreciate the need for a blend of human and technological support.

MFR: Building Capacity for Increased Performance Measure Review, Management Analysis and Reporting

With the Strategic Plan refresh linking long-term goals and policy guidelines to the maturing Managing for Results performance model, the increased need for analysis of these new and significant streams of data become crucial. The MFR model was never intended to provide clear answers to vexing issues, but rather was and is meant to point out issues for more detailed analysis. It is in that extremely important area of analysis that the County must dedicate specific resources. Although departments have gone through initial MFR training and will begin to report on public facing measures, continued investments must ensure operational efficiencies are gained through robust data analysis, performance measurement review and regular reporting to internal and external stakeholders. The Budget and Management Services department took on the role of creating a working performance management system for use by all departments and management last summer. And since then has done an incredible job working with departments to develop measures, refine performance measure collection, collect data, and support department descriptions of the measures and what the data is “saying”.

This budget reclassifies three vacant positions to two performance management analysts and one budget and management analyst to support the increased needs for strengthened data review, analysis and reporting. The two realigned performance management positions will oversee the daily issues and analysis around MFR related measures, of which there are currently close to 500 public facing. Creating a core function of County wide data collection and MFR related analysis coupled with departmental expertise and support, will ensure that the issues illuminated by MFR data will have answers as well.

A fourth position is approved for reclassification to support the County’s overall demand for increased for internal and external publications, web-development and graphics design. The position will also assist with training efforts to expand departmental internal capacity for web design and publication development. This investment will mitigate some of the expenses currently occurring through contracted services.

Capital Improvement Plan Update

We are currently in the second year of our biennial 2017-26 Capital Improvement Plan. Last year 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 that projects begin within the next five years or less, our debt capacity, within triple A standards, limited our ability to support projects at that level. The total requested amount was far greater than the debt range recommended over the next four years by the County's trusted Financial Advisor.

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. Project recommendations occurred 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 \$295 million. This includes spending from an approved \$170 million November 2016 GO Bond referendum as well as current and future spending on large projects such as the Courthouse renovation project. These numbers were derived based on historical spending patterns, timing for project implementation and planning and construction phases.

As part of the FY 2017-18 annual budget a 1.75 cent property tax rate increase was approved to support future debt service needs, a level that aligns with ranges communicated during the recent bond referendum. This increase would take the dedicated tax rate for capital projects and related debt service up from 7.96 cents to 9.71 cents. This amount is slightly lower than original projections communicated during the bond referendum, and by instituting this increase now the County will be able to lessen the amount of future property tax increases for debt service and help mitigate any tax rate increase fluctuations. In fact, outside of any major additions to future Capital Improvement Plans, along with steady growth in dedicated revenue sources, the tax rate needed to support capital projects and their related debt service could potentially remain flat.

Conclusion

In closing I offer the following. In the years ahead, forecasts suggest that our revenues will be even more constrained, understanding these projections further implies that Durham has to be intentional about planning its future. Ten to twenty years from now one of the best predictors of our community's competitive and comparative economic advantage will be how good a job we did investing in early childhood education and underserved populations. Today we have three important reports (State of Durham County's Young Child, Universal Pre-K Recommendations and MBK Policy Review) that offer a framework for Durham's successful future. We must make serious investments in our human- capital to continue attracting good companies and to produce the skill sets necessary to fill those good jobs that arise from good companies.

While this fiscal plan represents the most important policy document for our local government, the FY 2017-18 budget is our first year realizing many of the manifestations of our change management model - MFR. We now have performance metrics, programs and program purposes, the associated program budgets and priorities as expressed in our newly refreshed strategic plan. These items, at best, are merely tools to help us make better informed decisions. As we peer into the future, a good education, a healthy community, a wholesome environment, a first-rate public safety apparatus, and a high performing government will only be achieved if we apply ourselves with a laser-like focus on these important priorities.

Finally, we have taken steps to realize efficiencies by realigning \$1.88 million in this budget. Many of these efficiencies resulted from department heads engaging in innovative practices and process changes. Our organization is beginning to embrace the notion that "change" is in the only constant as we seek to become high

performing. In this age of uncertainty, with threats of fewer resources due to federal and state legislative actions, innovation, creativity, measuring what we do, and being resolute about what the data is telling us will be paramount.

I am excited to present the Durham County Board of County Commissioners approved budget. A transformative budget that supports the vision of its leaders and its citizens, a budget that looks not only to next year, but into the future. The staff and I look forward to working with the Board and Durham County citizens as we continuously aim to make Durham the place to work, play and thrive.

Sincerely,

A handwritten signature in black ink, appearing to read "W.D.", with a stylized flourish at the end.

Wendell M. Davis

FY 2017-18 BUDGET HIGHLIGHTS

- The tax rate will increase 2.75 cents, which includes a 1.75 cent increase for debt service, and 1.0 cent for Durham Public Schools (DPS) current expense for an overall tax rate of 76.79 cents per \$100 valuation
- Property tax collection percentage remains at 99.60%, with overall property valuation increasing 1.56% from last year's budgeted values.
- Sales taxes, including an inter-local agreement with the City of Durham, are estimated to increase 6.99% from the current year approved budget. See the Revenue Highlights page for more detail.
- Various fee adjustments in Public Health, EMS and the Enterprise Utility Fund.
- Adding 16.78 new General Fund FTEs, realigned 3.0 FTEs, a net General Fund increase of 13.78 FTEs for FY 2017-18. One new FTE (1.0) position created in the Sewer Utility (Enterprise) Fund.
- Increase in the participation rate for the County contribution to the Local Government Employees Retirement System (LERS) from 7.32% to 7.55% for local LEO class and 8.0% to 8.20% for Local Law Enforcement Officers (LEO).
- Continued pay-for performance salary increases for employees for FY 2017-18 by 2% (meets expectations) or 3% (exceeds expectations)
- Implementation of a comprehensive Pay Study and potential related adjustments \$1,150,000
- EMS Paramedic and Sheriff Office Detention Officers FY 2016-17 pay study recommendation \$900,000
- The total no cost increase of the County Benefits Plan Fund for health insurance and 8% increase in dental insurance for a very minimal increase overall from \$23,437,300 to \$23,442,744.
- The General Fund fund balance appropriation increased from \$13.24 million to \$14.37 million.
- \$5.58 million in Community Health Fund annual lease revenues will be transferred to the General Fund to support healthcare-related expenditures.
- Ongoing current expense funding to Durham Public Schools increases \$6.06 million or 4.78% to \$132,665,201 with no increase in capital outlay funding. Article 46 sales tax revenue support of current expense funding for DPS is \$9,900,200, and \$508,140 for Pre-K programs.
 - Local expense per pupil funding increases to \$3,312, up \$165 from FY 2016-17.
- Durham Technical Community College funding increases by 3.77% or \$260,204. Overall Durham Technical Community College will receive \$1.32 million in dedicated Article 46 sales tax support.
- North Carolina Museum of Life and Science current expense funding increases by \$65,105 or 4.00%.
- Purchase of 46 vehicles (new (4) and replacement (42) vehicles) for the EMS, Fire Marshal, ACCESS Transportation, CJRC, General Services, Social Services and Sheriff and new equipment for EMS, Sheriff and Fire Marshal. Detailed on the Vehicle & Equipment page in the document.
- Departments realigned a total of \$1.88 million dollars within their existing budgets to support inflationary contract increases, new initiatives and new position requests.
- 40 nonprofit agencies are approved for funding in the nonprofit funding program in FY 2017-18 at a total of \$650,000. In this application cycle, 57 individual agencies and 2 collaborations applied for funding with requests totaling \$1,561,656. A detailed list of funding recommendations can be found in the Appendix and the approved funding amounts can be found are budgeted in the following fund centers: Economic Development, Other Education, Public Health, CJRC, Engineering and Nondepartmental.
- Funding for Durham County's participation in the Durham Youth Works Internship Program totals \$75,280.
- The Lebanon Fire District is requesting a 1 cent property tax rate increase to support the purchase of a tanker truck, new radio equipment and payroll change related expenses.
 - No changes to any other existing fire tax district tax rates for FY 2017-18.
- Increased Special Park District tax rate of 0.5 cent to support the Research Triangle Park development plan improvements
- Debt Service increase \$10.5 million to \$68.67 million, with dedicated property tax increasing 1.75 cents to 9.71 cents to support future debt service payments that will be increasing. Additional funding from lottery funds and dedicated Sales Tax also support debt service needs for FY2017-2018.